



JASON E. MUMPOWER
Comptroller

February 18, 2025

MEMORANDUM

TO: E. Robin Pope, JD
Executive Secretary, State Board of Equalization

FROM: Bryan Kinsey, AAS *BLK*
Director, Division of Property Assessments

RE: Rutherford County Noncompliance

I respectfully submit this report on behalf of the Division of Property Assessments (“the Division”) pursuant to Tenn. Code Ann. § 67-5-505(c). The Division finds that the Rutherford County Property Assessor (“the County”) is unable or unwilling to comply with various requirements under Tenn. Code Ann. §§ 67-5-501, et seq.

Background

The Division observed deficiencies in the County's assessment practices in early 2024 and met with the assessor in April and June to provide notice that the deficiencies would result in audit findings for the Fiscal Year 2024 audit. The assessor acknowledged the deficiencies and assured the Division that the County would correct the deficiencies immediately.¹ However, the Division continued to confirm that the County's assessment practices were contrary to State law. On September 11, 2024, Comptroller Mumpower sent a letter to the County expressing serious concerns about the continuation of improper assessment practices and directed the Division to enhance its oversight of the situation.

On October 17, 2024, the Division and the County agreed upon an arrangement wherein the Division would send a team to the County to review known concerns, to address other issues discovered during the review, and to provide guidance on making necessary corrections. After the Division's team visited with the County, on November 5, 2024, the Division emailed the County summarizing the issues they had discussed and the corrections that needed to occur. Specifically, the Division asked that the County make the following corrections by January 3, 2025:

¹ The Rutherford County Audit for Fiscal Year 2024 ultimately contained two audit findings relevant to its assessment practices: 1. The assessor did not properly prorate improvements and new construction; and 2. The assessor did not properly pick up all improvements in the appropriate tax year. Management's Response to both findings was a concurrence with the finding and assertion that proactive action was being taken to address them.

- **Objective changes pushed to 2026:** For physical changes to properties that were noted in 2024 but keyed for 2026 rather than the current year, the Division asked the County to add the changes to the correct tax year.
- **Proration of new construction:** For properties that were completed in 2023 and 2024 but not prorated as of the time of completion in the applicable tax year, the Division asked the County to prorate for the appropriate year.
- **Square footage errors:** For properties with incorrect square footage listed, the Division asked the County correct the square footage issues.
- **Assessment classification:** For properties that should have been assessed as commercial but were assessed as residential, the Division asked the County to properly classify the properties.

The Division visited the County weekly to answer questions and otherwise assist with the County's progress. Due to the holiday season, the County was **granted a 30-day extension to complete the foregoing corrections, with the new deadline being February 3, 2025.**

Although the County assessor notified me on February 3, 2025, that the County had completed all the action items, the Division's subsequent review of the submission has revealed that the County was either unable or unwilling to make the necessary corrections as required under Tenn. Code Ann. §§ 67-5-501, et seq. Each area of noncompliance is discussed in more detail below.

Proration of New Construction

Tenn. Code Ann. § 67-5-504(a) requires that all assessments "be made annually and as of January 1 for the year to which the assessment applies, unless otherwise provided for[.]" Tenn. Code Ann. § 67-5-603(b)(1) provides additional clarity by mandating the following:

If, after January 1 and before September 1 of any year, an improvement or new building is completed and ready for use or occupancy... the assessor of property shall make or correct the assessment of such property, on the basis of the value of the improvement at the time of its completion, notwithstanding the status of the property as of the assessment date of January 1; provided, that for the year in which such improvement or building is completed, the assessment, or increase in assessment, of the improvement shall be prorated for the portion of the year following the date of its completion.

Tenn. Code Ann. § 67-5-603(b)(5) additionally provides that when an improvement is not completed by January 1, it is to be assessed based on the value of the materials used therein.

The Division has discovered many instances where the County has failed to prorate values of major improvements and accordingly adjust their assessments for the year in which they are completed as required by the foregoing provisions. The County also frequently failed to assess incomplete buildings based on the value of the materials used.

The Division first notified the County of this issue in November of 2023. The County was notified at meetings in April and June of 2024 that it was receiving an audit finding for this deficiency, to which management concurred and responded that the issue would be corrected. However, after the Division's visits with the County in October 2024, it still noted the discrepancies and outlined to the County in a November 5, 2024, email that the issue needed to be corrected.

