

## Understanding Tennessee Property Assessments

**Bryan Kinsey, AAS, TCA, TMA**  
*Division of Property Assessments*

CCFO & CMFO Training  
September-October 2023



TENNESSEE COMPTROLLER OF THE TREASURY

## Who We Are

- Comptroller of the Treasury,  
Jason E. Mumpower
- Office Mission: **Make**  
**government work better**



TENNESSEE COMPTROLLER OF THE TREASURY

## Who We Are

- The Division of Property Assessments (DPA)
- One of 12 divisions of the Comptroller's Office; one of 3 divisions directly involved in property tax administration
- Created by the 85th General Assembly in 1967
- Purpose: **effective administration of Tennessee's property tax**



TENNESSEE COMPTROLLER OF THE TREASURY

## What We Do

- Primary Functions
  - Assist in reappraisal programs
  - Monitor and audit assessor of property office functions
  - Conduct appraisal ratio studies and current value updates
  - Administer the Assessment Certification and Education Program
  - Administer a statewide computer-assisted mass appraisal system
  - Provide data processing services
  - Administer the Tax Relief Program
  - Provide support for the Tax Freeze Program
  - Provide geographic services to local governments

TENNESSEE COMPTROLLER OF THE TREASURY



## Why We Do It

- The Constitution of the State of Tennessee
  - Article II, Section 28
    - All property subject to taxation
    - Legislature may exempt certain properties
  - For purposes of taxation, three classifications
    - Real property
    - Tangible personal property
    - Intangible personal property



TENNESSEE COMPTROLLER OF THE TREASURY

## Why We Do It

- The Constitution of the State of Tennessee
  - Article II, Section 28
    - Real property classified into four subclassifications and assessed at:
      - Public Utility Property (55%)
      - Industrial and Commercial Property (40%)
      - Residential Property (25%)
      - Farm Property (25%)



TENNESSEE COMPTROLLER OF THE TREASURY

## Why We Do It

- The Constitution of the State of Tennessee
  - Article II, Section 28
    - Tangible personal property classified into three subclassifications and assessed at:
      - Public Utility Property (55%)
      - Industrial and Commercial Property (30%)
      - All other Tangible Personal Property (5%)
        - Exempts \$7,500 worth of such tangible personal property ... in the hands of a taxpayer
  - Intangible personal property assessment level left up to the Legislature (40%)



TENNESSEE COMPTROLLER OF THE TREASURY

## Why We Do It

- The Constitution of the State of Tennessee
  - Article II, Section 28
    - Legislature **shall** provide tax relief to elderly, low-income taxpayers
    - Legislature **may** provide tax relief to homeowners totally and permanently disabled
    - Legislature **may** authorize tax freeze



TENNESSEE COMPTROLLER OF THE TREASURY

## Why We Do It

- The Constitution of the State of Tennessee
  - Article II, Section 28
    - Requires equality and uniformity of assessments
    - Enables the Legislature to establish the value and definition of property
    - Requires taxing authorities to apply the same tax rate to all properties



TENNESSEE COMPTROLLER OF THE TREASURY

## Why We Do It

- Laws enacted by the General Assembly
  - Title 67, Chapter 1 of Tennessee Code Annotated
    - Division of Property Assessments
    - County Boards of Equalization
    - State Board of Equalization
    - Assessors of Property
    - And more...



TENNESSEE COMPTROLLER OF THE TREASURY

## Why We Do It

- Laws enacted by the General Assembly
  - Title 67, Chapter 5 of Tennessee Code Annotated
    - Authority to levy a property tax
    - Exemptions
    - Classification and assessment
    - Assessment review
    - Periodic reappraisal and equalization
    - Certified tax rate
    - Delinquent taxes
    - And more...



TENNESSEE COMPTROLLER OF THE TREASURY

## Why We Do It

- Rules promulgated by the State Board of Equalization (SBOE)
  - Contested case procedures
  - Tax Relief
  - Assessment certification and training
  - Assessment of tangible personal property
  - Equalization
  - Exemptions
  - Tax Freeze
  - And more...



