




STATE OF TENNESSEE
STATE BOARD OF EQUALIZATION

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Memorandum

To: County mayors and assessors

From: Kelsie Jones, Executive Secretary 
State Board of Equalization

Subject: **Revising tax rates for error in CTR**

Senate Bill 2553 (Public Chapter not yet assigned), signed by Governor Haslam on May 16, authorizes cities, counties and special school districts to revise a property tax levy to account for a certified (tax neutral) rate *calculation error*. The practical effect for cities and counties will be limited to errors discovered before billing, otherwise the error may be corrected with the next year's levy. Special school districts cannot set their own tax rates (nor may a city or county set rates for them), and they will benefit even after billing because the next year's rate can be corrected without petitioning the state legislature. This memo explains the new law and our suggested process for implementing it.

Generally final adoption of a property tax rate precludes revision except to cure an irregularity. OAG 92-03. An exception is T.C.A. §67-5-1703 (c), permitting adjustment of a previously adopted levy for assessment changes by the county or state boards of equalization. SB 2553 allows a new rate revision for 'erroneous calculation' of the tax neutral rate. The clearest example is a math or recording error, but it might also apply to a procedural error, for example, failure to adjust for tax freeze properties or property exempted from the prior year roll.¹ If the error is large enough to affect the tax neutral rate, the tax jurisdiction may request to recalculate and redetermine the rate.

The request should be submitted to this office with documentation of the error. We will review the request and report the result of our review to the assessor and chief executive

¹ The tax neutral rate formula divides the prior year levy by the current (reappraisal) year assessment base. Properties whose value was not subject to the reappraisal process the year of reappraisal or the year before must be removed from the calculation (T.C.A. §67-5-1701) by adjusting either the prior year levy, the current year base, or both, as appropriate.

of the tax jurisdiction. The jurisdiction should then redetermine the corrected tax-neutral rate on simple motion and second. If taxes for the reappraisal year have not yet been billed, the levy may be revised without exceeding the corrected rate by following the jurisdiction's usual process for adoption of a tax rate.² If taxes based on the erroneous rate have already been billed, the corrected rate will not be retroactive as billing has the effect of finalizing the levy. In the process of levying taxes the following year, the jurisdiction may choose to call public attention to the certified error to explain at least in part the change in the following year's levy.

Please share this information with city mayors and special school district administrators.

cc: Assessors of property

² Normally, levying a rate in excess of the tax-neutral rate requires special public notice and hearing. Under SB 2553 a revised levy that does not exceed the corrected rate need not be preceded by this special notice and hearing even though the new rate would exceed the erroneous rate adopted previously. Note that although property tax rates for a special school district normally require action of the legislature, a tax neutral rate adjustment does not require legislative action, and a corrected tax neutral rate will take effect on certification of the correction by the SBOE and acceptance of the correction by act or resolution of the SSD board.