On February 3, 2025, the County submitted to the Division that it had reviewed 2,021 prorated properties from 2024 and concluded that over 560 were prorated incorrectly (roughly a 28% error rate). However, after the Division reviewed a sample of properties that the County had determined were corrected, it found that 50% were still not properly prorated. Although the County had indicated that many of those properties had "No certificate of occupancy on file," the Division was able to obtain the certificates after a simple check with the County's codes department.

The Division, therefore, finds that the County is unable or unwilling to comply with the laws regarding proration.

Square footage errors

Tenn. Code Ann. § 67-5-509(c) requires that when an assessor discovers an "error or omission in the listing, description, classification or assessed value of property or any other error or omission in the tax rolls held by the trustee or municipal collector, the assessor shall certify in writing the facts to the trustee or municipal collector, who shall receive the tax on the corrected assessment[.]" *See also* Tenn. Atty. Gen. Op. 25-003 (January 17, 2025).

The Division learned through various County employees that the County's practice was only to correct square footage errors when the taxpayer proactively pointed out the error to the County. The Division worked with the County to generate a list of approximately 7,000 properties that contained potential square footage errors. In its November 5, 2024, email to the County, the Division requested the County make the necessary corrections to the properties on the list.

Before the County began making the corrections, the Division identified 18 parcels that were incorrect. After February 3, 2025, when the Division checked the 18 parcels again, 7 were still incorrect. In addition, the Division's review revealed approximately 420 properties for which the County either identified a square footage error but failed to correct it or simply made no determinations regarding its square footage.

The Division, therefore, finds that the County is unable or unwilling to comply with Tenn. Code Ann. § 67-5-509.

Assessment classification

Tenn. Code Ann. § 67-5-501(4) requires that "all real property that is used, or held for use, for dwelling purposes that contains two (2) or more rental units ... be classified as 'industrial and commercial property'." Moreover, Tenn. Code Ann. § 67-5-501(11) provides that

“Residential property” includes all real property that is used, or held for use, for dwelling purposes and that contains not more than one (1) rental unit. All real property that is used, or held for use, for dwelling purposes, but that contains two (2) or more rental units, is defined and shall be classified as “industrial and commercial property”[.]

In July 2024, while the Division was reviewing proration issues, it further observed potential classification issues with properties being classified as residential when they met the definition of commercial. In its November 5, 2024, email, the Division requested the County review a list of approximately 12,000 properties to ensure correct classification.

In its February 3, 2025, submission, the County identified 590 of the 12,000 properties that needed to be re-classified, but the Division notes that 80 of those have not been certified to the trustee or municipal collector as required by Tenn. Code Ann. § 67-5-509. Of the approximately 11,400 properties that the County deemed correct, the Division has concerns regarding over 620 after conducting a sample review.

This review revealed other subclassification issues, such as a 60,000-square-foot charter school assessed as residential property.

The Division, therefore, finds that the County is unable or unwilling to comply with Tenn. Code Ann. §§ 67-5-501 & 67-5-509.

SUMMARY

The Division finds that the County does not comply with various requirements under Tenn. Code Ann. Title 67, Chapter 5, Part 5, as detailed in this report.² Therefore, the Division requests under the authority of Tenn. Code Ann. § 67-5-505(c) that the Board notify the County of the noncompliance and direct the County to take immediate corrective action to address the three foregoing areas of noncompliance within 60 days from the date the Board provides the notice of noncompliance. The Division, in turn, will provide the County with the details needed for the County to achieve compliance in the three categories.

C: Rob Mitchell, Rutherford County Assessor of Property
Joe Carr, Rutherford County Mayor
Rutherford County Commission
Jennings Jones, District Attorney General
Nick Christiansen, Rutherford County Attorney

² On February 13, 2025, I emailed the assessor to notify him of three examples of errors in his recent corrections to the tax roll. The same day, the assessor responded to me acknowledging and concurring with the errors. Although these examples are from a sample review, the Division is concerned that these inaccuracies reflect a larger issue with the County’s methodology in making its recent corrections.