TENNESSEE COMPTROLLER OF THE TREASURY

## Why We Do It

- Assessment manuals
  - Developed by DPA and approved by SBOE
  - Developed by and approved by SBOE
- Published standards such as those from the International Association of Assessing Officers



TENNESSEE COMPTROLLER OF THE TREASURY

## Appraisal, Assessment, and Equalization

- Appraisal = opinion of value
- Approaches to value
  - Market approach (sales comparison)
  - Cost approach (replacement cost new less depreciation)
  - Income approach (net operating income / capitalization rate)
- Assessment = constitutional percentage applied to appraised value
  - Residential/farm (25%)
  - Commercial/industrial (40%)
  - Personal property (30%)



TENNESSEE COMPTROLLER OF THE TREASURY

## Appraisal, Assessment, and Equalization

- Separation of duties
- Assessment function is distinct from taxation function
- Assessor of Property appraises and classifies the property and then applies the Constitutional percentages to appraisals to determine assessments
- County Commission and city governing bodies determine local property tax rates
- Taxes are collected by county Trustee and city collecting officials



TENNESSEE COMPTROLLER OF THE TREASURY

## Appraisal, Assessment, and Equalization

- Example
  - Residential appraised value = \$400,000
  - Residential assessment percentage = 25%
  - Assessed value = \$100,000
  - Tax rate = \$2.50 per \$100 of assessed value
  - Tax calculation
    - $(\$100,000 / 100) * \$2.50$
    - $\$1,000 * \$2.50 = \mathbf{\$2,500}$



TENNESSEE COMPTROLLER OF THE TREASURY



## Appraisal, Assessment, and Equalization

- The Role of the Assessor
  - Primary responsibility is to locate, identify, and appraise all taxable property for the purpose of achieving fair and equitable assessments
    - Appraisal date: January 1
    - Achieved through discovery, visual inspection, and periodic revaluations
      - Real property **revalued on a multi-year cycle**
      - Personal property **revalued annually**



TENNESSEE COMPTROLLER OF THE TREASURY

## Appraisal, Assessment, and Equalization

- County-wide reappraisal of real property
  - Performed periodically to update all property values in a jurisdiction to market value
  - Every county on a 4-, 5-, or 6-year cycle
  - Responsibility of assessor with training, support, technical assistance, and supervision by DPA



TENNESSEE COMPTROLLER OF THE TREASURY



## Appraisal, Assessment, and Equalization

- Appraisal ratio studies
  - Conducted every 2 years in all counties
  - Performed by DPA staff
  - Measures the relationship between the assessor's appraised values and current market value
  - Appraised Value/Sale Price:  $\$340,000/\$550,000 = 0.6182$
  - Used for purposes such as equalizing the assessments of timely filed business personal property, public utility properties, Tax Relief payments, and in some instances of properties successfully appealed



TENNESSEE COMPTROLLER OF THE TREASURY

## Appraisal, Assessment, and Equalization

- Current value update (CVU)
  - Conducted in 3rd year in counties on a 6-year reappraisal cycle
  - Performed by DPA staff
  - Measures the relationship between the assessor's appraised values and current market value
  - If overall appraisal ratio falls below 90%, property values are updated to market value



TENNESSEE COMPTROLLER OF THE TREASURY

## The Concept Behind Equalization

- A measure of the real estate market in relation to the values established in the last countywide revaluation
  - Hamilton reappraised in 2021 (2020 sales data) with ratio of 1.0000
  - Hamilton ratio in 2023 (2022 sales data) is 0.7053
    - A home worth \$250,400 in 2020 might sell for \$355,000 in 2022
    - Market appreciation was about 19% (compounded) per year
- Recognizes that, for property tax purposes, properties across the state are appraised at varying levels in relation to actual market value



TENNESSEE COMPTROLLER OF THE TREASURY

## The Concept Behind Equalization

- Some properties such as public utilities and tangible personal property are revalued at market value annually
- Other forms of real property are revalued cyclically, only once every 4, 5, or 6 years
  - In the Hamilton example, the home worth \$355,000 today is paying taxes at only about 70% of its current market value today.
  - A dentist office in Hamilton has \$35,000 in current value of equipment today, so what percentage of current value should its property tax be based upon today?



