

HB 48 – SB 368

FISCAL NOTE



Fiscal Review Committee
Tennessee General Assembly

March 15, 2025

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SUMMARY OF BILL: Eliminates the property value limit used in calculating property tax relief payments for disabled veteran homeowners, thereby providing relief for all property taxes paid on their residences.

FISCAL IMPACT:

STATE GOVERNMENT	
EXPENDITURES	General Fund
FY26-27 & Subsequent Years	>\$32,798,500

OTHER FISCAL IMPACT
The extent of any decrease to local government expenditures cannot be reasonably determined.

Assumptions:

- Pursuant to Tenn. Code Ann. § 67-5-704, there shall be paid from the General Fund of the state to certain disabled veterans or their eligible surviving spouses the amount necessary to pay or reimburse such taxpayers for all or part of the local property taxes paid for a given tax year on that property that the disabled veteran owned and used as their residence.
- Such reimbursement is paid on the first \$175,000 of the full market value of such property.
- The proposed legislation removes the property value limit for upon which property tax relief is calculated, beginning in tax year 2026.
- Given that property tax notices will be sent to taxpayers in late 2026 and paid by February 2027, the first fiscal year impact will be FY26-27.
- Based on information provided by the Comptroller of the Treasury (COT) utilizing tax relief data for FY23-24:
 - The actual amount of property tax relief for disabled veterans and surviving spouses at the \$175,000 assessed property value limit was \$30,359,815;
 - The total tax amount for disabled veterans and surviving spouse recipients was \$53,705,105; and
 - If the total tax amount had been paid for all disabled veterans and surviving spouses, the total expenditure would have been \$23,345,290 (\$53,705,105 - \$30,359,815).

- Based on the recent growth rate in property tax relief payments to disabled veterans and their surviving spouses, the impact to this population has been projected forward to FY26-27 using an annual growth rate of 12 percent in order to determine the estimated increase in tax relief payments.
- Subsequent years would be expected to see similar growth percentages.
- Projecting the estimated property tax relief from FY23-24 for this population forward to FY26-27 will result in \$42,653,354 at the \$175,000 limit and a total tax amount of \$75,451,806.
- The recurring increase in state expenditures for disabled veteran and surviving spouse homeowners' property tax relief from the General Fund is estimated to exceed \$32,798,452 (\$75,451,806 - \$42,653,354), beginning in FY26-27.
- Certain local governments have adopted various forms of local supplemental tax relief programs.
- Eliminating the property value limit for disabled veterans and surviving spouses would result in a decrease in local government expenditures for these programs, as the total amount of relief that can be provided to such homeowners is capped at the actual tax amount; however, the timing and extent of any permissive decrease to expenditures will vary based on the approach and criteria for such programs.
- Any permissive decrease in local expenditures cannot reasonably be determined.

CERTIFICATION:

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



Bojan Savic, Executive Director