

**Department of State  
Division of Publications**

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Sequence Number: \_\_\_\_\_  
Rule ID(s): \_\_\_\_\_  
File Date: \_\_\_\_\_  
Effective Date: \_\_\_\_\_

# Proposed Rule(s) Filing Form

*Proposed rules are submitted pursuant to Tenn. Code Ann. §§ 4-5-202, 4-5-207, and 4-5-229 in lieu of a rulemaking hearing. It is the intent of the Agency to promulgate these rules without a rulemaking hearing unless a petition requesting such hearing is filed within ninety (90) days of the filing of the proposed rule with the Secretary of State. To be effective, the petition must be filed with the Agency and be signed by ten (10) persons who will be affected by the amendments, or submitted by a municipality which will be affected by the amendments, or an association of ten (10) or more members, or any standing committee of the General Assembly. The agency shall forward such petition to the Secretary of State.*

*Pursuant to Tenn. Code Ann. § 4-5-229, any new fee or fee increase promulgated by state agency rule shall take effect on July 1, following the expiration of the ninety (90) day period as provided in § 4-5-207. This section shall not apply to rules that implement new fees or fee increases that are promulgated as emergency rules pursuant to § 4-5-208(a) and to subsequent rules that make permanent such emergency rules, as amended during the rulemaking process. In addition, this section shall not apply to state agencies that did not, during the preceding two (2) fiscal years, collect fees in an amount sufficient to pay the cost of operating the board, commission or entity in accordance with § 4-29-121(b).*

<b>Agency/Board/Commission:</b>	State Board of Equalization
<b>Division:</b>	
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**Revision Type (check all that apply):**

- Amendment  
 New  
 Repeal

**Rule(s)** (ALL chapters and rules contained in filing must be listed here. If needed, copy and paste additional tables to accommodate multiple chapters. Please make sure that ALL new rule and repealed rule numbers are listed in the chart below. Please enter only ONE Rule Number/Rule Title per row)

Chapter Number	Chapter Title
0600-13	Certified and Equalized Tax Rates
Rule Number	Rule Title
0600-13-.01	Purpose
0600-13-.02	Applicability
0600-13-.03	Definitions
0600-13-.04	Overview
0600-13-.05	Determining Certified and Equalized Tax Rate Calculation
0600-13-.06	Determining Estimated Centrally Assessed Property
0600-13-.07	Determining New Property
0600-13-.08	Determining Prior Year Tax Levy
0600-13-.09	Adjustments to the Tax Rate
0600-13-.10	Appeals Allowance and Recapture Rate

## 0600-13-.01 PURPOSE

These standards address the procedures, processes, time frames, and statutory responsibilities for computing and implementing certified and equalized property tax rates. They provide a reference for uniform methods for setting certified and equalized property tax rates.

Authority: T.C.A. §§ 4-3-5103, 67-1-305, and 67-5-1601

## 0600-13-.02 APPLICABILITY

These rules apply to all jurisdictions as well as multi-county jurisdictions undergoing reappraisal or current value updating during a given tax year.

Authority: T.C.A. §§ 4-3-5103, 67-1-305 and 67-5-1601

## 0600-13-.03 DEFINITIONS

As used in these rules, unless the context otherwise requires:

- (1) "Appeals allowance" means either the projected loss of reappraisal assessment base due to appeals, or the portion of the certified rate attributed to this projected loss.
- (2) "Appraisal ratio" means a ratio based on a comparison of appraised values recorded for real property and recent sales and/or expert appraisals. The appraisal ratio indicates generally what percent of fair market value is represented by the appraised value of a property.
- (3) "Centrally assessed property" means property that is assessed by the Comptroller of the Treasury under the provisions of T.C.A. § 67-5-1301, *et seq.*
- (4) "Computer Assisted Mass Appraisal (CAMA)" means a system of appraising property that incorporates statistical analyses such as multiple regression analysis and adaptive estimation procedure to assist skilled and trained appraisers in estimating real property values.
- (5) "Certified tax rate (CTR)" means a tax rate calculated pursuant to the provisions of T.C.A. § 67-5-1701 that will generate the same revenue for a jurisdiction as was levied during the prior tax year.
- (6) "Construction in process (CIP)" means personal property that is treated as construction in process for federal income tax purposes as of January 1 of a given year.
- (7) "Current value update (CVU)" means an updating of all real property values if the overall level of appraisal for the jurisdiction is less than ninety percent (90%) of fair market value in the third year of a six year reappraisal cycle as set forth in T.C.A. § 67-5-1601(a)(2).
- (8) "Equalized tax rate (ETR)" means the rate determined for cities that lie in more than one county pending a general reappraisal or current value update to adjust the city tax rate to accommodate differing levels of assessment within the city. The purpose of this approach is to adjust the city tax rate so that all properties are taxed uniformly when both the rate and assessed value are considered together.
- (9) "Integrated Multi-Processing of Administrative and CAMA Technology system (IMPACT)" refers to the State's computer-assisted mass-appraisal system that maintains property tax assessments made by county assessors for the majority of Tennessee counties.
- (10) "Jurisdiction" means the city or county for which the rate is being calculated.
- (11) "Locally assessed property" means the assessment determined by an official of the local jurisdiction where the property is located.
- (12) "Multi-county jurisdiction" means a city or special school district that lies in more than one county.

- (13) "New land" means real properties qualifying for greenbelt classification for the first time in the reappraisal year, or properties that no longer qualify for greenbelt classification in the reappraisal year. This could necessitate an adjustment in the tax rate (adjust the levy for new greenbelt properties or to, adjust the base for properties that no longer qualify for greenbelt classification).
- (14) "New personal property" means tangible personal property taxable for the first time in the current tax year. The assessed value of new personal property is listed on line one of each group on the annual personal property schedule, with the exception of groups 7, 8 and 10.
- (15) "New real property" means real property taxable for the first time in a reappraisal or current value update tax year. Real property is defined by state law to include land, structures and improvements on land, certain mobile homes, and machinery and equipment affixed to the land.
- (16) "Non-IMPACT county" means a county that maintains a Computer Assisted Mass Appraisal system other than IMPACT.
- (17) "Outbuildings and yard items (OBY's)" are extra features of buildings or improvements to land not included elsewhere.
- (18) "Parcel" means land, including the resources in and on it, and the buildings and permanent fixtures attached to it. It may be a contiguous tract of land or one of several lots on a plat, separately owned, either publicly or privately, and capable of being separately conveyed.
- (19) "Parcel identification number" is the numeric or alphanumeric description of a parcel that identifies it uniquely.
- (20) "Payments in lieu of taxes (PILOT)" are payments made by private taxpayers, often businesses, to a local government to help offset losses in property taxes due to special tax treatment.
- (21) "Prior year" means the tax year immediately preceding the current tax year.
- (22) "Prorate" means the setting of the tax rate for newly constructed improvements existing in the prior year but that are taxed for the first time in the current year.
- (23) "Raw material" means items of tangible personal property, crude or processed, which are held or maintained by a taxpayer for use through refining, combining, or any other process in the production or fabrication of another item or product.
- (24) "Real property" is as defined by T.C.A. § 67-5-501(10).
- (25) "Reappraisal" means a revaluation of all property within a jurisdiction completed on a continuous cycle as set forth in T.C.A. § 67-5-1601.
- (26) "Recapture rate" means the actual tax rate from the reappraisal year reduced by the amount which the reappraisal year certified tax rate was overstated due to an excessive appeals allowance.
- (27) "Scrap property" refers to personal property no longer capable of use and for which there is no reasonable expectation of repair.
- (28) "Special school district (SSD)" are school districts that collect property taxes, the rates of which are set by the General Assembly. These districts must use the legislated rate until reappraisal, after which they must use the tax-neutral rate until the General Assembly acts to set a new rate.
- (29) "Tangible personal property" is as defined by T.C.A. § 67-5-501(13).
- (30) "Tax increment financing (TIF)" is a tool used by local governments to encourage development in targeted areas.