TENNESSEE COMPTROLLER OF THE TREASURY

## The Concept Behind Equalization

- A simple illustration of equalization

Real Property Appraised Value	Real Property Market Value	Real Property Appraisal Ratio	Personal Property Appraised Value	Personal Property Market Value	Personal Property Appraisal Ratio
\$250,000	\$355,000	0.7042	\$355,000	\$355,000	1.0000
			Personal Property Equalized Appraised Value		
		$\$355,000 \times 0.7042 =$	\$250,000		



TENNESSEE COMPTROLLER OF THE TREASURY

## The Concept Behind Equalization

- Modern-day concept of equalization began in earnest in the 1960s and 1970s
- Multiple court cases arose from public utility companies (railroads, airlines, etc.)
  - Claiming unequal treatment for being assessed at 100% of market value while other locally assessed properties were being assessed at a lower percentage of market value
- Concept worked its way into legal framework through 1970s and 1980s



TENNESSEE COMPTROLLER OF THE TREASURY

## Effects of Equalization

- Achieves relative equality in property taxation by assessing all properties at the same percentage of current market value
- Typically reduces the tax burden on tangible personal property and utility taxpayers
- Typically reduces the tax base because assessments of tangible personal property and utility accounts are reduced
  - Revenue loss to local jurisdiction if tax rate not increased



TENNESSEE COMPTROLLER OF THE TREASURY

## Effects of Equalization

- May reduce (equalize) value in some instances of successful property tax appeals
- May reduce Tax Relief benefit to low-income elderly, low-income disabled, and disabled veterans



TENNESSEE COMPTROLLER OF THE TREASURY

## Remedy for Equalization

- Appraise all properties on the same cycle
- Modernize concept of reappraisal cycles
  - More frequent update/revaluation of real property
  - Annual revaluation of real property to coincide with existing annual revaluation of tangible personal property and utilities



TENNESSEE COMPTROLLER OF THE TREASURY

## Obstacles to Remedy for Equalization

- Public perception
  - Belief that a revaluation results in a tax increase
- Assessor perception
  - More frequent revaluation requires more work
  - Frequent value changes would agitate taxpayers more frequently
- Potential fiscal impacts
  - More resources could be needed in the assessor's office
  - More resources could be needed at COT



TENNESSEE COMPTROLLER OF THE TREASURY

## A Deeper Dive Into Reappraisal

- A systematic *mass appraisal* of all property within a jurisdiction over a period of time
- Strives for fair and equitable assessments
  - Recognizing changes to individual properties
    - Size
    - Condition, etc.
  - Recognizing changes in market trends/conditions affecting groups of parcels
    - Classification
    - Neighborhood
    - Municipality



TENNESSEE COMPTROLLER OF THE TREASURY

## A Deeper Dive Into Reappraisal

- Doesn't guarantee an increase or decrease in any one property value or jurisdiction as a whole
  - Individual property values may fluctuate
  - Total jurisdiction values may be up or down
    - *Depends on the market*
- Not a tool to generate new revenue
  - Certified tax rate (CTR), aka *truth-in-taxation*
  - State Board of Equalization (SBOE) oversees CTR
  - Same revenue on the same property as the prior year
  - CTR may be higher or lower than the prior year's rate



TENNESSEE COMPTROLLER OF THE TREASURY



## A Deeper Dive Into Reappraisal

- Frequency of reappraisal determined by
  - Assessor selects cycle (currently 4-, 5-, or 6-years)
  - Reappraisal plan developed by assessor with DPA input as needed
  - Reappraisal plan approved by county commission and county mayor
  - Reappraisal plan submitted to DPA for review and transmission to SBOE
  - SBOE may approve or reject reappraisal plan



TENNESSEE COMPTROLLER OF THE TREASURY

## A Deeper Dive Into Reappraisal

- Basics of reappraisal plan
  - Describes how the visual inspection of parcels will be accomplished over what time period
  - Describes the resources needed to accomplish the plan
    - Training
    - Hardware/software, other forms of technology
    - Assistance from DPA
  - Includes evidence of local approval
    - Signatures
    - Resolutions



TENNESSEE COMPTROLLER OF THE TREASURY

## A Deeper Dive Into Reappraisal

- Basics of a reappraisal (revaluation year)
  - Market activity from the immediate prior year is analyzed
  - New market-derived rates are calculated and entered into the CAMA system
    - Residential structures
    - Land valuation
    - Depreciation, etc.
  - New cost rates are calculated from Marshall & Swift Valuation Service
    - Commercial/industrial structures
    - Outbuildings and yard items



