



# County Technical Assistance Service

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## Tax Relief

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We hope this information will be useful to you; reference to it will assist you with many of the questions that will arise in your tenure with county government. However, the *Tennessee Code Annotated* and other relevant laws or regulations should always be consulted before any action is taken based upon the contents of this document.

Please feel free to contact us if you have questions or comments regarding this information or any other e-Li material.

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## Tax Relief

**Reference Number:** CTAS-1559

The legislature has provided authority for tax relief programs in which the state pays a portion of the county property taxes due on residences of qualified taxpayers. The program authorizes payment, or reimbursement of taxes already paid, to the following taxpayers: (1) elderly low-income homeowners, (2) disabled homeowners, and (3) disabled veterans.<sup>1</sup>

Counties may not provide tax relief by setting a lower tax rate, or by reducing penalty and interest, for particular classes of residents. Such provisions violate the uniformity provisions of Tenn. Const. art. II, § 28.<sup>2</sup> However, in 2006, the legislature amended T.C.A. § 67-5-701(j) to allow all counties to appropriate funds for tax relief for elderly low income homeowners, disabled homeowners and disabled veterans. 2006 Public Chapter 739. The total tax relief from the state and local appropriations cannot exceed the total taxes actually paid. Only the taxpayers eligible for the state program are eligible for tax relief from a county appropriation.<sup>3</sup>

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<sup>1</sup>T.C.A. § 67-5-701 *et seq.*

<sup>2</sup>Ops. Tenn. Atty. Gen. 96-044 (March 13, 1996) and 89-111 (September 5, 1989).

<sup>3</sup>T.C.A. § 67-5-701(j)

## Administrative Provisions

**Reference Number:** CTAS-1560

The State Board of Equalization, through the Division of Property Assessments, is charged with the implementation of T.C.A. §§ 67-5-702 - 67-5-704, and promulgates all the necessary rules, regulations and procedures for their implementation.<sup>1</sup>

Property tax relief is obtainable by submitting an application to the collecting official (i.e., county trustee) using a form approved by the State Board of Equalization. The collecting official will make a preliminary determination of eligibility and forwards the application to the state for final approval. The collecting official may allow the applicant a credit for the projected amount of property tax relief if the applicant appears from the application to be eligible and submits the balance of the property taxes due at the time the credit is given. The collecting official may present evidence of the credit to the director of the Division of Property Assessments, who then authorizes the payment to the tax jurisdiction of the amount for which the applicant was credited in taxes. If later processing of the application indicates that the applicant was ineligible or the credit was otherwise issued in error, the state notifies the applicant and the collecting official and may recover the erroneous payment from the tax jurisdiction. The amount represented by the erroneous payment then becomes due and payable by the applicant as property taxes, but the taxes do not accrue delinquency penalty or interest until 60 days from the date of the notification to the applicant.<sup>2</sup>

A county trustee may enter into a contract with a city collecting official to process tax relief applications received by the city collecting official.<sup>3</sup>

Any person who received tax relief payments in error for any tax year or years must repay the state the amount received in error. There is a bar against collection of repayments unless demand is made within two years following the due date for the tax year to which the erroneous payments relate. Any person who received tax relief payments in error may reapply and may obtain tax relief for a subsequent tax year; provided that eligibility is established and the person either pays the full amount of repayment due or applies one half of the tax relief amount for which the person may be eligible to repay the state for amounts received in error until no further repayment is due. The limited liability and right to reapply afforded under the statute is not available to persons who willfully provide false information concerning eligibility. Any taxpayer who willfully provides false information concerning the taxpayer's income or other information relative to eligibility for tax relief will be required to immediately repay to the state the full amount of any tax relief received as a result of such false information, plus an amount equal to the penalty and interest calculated according to the rates specified in former T.C.A. § 67-1-801(b).<sup>4</sup>

All taxpayers otherwise eligible for tax relief under T.C.A. §§ 67-5-702 - 67-5-704, but who fail to apply for a refund or present a credit voucher for credit on their taxes within 35 days from the date taxes in the jurisdiction become delinquent for that year, are deemed ineligible for tax relief for that tax year. The payment of the full amount of taxes by the delinquency date is not a condition of eligibility for tax relief.<sup>5</sup>

Tax relief will be provided to only one recipient for a given property for any tax year and under no condition will any taxpayer receive tax relief for property taxes paid on more than one place of residence for any tax year.<sup>6</sup>

If a taxpayer eligible for tax relief pursuant to T.C.A. § 67-5-702 (elderly low-income homeowners) or T.C.A. § 67-5-703 (disabled homeowners) dies after applying for tax relief or after receiving a voucher, the surviving spouse, and only the surviving spouse, is qualified to present to the collecting official the tax relief voucher selected for the deceased and to receive a final payment for the tax year for which the voucher was selected, unless the taxes were paid prior to the taxpayer's death. If the taxes were paid at the time application was made and prior to the taxpayer's death, either the surviving spouse or any duly appointed personal representative of the decedent may receive the payment.<sup>7</sup>

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<sup>1</sup>T.C.A. § 67-5-701(a).