(31)“Tax year” means the period of January 1 through December 31 of the year in which property taxes become due.

#### 0600-13-.04 OVERVIEW

These standards provide the administrative framework for setting property tax rates including certified and equalized tax rates. Included are definitions, property tax rate calculation procedures beginning with the certified tax rate procedures, information on various rates (levies), guidelines for increasing taxes, and final approval of the rates.

In order for a rate to be finalized, the following procedure must be followed:

(1) Certified tax rate:

- a. Assessor of property reviews calculation.
- b. After assessor review, calculation is forwarded to the chief executive of the Jurisdiction and/or SSD for approval and signature.
- c. After calculation is signed by chief executive and assessor of property, the form is returned to the State Board of Equalization.

(2) Equalized tax rate:

- a. Calculation is sent to respective Jurisdiction’s chief executive.
- b. Copies of the calculation are sent to the respective assessors of property and finance directors.
- c. After calculation is signed by the chief executive and assessors of property, the form is returned to the State Board of Equalization.

In order for a rate to be finalized, each taxing jurisdiction must first approve a tax rate. If the rate is less than or equal to the rate certified by the State Board of Equalization no further documentation, other than the signed calculation form, is required by the State Board.

If the tax rate is exceeded, the appropriate documents should be submitted to the State Board of Equalization per T.C.A. § 67-5-1702.

Use of mathematical rounding in rate calculations (rounding up a certified rate) is not permitted under the applicable law.

Once all legal requirements have been met in adopting a certified or equalized tax rate, the State Board of Equalization will concur in the rate and authorize release of tax notices for the respective jurisdiction.

#### 0600-13-.05 DETERMINING CERTIFIED AND EQUALIZED TAX RATES

The first step is to determine the type of calculation needed: 1) Certified Tax Rate; or 2) Equalized Tax Rate.

(1) Certified Tax Rate:

- a. The first step is fixing a pro forma current year tax base for the jurisdiction by removing new property from the locally assessed property tax base and then add in the estimated centrally assessed property.
- b. The second step is determining the prior year property tax levy.
- c. The third step is determining the certified tax rate. Divide the prior year property tax levy by the pro forma current year tax base and multiply by 100.

EXAMPLE

A city prior year tax levy is \$14,352,424, and the pro forma current year tax base is \$723,120,031. The following is an example of the calculation:

$$\$14,352,424/723,120,031*100 = \$1.9848 \text{ (Certified Tax Rate)}$$

(2) Equalized Tax Rate:

- a. The first step is fixing a pro forma equalized current year tax base for the city by removing new property from the locally assessed tax base and then add in the estimated centrally assessed property for the part of the city lying in each county.
- b. The second step is determining the prior year property tax levy for each part of the city lying in different counties. These numbers are added together to arrive at the total prior year property tax levy used in the fourth step.
- c. The third step is determining the current year's equalized adjusted assessment for each part of the city by dividing the adjusted current year total assessment in each part of the city by the current year's approved appraisal ratio. These numbers are added together to arrive at the total equalized adjusted assessment used in the fourth step.

EXAMPLE

A city current year adjusted assessment is \$3,934,948 for JUR 1 and \$1,545,591 for JUR 2, and the current year appraisal ratio is 1.0000 for JUR 1 and .8200 for JUR 2. The following is an example of the calculation:

JUR 1 – Adjusted Assmt.	\$3,934,948	Appraisal Ratio	1.0000
JUR 2 – Adjusted Assmt.	\$1,545,591	Appraisal Ratio	.8200

$$\text{JUR 1} - \$3,934,948/1.0000 = \$3,934,948 \text{ (current year equalized adjusted assmt.)}$$

$$\text{JUR 2} - \$1,545,591/.8200 = \$1,884,867 \text{ current year equalized adjusted assmt.)}$$

Add JUR 1 and JUR 2 equalized adjusted assmt.:

\$3,934,948
<u>\$1,884,867</u>
\$5,819,815 (Total current year equalized adjusted assmt.)