TENNESSEE COMPTROLLER OF THE TREASURY

## A Deeper Dive Into Reappraisal

- Basics of a reappraisal (revaluation year)
  - Market areas (neighborhoods) are reviewed and adjusted if needed
  - Uniformity and equity are reviewed within and between market areas
  - CAMA model is calibrated to accomplish mass appraisal, while individual parcels or groups of parcels may still be evaluated separately
  - End goal is market value as measured by performance statistics of appraised values against sale prices of arm's-length transactions



TENNESSEE COMPTROLLER OF THE TREASURY

2021 Sales Analysis

Cumberland County

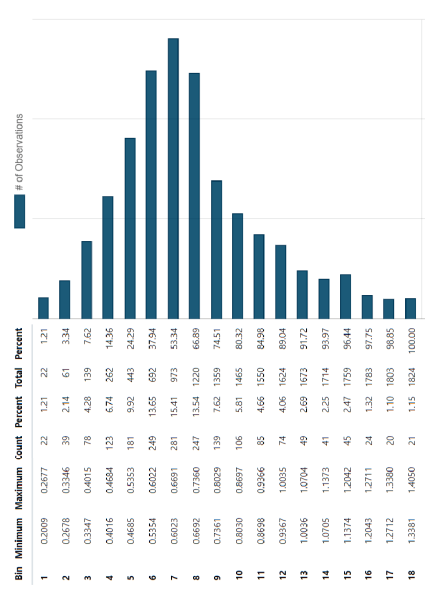
By Prime Neighborhood

PNBHD	#Obs	WtMean	Mean	Median	STD	COV	PRD	PRB	Factor
A	5	0.9419	0.9201	1.0036	0.1720	12.95	18.69	0.98	0.3090
B	126	0.6179	0.7204	0.6642	0.2571	31.57	35.69	1.17	-0.0770
C	119	0.5892	0.6867	0.5883	0.1859	24.52	30.64	1.03	0.0084
D	12	0.9027	0.8461	0.8482	0.2545	24.58	31.26	0.94	0.0576
E	116	0.6870	0.7350	0.7234	0.2155	22.27	29.32	1.07	-0.0776
F	547	0.6457	0.6909	0.6585	0.2082	22.24	30.13	1.07	-0.0735
G	6	0.5923	0.7438	0.8221	0.2672	22.75	35.92	1.26	-0.5459
H	22	0.6451	0.6892	0.6576	0.1659	15.87	24.07	1.07	-0.1678
I	2	0.6223	0.6426	0.6426	0.1125	12.38	17.51	1.03	-0.4321
J	27	0.5314	0.5704	0.5100	0.2343	36.68	41.08	1.07	-0.1226
K	48	0.6283	0.8195	0.7639	0.2599	27.31	31.71	1.30	-0.1861
L	25	0.6987	0.7620	0.6550	0.2634	31.02	34.57	1.09	0.0085
M	7	0.6888	0.7092	0.6236	0.2060	21.07	29.05	1.03	-0.1270
P	25	0.6138	0.6914	0.6246	0.2636	31.82	38.13	1.13	-0.1232
R	459	0.6265	0.6823	0.6484	0.2410	28.73	35.32	1.09	-0.0740
S	115	0.6434	0.7293	0.6657	0.2484	28.88	34.20	1.13	-0.0700
T	163	0.5904	0.6513	0.6175	0.2403	29.26	35.34	1.12	-0.0883

17 Groups 1,824 Total Records

Statistics By

Histogram



Dataset Details	
Name	Cumberland County Before Reappraisal Analysis
County	Cumberland
Appraisal Tax Year	2021
Date Imported	8/11/2023 12:23 PM
File Date	8/11/2023
File Information	N/A
Lower Trim	0.2000
Upper Trim	1.4062

Detailed Statistics	
Observations	1,824
Weighted Mean	0.6582
Mean	0.6923
Median	0.6551
Standard Deviation	0.2316
Coefficient of Dispersion	26.64
Coefficient of Variation	33.45
Price-Related	1.08