<sup>2</sup>T.C.A. § 67-5-701(c).

<sup>3</sup>T.C.A. § 67-5-701(l). 2010 Public Chapter 932.

<sup>4</sup>T.C.A. § 67-5-701(g).

<sup>5</sup>T.C.A. § 67-5-701(d)(1).

<sup>6</sup>T.C.A. § 67-5-701(f).

<sup>7</sup>T.C.A. § 67-5-701(h).

## Elderly Low-Income Homeowners

**Reference Number:** CTAS-1561

Low-income taxpayers 65 years of age or older who owned and used a principal residence may qualify for tax relief for all or part of the local property taxes paid for a given year on that property.<sup>1</sup> Such reimbursement shall be paid on the first twenty-seven thousand dollars (\$27,000), or such other amount as set forth in the general appropriations act or as adjusted pursuant to subdivision (a)(3)(B), of the full market value of such property. Beginning for tax year 2018, and each subsequent tax year, the amount on which reimbursement shall be paid under subdivision T.C.A. § 67-5-702(a)(3)(A) shall be increased annually to reflect inflation, as measured by the United States bureau of labor statistics consumer price index for all urban consumers and shall be rounded to the nearest one hundred dollars (\$100). The comptroller of the treasury shall notify taxpayers of any change in dollar amounts made pursuant to this subdivision (a)(3)(B) and post the information in a readily identifiable location on the comptroller's website. The annual percentage changes used in this calculation shall be no less than zero percent (0%) and no more than three percent (3%).<sup>2</sup>

For tax year 2007 and thereafter, the taxpayer's annual income from all sources can not exceed \$24,000, or such other amount as set forth in the general appropriations act. For subsequent years, the annual income limit is adjusted to reflect the cost of living adjustment for social security recipients as determined by the social security administration and is rounded to the nearest \$10. The income attributable to the applicant for tax relief shall be the income of all owners of the property, the income of applicant's spouse and the income of any owner of a remainder or reversion in the property if the property constituted the person's legal residence at any time during the year for which tax relief is claimed.<sup>3</sup> Any portion of social security income, social security equivalent railroad retirement benefits, and veterans entitlements required to be paid to a nursing home for nursing home care by federal regulations is not considered income to an owner who relocates to a nursing home.<sup>4</sup>

Taxpayers who become 65 years of age on or before December 31 of the year for which an application for property tax relief is made and are otherwise eligible will be qualified as elderly low-income homeowners.<sup>5</sup>

<sup>1</sup>T.C.A. § 67-5-702(a)(1).<sup>2</sup>T.C.A. § 67-5-702(a)(3).<sup>3</sup>T.C.A. § 67-5-702(a)(2).<sup>4</sup>T.C.A. § 67-5-702(a)(2).<sup>5</sup>T.C.A. § 67-5-702(c).

## Disabled Homeowners

**Reference Number:** CTAS-1562

Taxpayers who are totally and permanently disabled who owned and used a principal residence may qualify for tax relief for all or part of the local property taxes paid for a given year on that property. Disability is determined by rules and regulations of the State Board of Equalization.<sup>1</sup> Such reimbursement shall be paid on the first twenty seven thousand dollars (\$27,000), or such other amount as set forth in the general appropriations act or as adjusted pursuant to subdivision (a)(3)(B), of the full market value of such property. Beginning for tax year 2018, and each subsequent tax year, the amount on which reimbursement shall be paid shall be increased annually to reflect inflation, as measured by the United States bureau of labor statistics consumer price index for all urban consumers and shall be rounded to the nearest one hundred dollars (\$100). The comptroller of the treasury shall notify taxpayers of any change in dollar amounts made pursuant to this subdivision T.C.A. § 67-5-703 (a)(3)(B) and post the information in a readily identifiable location on the comptroller's website. The annual percentage changes used in this calculation shall be no less than zero percent (0%) and no more than three percent (3%).<sup>2</sup>

