



March 1, 2024

SUMMARY OF BILL: Revises the formula for calculating tax relief on real property owned by eligible disabled veterans.

FISCAL IMPACT:

Increase State Expenditures –

Exceeds \$2,366,500/FY25-26 and Subsequent Years

Other Fiscal Impact – The extent of any permissive increase in local government expenditures cannot reasonably be determined.

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; and
 - To determine the amount of relief paid, the effective assessed value on the first \$175,000 of full market value is multiplied by a tax rate that has been adjusted to reflect the relationship between appraised value and market value in that jurisdiction (equalization factor), as determined by the State Board of Equalization.
- The proposed legislation removes the equalization factor and instead multiplies the assessed value of the property by the ad valorem tax rate in that jurisdiction.
- The proposed legislation applies to tax years beginning on or after July 1, 2024. Therefore, the first year impacted by the legislation will be FY25-26.
- Based on information provided by the Comptroller of the Treasury for FY22-23:
 - The total amount of property tax relief paid to disabled veteran and surviving spouse homeowners was \$28,503,038;
 - Using the revised calculation method, the amount of property tax relief would have been: \$30,187,494;
 - The proposed legislation would have resulted in an increase in state government expenditures of \$1,684,456 (\$30,187,494 - \$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 relief from FY22-23 for this population forward to FY25-26 the proposed legislation will result in an increase in state expenditures exceeding \$2,366,539 in FY25-26 and subsequent years.
- Certain local governments have adopted various forms of local supplemental tax relief programs.
- Removing the equalization factor for calculating tax relief payments for certain disabled veterans and surviving spouses could also result in an increase in local government expenditures for these programs.
- However, the timing and extent of any permissive increase in expenditures will vary based on the approach and criteria for such programs.
- Any increase in local expenditures cannot reasonably be determined.

CERTIFICATION:

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



Krista Lee Carsner, Executive Director

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