STATISTICS

CREATE REPORT

SELECT SALES

VIEW DATA

MAP

DELETE

HELP

STATISTICS

CREATE REPORT

SELECT SALES

VIEW DATA

MAP

DELETE

HELP

Dataset Details

Cumberland County Appraisal Analysis

2022

11:38 AM

8/21/2022

8/21/2022

N/A

0.5979

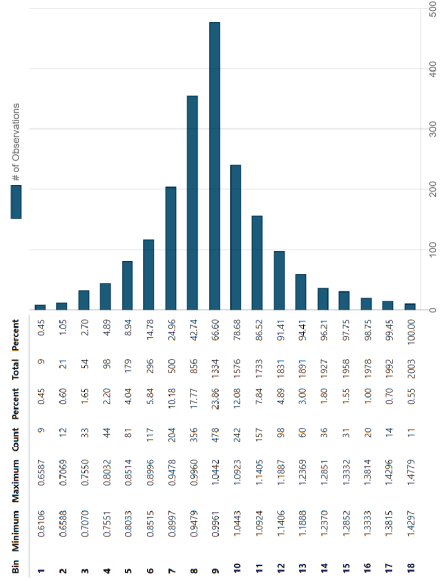
1.4787

Detailed Statistics

Observations	2,003
Weighted Mean	0.9991
Mean	1.0138
Median	1.0004
Standard Deviation	0.1250
Coefficient of Dispersion	0.20
Coefficient of Variation	12.72
Price-Related	1.01

Histogram

Statistic: By



By Prime Neighborhood

2022 Reappraisal

Cumberland County

PNBHD	#Obs	WMean	Mean	Median	STD	COD	COV	PRD	PRB	Factor
A	224	1.0064	1.0215	1.0050	0.1514	11.70	14.82	1.02	-0.0079	0.9936
C	105	1.0065	1.0043	1.0000	0.1016	7.47	10.06	1.00	0.0032	0.9935
D	41	1.0144	0.9969	1.0000	0.1894	13.88	19.00	0.98	0.0140	0.9858
E	64	0.9991	1.0146	1.0051	0.0670	4.89	6.60	1.02	-0.0144	1.0009
F	582	0.9949	1.0074	1.0016	0.1019	7.26	10.12	1.01	-0.0108	1.0051
G	140	1.0022	1.0211	1.0000	0.0943	6.73	9.24	1.02	-0.0097	0.9978
H	5	1.0366	1.0087	1.0069	0.0587	4.43	5.76	0.97	0.0370	0.9647
K	50	0.9885	1.0111	1.0000	0.0897	5.76	8.87	1.02	-0.0109	1.0116
L	48	1.0047	1.0098	1.0000	0.1165	8.12	11.54	1.01	0.0073	0.9953
N	7	1.0028	1.1049	1.1200	0.2393	16.72	21.66	1.10	-0.1180	0.9972
P	1	0.9286	0.9286	0.9286	0.0000	0.00	0.00	1.00	0.0000	1.0769
R	556	0.9994	1.0165	1.0048	0.1507	11.01	14.83	1.02	-0.0094	1.0006
T	180	0.9977	1.0185	1.0000	0.1498	10.85	14.72	1.02	-0.0075	1.0023

13 Groups - 2,003 Total Records

## Understanding Tennessee Property Assessments

- DPA informational videos
  - The Birth of a Parcel
  - A Parcel Experiences Changes
  - Getting to Know Greenbelt
  - Ready for Revaluation
  - The Real Deal with Appeals
  - Perusing Personal Property
  - The Rundown on Ratios and Equalization

<https://www.comptroller.tn.gov/office-functions/pa/property-taxes/understanding-tennessee-property-assessments.html>



TENNESSEE COMPTROLLER OF THE TREASURY

## Understanding Tennessee Property Assessments

- SBOE informational video
    - Understanding the Certified Tax Rate
- <https://www.comptroller.tn.gov/boards/state-board-of-equalization/sboe-resources/certified-tax-rate.html>



TENNESSEE COMPTROLLER OF THE TREASURY

## Questions?

Contact: Bryan Kinsey 615.401.7971 [bryan.kinsey@cot.tn.gov](mailto:bryan.kinsey@cot.tn.gov)

TENNESSEE COMPTROLLER OF THE TREASURY