For tax year 2007 and thereafter, the taxpayer's annual income from all sources shall not exceed \$24,000, or such other amount as set in the general appropriations act. For subsequent years, the annual income limit is adjusted to reflect the cost of living adjustment for social security recipients as determined by the social security administration and is rounded to the nearest \$10. The income attributable to the applicant for tax relief shall be the income of all owners of the property, the income of applicant's spouse and the income of any owner of a remainder or reversion in the property if the property constituted the person's legal residence at any time during the year for which tax relief is claimed.<sup>3</sup> Any portion of social security income, social security equivalent railroad retirement benefits, and veterans entitlements required to be paid to a nursing home for nursing home care by federal regulations is not considered income to an owner who relocates to a nursing home.<sup>4</sup>

Taxpayers who become totally and permanently disabled on or before December 31 of the year for which application is made for property tax relief and are otherwise eligible will be qualified as disabled homeowners.<sup>5</sup>

<sup>1</sup>T.C.A. § 67-5-703(a)(1).<sup>2</sup>T.C.A. § 67-5-703(a)(3).<sup>3</sup>T.C.A. § 67-5-703(a)(2).<sup>4</sup>T.C.A. § 67-5-703(a)(2).<sup>5</sup>T.C.A. § 67-5-703(c).

## Disabled Veterans

**Reference Number:** CTAS-1563

Disabled veterans who owned and used a principal residence may qualify for tax relief for all or part of the local property taxes paid for a given tax year on that property.<sup>1</sup> Reimbursement is paid on the first \$175,000 of the full market value of the property.<sup>2</sup> Property tax relief will not be extended to any person who was dishonorably discharged from any branch of the armed services.<sup>3</sup>

For the purposes of T.C.A. § 67-5-704, a "disabled veteran" means a person who has served in the armed forces of the United States, and who has

1. acquired in connection with his or her military service a disability from paraplegia or permanent paralysis of both legs and lower part of the body resulting from traumatic injury or disease to the spinal cord or brain, or from legal blindness, or from loss or loss of use of two or more limbs from any service-connected cause;
2. acquired 100 percent permanent total disability, as determined by the United States Veterans' Administration, and the disability resulted from having served as a prisoner of war; or
3. acquired service-connected permanent and total disability or disabilities, as determined by the United States Department of Veterans' Affairs.<sup>4</sup>

The determination of the United States Veterans' Administration concerning the disability status of a veteran is conclusive for purposes of this statute.<sup>5</sup>

Property tax relief will also be extended to the surviving spouse of a disabled veteran who at the time of the disabled veteran's death was eligible for disabled veterans' property tax relief. If a subsequent amendment to the law concerning eligibility as a disabled veteran would have made the deceased veteran eligible for disabled veterans' property tax relief, then property tax relief shall also be extended to the surviving spouse. A surviving spouse shall continue to qualify for disabled veterans' property tax relief as long as the surviving spouse does not remarry, solely or jointly owns the property for which tax relief is claimed, and uses the property for which tax relief is claimed exclusively as a home.<sup>6</sup>

Property tax relief will also be extended to the surviving spouse of a veteran whose death results from a service-connected, combat-related cause, as determined by the United States Veterans' Administration; provided that the surviving spouse does not remarry and the property for which tax relief is claimed is owned by and used exclusively by the surviving spouse as a home.<sup>7</sup>

Property tax relief will also be extended to the surviving spouse of a soldier whose death results from being deployed, away from any home base of training and in support of combat or peace operations; provided, that the surviving spouse does not remarry, solely or jointly owns the property for which tax relief is claimed, and uses the property for which tax relief is claimed exclusively as a home. T.C.A. § 67-5-704(g).

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<sup>1</sup>T.C.A. § 67-5-704(a)(1).

<sup>2</sup>T.C.A. § 67-5-704(3).

<sup>3</sup>T.C.A. § 67-5-704(c).

<sup>4</sup>T.C.A. § 67-5-704(b). See also Op. Tenn. Atty. Gen. 86-66 (March 17, 1986) (addressing the issue of combat-related injury).

<sup>5</sup>T.C.A. § 67-5-704(d).

<sup>6</sup>T.C.A. § 67-5-704(e).

<sup>7</sup>T.C.A. § 67-5-704(f).