- d. The fourth step is determining an overall equalized tax rate by dividing the total equalized adjusted assessment by the total prior year property tax levy times 100.

EXAMPLE

A city total prior year property tax levy is \$44,636, and the total current year equalized adjusted assessment is \$5,819,815. The following is an example of the calculation:

JUR 1 – Prior Year Tax Levy	\$30,062	Equalized Adjusted Assmt.	\$3,934,948
JUR 2 – Prior Year Tax Levy	<u>\$14,574</u>	Equalized Adjusted Assmt.	<u>\$1,884,867</u>
TOTAL:	\$44,636	TOTAL:	\$5,819,815

$$\$44,636/\$5,819,815*100 = \$0.7670 \text{ (Overall Estimated Tax Rate)}$$

- e. The fifth step is determining the equalized tax rate for the part of the city lying in each county by dividing the overall equalized tax rate by the approved current year appraisal ratio for each county.

EXAMPLE

A city overall equalized tax rate is \$0.7670. The current year appraisal ratio for JUR 1 is 1.0000 and .8200 for JUR2. The following is an example of the calculation:

JUR 1 –  $\$0.7670/1.0000 = \$0.7670$  (current year equalized tax rate)

JUR 2 –  $\$0.7670/.8200 = \$0.9353$  (current year equalized tax rate)

#### 0600-13-.06 DETERMINING ESTIMATED CENTRALLY ASSESSED PROPERTY

(1) Determining the estimated centrally assessed property comprises of the following two (2) components:  
1) Prior year State Board of Equalization certified assessment of centrally assessed property for the jurisdiction; and 2) Prior year approved appraisal ratio.

(2) EXAMPLE OF DETERMINING ESTIMATED CENTRALLY ASSESSED PROPERTY:

##### EXAMPLE

This example assumes that the public utility assessment certified by the State Board of Equalization for the preceding year is \$11,369,770 and the prior year's approved appraisal ratio is .7912. The following is an example of the calculation:

$\$11,369,770/.7912 = \$14,370,285$  (\$14,370,285 = estimated centrally assessed property)

#### 0600-13-.07 DETERMINING NEW PROPERTY

New real property reporting:

(1) New real property must be deducted from the current year pro forma tax base. Below is a listing of types of new real property that should be deducted:

- a. Dwellings
- b. Dwellings (pro-rated)
- c. OBY's
- d. OBY's (pro-rated)
- e. Commercial
- f. Commercial (pro-rated)
- g. Additions
- h. Additions (pro-rated)

New personal property reporting:

(1) New tangible personal property must be deducted from the current year pro forma tax base. New tangible personal property is determined by adding year one of each group on the personal property schedule with the exception of the three non-depreciable groups (Group 7-scrap property; Group 8-raw materials, supplies; and Group 10-CIP).

(2) Tangible personal property which has been removed from the current year actual tax base (due to exemptions or physical removal by owners) since the prior year should be deducted from the prior year property tax levy.

New land reporting:

(1) Properties that qualify for greenbelt classification for the first time in the reappraisal year, or that cease to qualify for greenbelt in the reappraisal year could necessitate an ETR adjustment (adjust the prior year tax levy for new greenbelt, adjust current year pro forma tax base for properties coming off).

(2) EXAMPLES OF DETERMINING NEW LAND:

## EXAMPLE

This example treats 60 acres as divided, but in fact all 100 acres from the prior year have been divided. If the 100-acre parcels from the prior year has become a 40-acre parcel and 60 one-acre parcels in the current year, all the new parcels are 'child' parcels (including the 40-acre remnant), even if one of them still bears the same parcel identification number as the former 100-acre parcel. To calculate the 'new land' for tax rate purposes, take the hypothetical 'reappraisal' assessed value of the 100 acres as if it had remained intact, minus the prior year's assessed value of the 100 acres. That difference is attributable to the reappraisal, and the balance of the new assessed value for the 40 acre and the 60 one-acre parcels, would be the 'new land.'

