

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 114 – HB 52

February 6, 2017

SUMMARY OF ORIGINAL BILL: Authorizes local governing bodies, by a two-thirds vote, to prorate tax year 2016 assessments for real personal, commercial, and industrial property and tangible personal property demolished, destroyed, or substantially damaged in a Federal Emergency Management Agency (FEMA) certified disaster occurring between September 1, 2016, and December 31, 2016. Deletes this provision on December 31, 2017 at which point the language will be obsolete.

FISCAL IMPACT OF ORIGINAL BILL:

Decrease Local Revenue –

\$173,800/Sevier County/FY16-17/Permissive

\$8,800/City of Gatlinburg/FY16-17/Permissive

Not Significant/City of Pigeon Forge/FY16-17/Permissive

SUMMARY OF AMENDMENT (002601): Deletes and replaces language in the original bill such that the only substantive changes are to replace “substantially damaged” with “fifty percent (50%) or more damaged” and to change the deadline for filing an application for tax relief from September 1, 2017, to June 30, 2017.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Decrease Local Revenue –

\$171,500/Sevier County/FY16-17/Permissive

\$8,600/City of Gatlinburg/FY16-17/Permissive

Not Significant/City of Pigeon Forge/FY16-17/Permissive

Assumptions relative to Proration Eligibility:

- On December 15, 2016, FEMA declared the Tennessee wildfires occurring in Sevier County between the dates of November 28, 2016, and December 9, 2016, a disaster.

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- Any proration of 2016 property taxes by local governing bodies in Sevier County is permissive and dependent on a two-thirds vote by the respective legislative body.
- Pursuant to Tenn. Code Ann. § 67-5-603 and Tenn. Code Ann. § 67-5-606, proration of assessments is authorized for qualifying events occurring to qualifying properties after January 1 and prior to September 1 of the tax year.
- In order to qualify for proration, the qualifying property's replacement or restoration time must exceed 30 days from the date the damage was incurred.
- In Sevier County jurisdictions voting to prorate property taxes, the county or municipality is required to refund the difference in tax resulting from proration for eligible property taxpayers who have already remitted property taxes for tax year 2016.

Assumptions relative to Damaged Properties:

- It is estimated that 100 percent of eligible property taxpayers will apply for proration.
- All proration estimates are calculated for 34 days, from November 28, 2016, through December 31, 2016.
- Based on information provided by the Comptroller of the Treasury, 2,881 properties were affected by the wildfires.
- All tangible personal property was destroyed on any real property parcel affected by the wildfires.
- All improvements were destroyed for 96 percent of real properties damaged by the wildfires.
- Based on information provided by the Comptroller of the Treasury, the 34-day proration totals relative to real property parcels 50 percent or more damaged for each local taxing jurisdiction by the wildfires are estimated as follows: Sevier County: \$163,548, City of Gatlinburg: \$8,377, and City of Pigeon Forge: \$45.
- Based on information provided by the Comptroller of the Treasury, the 34-day proration totals relative to personal property for each local taxing jurisdiction affected by the wildfires are estimated as follows: Sevier County: \$7,926, City of Gatlinburg : \$222, City of Pigeon Forge: \$0.

Assumptions Related to total impact of the bill as amended:

- The one-time permissive decreases in local revenue in Sevier County resulting from a proration of property taxes on properties 50 percent or more damaged in the wildfires are estimated as follows: Sevier County: \$171,474 (\$163,548 + \$7,926), City of Gatlinburg: \$8,599 (\$8,377 + \$222), and City of Pigeon Forge: \$45 (\$45 + \$0).
- Property taxpayers seeking proration must use a form approved by the Director of the Comptroller's Division of Property Assessments. Form creation and processing will be completed within existing resources. Any fiscal impact to the Comptroller of the Treasury's Office is estimated to be not significant.
- Pursuant to Tenn. Code Ann. § 67-6-396, any person receiving disaster assistance through FEMA for repair, replacement, or construction of the person's primary residence that was destroyed as a result of a natural disaster occurring in Tennessee is entitled to a local and state sales tax refund within one year of receiving FEMA

assistance in an amount not to exceed \$2,500. Any impact on such tax collections will be not significant.

CERTIFICATION:

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

A handwritten signature in blue ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

/amj