## Additional Tax Relief

**Reference Number:** CTAS-1564

The county legislative body may provide for the appropriation of funds for tax relief for elderly low-income homeowners as described in T.C.A. § 67-5-702, for disabled homeowners as described in T.C.A. § 67-5-703, and for disabled veterans as described in T.C.A. § 67-5-704. However, in no event may the total relief allowed by the state and county exceed the total taxes actually paid.<sup>1</sup> Only those taxpayers who qualify under T.C.A. §§ 67-5-702 - 67-5-704 are eligible for this additional tax relief, and the eligible taxpayers must have previously applied for and obtained the relief authorized by T.C.A. § 67-5-702, T.C.A. § 67-5-703 or T.C.A. § 67-5-704.<sup>2</sup>

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<sup>1</sup>T.C.A. § 67-5-701(j)(1).

<sup>2</sup>T.C.A. § 67-5-701(j)(2).

## Property Tax Freeze Act

**Reference Number:** CTAS-1565

In 2007, the General Assembly enacted the Property Tax Freeze Act, T.C.A. § 67-5-705. The act authorizes the county legislative body, by resolution, to adopt the property tax freeze program according to the statute. The county legislative body is also authorized to terminate the tax freeze program by resolution, but the resolution terminating the program cannot have the effect of terminating the program until the following tax year.

In counties that have adopted the property tax freeze, taxpayers apply annually to the collecting official (county trustee) by the deadline established in the program rules, and applicants must qualify on the basis of age, income and ownership of eligible property. The trustee determines whether requirements for eligibility have been met, and the trustee's determination is final, subject to audit and recovery of taxes, including penalty and interest at the rates provided for delinquent taxes under T.C.A. § 67-5-2010, if the applicant is later determined to have not been eligible. Any taxpayer who knowingly provides false information concerning the taxpayer's income or other information relative to eligibility for such program commits a Class A misdemeanor.

Once the trustee approves the application, property taxes due upon the applicant's principal residence shall be the lesser of: (1) the actual tax due; or (2) the base tax, provided the base tax shall be adjusted to reflect any percentage increase in the value of the property determined by the assessor to be attributed to improvements made or discovered after the time the base tax was established. The base tax shall be recalculated in any year in which the actual tax due is less than the previously established base tax for the property, and the recalculated base tax shall apply until further recalculated. "Base tax" is defined as the property tax due on the principal residence of a qualifying taxpayer at the time the jurisdiction levying the tax adopts a resolution approving the property tax freeze; provided, however, if the taxpayer did not qualify or did not own an eligible residence when the freeze was adopted, "base tax" means the maximum property tax due on the taxpayer's eligible residence for the year in which the taxpayer became eligible on the basis of an approved application. If a taxpayer reapplies after acquiring a new residence or after a period of ineligibility, the base tax shall be recalculated for the year of reapplication and reestablishment of eligibility.

To qualify for the property tax freeze, the applicant must be sixty-five (65) years of age by the end of the year in which the application is filed. The applicant must own and use the property as the applicant's principal residence for which the tax freeze is sought in the year of application or reapplication and through the deadline date for application or reapplication. The tax freeze only applies to the principal residence and no more than the maximum limit for land established by state rules. The state rules establish the maximum size limits for land which may qualify as a taxpayer's principal residence. The rules are to take into consideration lot size requirements under applicable zoning as well as property actually used to support residential structures; provided, however, the size limit cannot exceed five acres.

In addition to the qualifications stated in above, the applicant's income, combined with the income of any other owners of the property, the income of the applicant's spouse, and the income of any owners of a remainder or reversion in the property who used the property as their principal place of residence at any time during the year may not exceed the income limit set forth in the act. Income for purposes of qualification means income from all sources as defined by the program rules. The act provides that the income limit for the property tax freeze program shall be the greater of weighted average of the median household income for age groups sixty-five to seventy-four, and seventy-five or over, who resided within the county as determined in the most recent federal decennial census, or the applicable state tax relief income limit established under T.C.A. § 67-5-702. This limit is to be adjusted by the comptroller to reflect the cost of living adjustment for social security recipients as determined by the social security administration and shall be rounded to the nearest ten dollars. The adjusted weighted average median household income level for each county shall be published annually by the comptroller. The comptroller is authorized to perform income verification or other related services or assistance at the request of a county or municipality if the county or municipality agrees to pay fees sufficient to reimburse the actual costs of the comptroller in providing such services or assistance, unless or to the extent not appropriated by the General Assembly. Financial records filed for purposes of income verification are declared to be confidential and not subject to inspection under the Tennessee public records act, but are to be made available to local or state officials who administer or enforce the provisions of the law.

The property tax freeze program is subject to any uniform definitions, application forms and requirements, income verification procedures and other necessary or desirable rules, regulations, policies and proce-

dures, not in conflict with the terms of the act, as may be adopted by the State Board of Equalization through the Division of Property Assessments.

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