

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**HB 1465 - SB 1485**

March 4, 2019

**SUMMARY OF BILL:** Requires, beginning January 1, 2020 and occurring every two years thereafter, adjustment of the full market value limit upon which property tax relief for disabled veterans is calculated.

**ESTIMATED FISCAL IMPACT:**

**Increase State Expenditures – \$232,000/FY20-21  
\$259,800/FY21-22  
\$582,300/FY22-23  
\$652,200/FY23-24 and Subsequent Years**

Assumptions:

- Pursuant to Tenn. Code Ann. § 67-5-704, the amount of reimbursement for property tax relief provided to disabled veterans is calculated based on the first \$175,000 of the full market value of the property.
- The proposed legislation will require:
  - The full market value limit of \$175,000 to be adjusted every two years, beginning January 1, 2020.
  - The rate of adjustment will be based on the percentage change occurring in the Consumer Price Index for Urban Consumers (CPI-U) for periods ending in September of each year.
  - The rate of adjustment will be calculated by adding the annual percentage changes between the two previous twelve-month periods in September.
  - The rate of increase must not be less than zero percent or more than three percent.
- Property tax notices are sent to taxpayers at the end of a calendar year and paid by the following February. The first tax notices sent containing changes implemented in the proposed legislation will be late calendar year 2020; therefore, the first fiscal year impact will be FY20-21.
- Based on information provided by the Comptroller of the Treasury (COT) in FY17-18, \$15,742,199 was provided under the disabled veteran property tax relief program to approximately 20,655 applicants statewide, for an average of \$762 (\$15,742,199 total / 20,655 participants) awarded to each applicant.
- Participation in this property tax relief program grows 12 percent each year.

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- Assuming the average payment of \$762 per applicant remains unchanged under the current full market value limit of \$175,000, applying the 12 percent participation growth each year would result in the following payments under the disabled veteran property tax relief program:
  - FY18-19: \$17,627,803 [(20,655 FY17-18 participants x 1.12 growth) x \$762]
  - FY19-20: \$19,743,481 [(23,134 FY18-19 participants x 1.12 growth) x \$762]
  - FY20-21: \$22,112,630 [(25,910 FY19-20 participants x 1.12 growth) x \$762]
  - FY21-22: \$24,765,975 [(29,019 FY20-21 participants x 1.12 growth) x \$762]
  - FY22-23: \$27,737,653 [(32,501 FY21-22 participants x 1.12 growth) x \$762]
  - FY23-24: \$31,066,069 [(36,401 FY22-23 participants x 1.12 growth) x \$762]
- Based on historical CPI-U data since 2007, when applying the maximum limit of three percent as prescribed by the proposed legislation, the average percentage change between two twelve-month periods is 2.72 percent.
- While individual awards will vary based on home values and property tax rates of each local government, it is reasonably estimated that the average payment will increase by one percent, from \$762 to \$770, in FY20-21 and FY21-22 and increasing an additional one percent, from \$770 to \$778, in FY22-23 and FY23-24 and subsequent years. The increase in annual payments will result in the following increase in state expenditures:
  - FY20-21: \$232,000 [(29,019 participants x \$770 average payment) - \$22,112,630 total payment under current valuation method]
  - FY21-22: \$259,795 [(32,501 participants x \$770 average payment) - \$24,765,975 total payment under current valuation method]
  - FY22-23: \$582,325 [(36,401 participants x \$778 average payment) - \$27,737,653 total payment under current valuation method]
  - FY23-24: \$652,213 [(40,769 participants x \$778 average payment) - \$31,066,069 total payment under current valuation method]

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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