

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**SB 1282 - HB 1445**

April 7, 2021

**SUMMARY OF BILL:** Beginning January 1, 2022, increases, from 1,500 to 5,000, the maximum acreage within a taxing jurisdiction which may be claimed as agricultural, forest, or open space land for property tax assessment purposes.

**ESTIMATED FISCAL IMPACT:**

**Decrease Local Revenue – Exceeds \$3,000,000/FY22-23 and Subsequent Years**

Assumptions:

- Pursuant to Tenn. Code Ann. § 67-5-601, § 67-5-801, and § 67-5-1004:
  - Assessors of property appraise the value of farm property based on its immediate value as farm property, without consideration of speculative values;
  - The assessment ratio applied to farm property is 25 percent of the appraised value; and
  - Included in the definition of farm property is land classified as agricultural, forest, and open space.
- The proposed language will result in an increase in the number of properties which will be appraised as farm property, as opposed to such property being appraised considering speculative value.
- Property taxes are calculated by multiplying the appraised value of a property by the assessment ratio applied to that specific type of property, and then multiplying by the taxing jurisdiction's tax rate. If appraised values are decreased, it will ultimately result in a decrease in property taxes collected by the applicable taxing jurisdictions.
- The proposed language is effective January 1, 2022. Given that property tax notices will be sent to taxpayers in late 2022, and paid by February 2023, the first fiscal year impact will be FY22-23.
- The Comptroller of the Treasury (COT) has a state computer-assisted appraisal system known as IMPACT which contains appraisal data from 84 counties. Counties not participating in IMPACT include Davidson, Hamilton, Knox, Rutherford, Shelby, and Williamson counties.
- According to the COT, appraisal data within IMPACT indicates the proposed language will result in:
  - A total decrease in appraisal value of \$492,490,643;
  - A total decrease in assessed value of \$123,122,716; and
  - A decrease in local property tax revenue collected of \$2,860,161.

- It is reasonably estimated the proposed language will result in a mandatory recurring decrease in local government revenue exceeding \$3,000,000 statewide, beginning in FY22-23.

**CERTIFICATION:**

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

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

Krista Lee Carsner, Executive Director

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