Property Tax Reappraisal and Certified Tax Rate

Property tax reappraisal and certified tax rates

The Tennessee Certified Tax Rate process is designed to ensure "truth-in-taxation" following a county-wide reappraisal. The process ensures the amount of total taxes collected for a county remain the same after a reappraisal, even if the combined value of all property in the county rose or fell following the reappraisal.

Property Tax Reappraisal

The largest single source of funding for local governments, property taxes primarily fund public schools. A property's tax bill is based on a percentage of the fair market value of the property as determined by the assessor of property as of January 1 of the tax year. The law requires land and buildings be revalued for property tax purposes at least every six years (sometimes more often), this process of revaluing property in a county is referred to as the county's "reappraisal" or "reappraisal year."

However, a property's taxable value or "assessed value" is based on a percentage of its market value. The assessed value of a property varies according to whether the property is classified as farm/residential property (25% of fair market value), commercial/industrial property (40%) or public utility property (55%). Taxpayers may appeal their property's fair market value or assessment classification.

In addition to a property's assessed value, the other determinant of the total tax bill is the tax rate, expressed as an amount per $100 of assessed value, which is adopted by county commissions and city councils each year after considering their annual budgets. Taxpayers can discuss or express concern about the tax rate at the office or meetings of their county commissioners or city councilmen or aldermen, beginning usually in July of the year.

Calculating a Certified Tax Rate

Higher values during a reappraisal do not necessarily mean higher taxes. The law requires counties and cities to reexamine property tax rates after a reappraisal to make sure higher taxable values do not automatically result in a tax revenue increase. Known as the certified tax rate law or "truth-in-taxation", the law requires local governments to conduct public hearings before adopting a property tax rate which would generate more taxes overall than were billed the year before at the previous year's lower values. If the new tax rate following a reappraisal does not exceed the certified rate, the average tax bill may actually remain the same. If a property's value increased as the result of the revaluation more than the average, the taxes may be somewhat higher, while if the value increased less than the average, the tax bill may actually be lower in a revaluation year compared to the year before.

Once a certified rate is calculated by the assessor and chief executive of the tax jurisdiction, and reviewed by the State Board of Equalization, it is submitted to the jurisdiction's governing body for formal determination, usually for consideration with the budget. If the budget will require an increase above the certified rate, the governing body must publish notice of a public hearing on whether to exceed the certified rate and then may proceed to adopt an actual tax rate after the hearing. If the certified tax rate is exceeded, the jurisdiction must send the State Board of Equalization an affidavit of publication for the hearing notice, and a certified copy of the final tax rate ordinance or resolution

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