



January 31, 2024

SUMMARY OF BILL: Requires the state to reimburse 100 percent of local property taxes on the residences of veterans with permanent and total disabilities or their surviving spouses.

FISCAL IMPACT:

**Increase State Expenditures – \$20,454,000/FY24-25
Exceeds \$22,908,500/FY25-26 and Subsequent Years**

Other Fiscal Impact – The extent of any permissive impact on local government expenditures cannot reasonably be estimated.

Assumptions:

- Pursuant to Tenn. Code Ann. § 67-5-704, there shall be paid from the state’s General Fund 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 a property that the disabled veteran owned and used as their residence. The reimbursement shall be paid on the first \$175,000 of the full market value of such property.
- The proposed legislation takes effect upon becoming law; therefore, it is assumed the first tax year that will be impacted is tax year 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 for FY22-23:
 - The total amount of property taxes for disabled veteran and surviving spouse homeowners is \$44,808,839;
 - The total amount of property tax relief is \$28,503,038; and
 - If the total tax amount had been paid for all disabled veterans and surviving spouses, the increase in state expenditures would have been \$16,305,801 (\$44,808,839 - \$28,503,038).
- 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 FY24-25 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 amount from 2022 for this population forward to FY24-25, the proposed legislation will result in an increase to state expenditures of \$20,453,997 in FY24-25 and exceeding \$22,908,477 in FY25-26 and subsequent years.
- Certain local governments have adopted supplemental tax relief programs; the proposed legislation would eliminate any need for those programs, resulting in a decrease in local expenditures for tax relief payments.
- It is not known whether such local governments would see a cost-savings or instead direct such funds to a different purpose; any permissive impact to local government expenditures cannot be estimated.

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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