



March 4, 2023

**SUMMARY OF BILL:** Redefines industrial and commercial property for property tax assessment and classification purposes to include real property that is used for dwelling purposes in which 50 or more single-family, residential properties are owned by one individual, entity, or association, including, but not limited to, investor groups, within one county and used, or held for use, as rental property.

**FISCAL IMPACT:**

**Increase Local Revenue – Exceeds \$2,903,100/FY24-25 and Subsequent Years**

Assumptions:

- Pursuant to Tenn. Code Ann. § 67-5-801, for purposes of taxation:
  - Industrial and commercial property is assessed at 40 percent of its value; and
  - Residential property is assessed at 25 percent of its value.
- Since industrial and commercial property is taxed at a higher percentage than residential property, redefining industrial and commercial property to include real property with 50 or more single-family, residential properties used as rental property would result in an increase in local property tax revenue.
- The proposed legislation applies to tax years beginning on or after the effective date of July 1, 2023; therefore, the first tax year that will be impacted is 2024.
- Given that property tax notices will be sent to taxpayers in late 2024 and paid by February 2025, the first fiscal year impact will be FY24-25.
- Based on information provided by the Comptroller of the Treasury (COT) using property tax data from tax year 2022 for the 86 counties in Tennessee that use the state computer assisted mass appraisal system, IMPACT, it is estimated that there are 44 owners in 18 counties with 3,828 properties that would be classified as industrial and commercial property upon passage of the proposed legislation.
- Data for the nine counties (Chester, Davidson, Hamilton, Hickman, Knox, Montgomery, Rutherford, Shelby, and Williamson) that do not use IMPACT was not readily available.
- The table below shows local residential taxes for IMPACT counties. The residential amount is multiplied by a factor of 1.6 (40% industrial and commercial / 25% residential) to provide the amount of property taxes that would result from such properties being assessed as industrial and commercial property.
- The difference between the actual residential taxes and the projected industrial and commercial taxes represents the estimated total increase in local government revenue.

	Residential	Industrial- Commercial	Revenue
County Taxes	\$3,617,892	\$5,788,627	\$2,170,735
City Taxes	\$1,220,554	\$1,952,886	\$732,332
Total	\$4,838,446	\$7,741,514	\$2,903,068

- Due to the lack of data available for the nine non-IMPACT counties, it is estimated that beginning in FY24-25, there will be a recurring increase in local revenue exceeding \$2,903,068.
- It is assumed that a county assessor of property would be able to absorb any increase in workload due to tracking rental entities with 50 or more single-family dwellings by utilizing existing resources and staff, resulting in no significant increase to local expenditures.

**CERTIFICATION:**

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



Krista Lee Carsner, Executive Director

/mp