### 0600-13-.08 DETERMINING PRIOR YEAR TAX LEVY

- (1) Determining the prior year tax levy comprises the following components: 1) Total prior year tax base; and 2) Prior year tax rate.
- (2) EXAMPLE OF DETERMINING PRIOR YEAR TAX LEVY:

#### EXAMPLE

A Jurisdiction's prior year total tax base is \$4,561,666,107 (Jurisdiction's prior year State Board of Equalization certified total centrally assessed property + Jurisdiction's prior year total locally assessed property) and the jurisdiction's prior year tax rate is \$2.50 for every \$100 in value. The following is an example of the calculation:

$$\$4,561,666,107/100*2.50=\$114,041,653 \text{ (Prior Year Tax Levy)}$$

### 0600-13-.09 ADJUSTMENTS TO THE TAX RATE

- (1) Adjustments for property tax incentives are limited to instances where an incentive payment in lieu of tax is calculated on the basis of the actual rate applied to a fixed assessment and not a percentage of an assessment.
- (2) In determining TIF adjustments, the jurisdiction may also exclude from the taxable value appearing on the roll:
  - a. The taxable value of properties subject to tax increment financing provisions adopted by the governing body pursuant to statute; and
  - b. The taxable value of properties within an area for which an economic impact plan has been approved by the governing body.

### 0600-13-.10 APPEALS ALLOWANCE AND RECAPTURE RATE

- (1) Determining the appeals allowance must be based on the proportion of atypical appeals reductions experienced by the city or county in the most recent one or more reappraisals. The allowance is derived not merely from the percentage of assessment loss due to appeals in past reappraisal(s) but on the amount by which this percentage loss exceeded the typical assessment loss due to appeals in a non-reappraisal year. The calculation submitted to the State Board of Equalization should therefore include documentation of the total assessment base before and after appeals, for the year of the most recent reappraisal *and* the year before the most recent reappraisal. The allowable adjustment is the percentage by which the reappraisal year percentage loss exceeded the loss from the year before. If data is available for more than one recent reappraisal, an average may be used. If no verifiable data is available, the allowance is not permitted. In order for an allowance to be administered it must be approved by the Executive Secretary of the State Board of Equalization.
  - a. Explanation of calculation: The appeals allowance will appear in the certified tax rate calculation as an assessment amount to be deducted from the reappraisal year assessment





I certify that this is an accurate and complete copy of proposed rules, lawfully promulgated and adopted by the (board/commission/other authority) on \_\_\_\_\_ (date as mm/dd/yyyy), and is in compliance with the provisions of T.C.A. § 4-5-222. The Secretary of State is hereby instructed that, in the absence of a petition for proposed rules being filed under the conditions set out herein and in the locations described, he is to treat the proposed rules as being placed on file in his office as rules at the expiration of ninety (90) days of the filing of the proposed rule with the Secretary of State.

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

Name of Officer: \_\_\_\_\_

Title of Officer: \_\_\_\_\_

Subscribed and sworn to before me on: \_\_\_\_\_

Notary Public Signature: \_\_\_\_\_

My commission expires on: \_\_\_\_\_

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Agency/Board/Commission: \_\_\_\_\_

Rule Chapter Number(s): \_\_\_\_\_

All proposed rules provided for herein have been examined by the Attorney General and Reporter of the State of Tennessee and are approved as to legality pursuant to the provisions of the Administrative Procedures Act, Tennessee Code Annotated, Title 4, Chapter 5.

\_\_\_\_\_  
Herbert H. Slatery III  
Attorney General and Reporter

\_\_\_\_\_  
Date

**Department of State Use Only**

Filed with the Department of State on: \_\_\_\_\_

Effective on: \_\_\_\_\_

\_\_\_\_\_  
Tre Hargett  
Secretary of State