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EFFECTS OF STATE TAX REFUND PROGRAM ON MUNICIPALITIES

Will municipal tax revenues be affected adversely by provisions of the "Question 3" amendment granting tax relief to elderly low-income citizens and totally and permanently disabled persons? MTAS research indicates there will be no loss in municipal tax revenues as a result of this new constitutional provision.

The new Article 2, Section 28, of the Constitution of Tennessee reads, in part:

The Legislature shall provide tax relief to elderly low-income taxpayers through payments by the State to reimburse all or part of the taxes paid by such persons on owner-occupied residential property, but such reimbursement shall not be an obligation imposed, directly or indirectly, upon Counties, Cities or Towns; provided, that such tax relief for the years 1973 through 1977 shall be not less than an amount equal to the State, County, and Municipal Taxes on Five Thousand ($5,000) Dollars worth of the full market value (or One Thousand Two Hundred Fifty ($1,250) Dollars of the assessed value) of property used for a residence by any taxpayer over sixty-five (65) years of age for a period of one (1) year prior to the date of assessment; provided further, that such relief shall not extend to persons having a total annual income from all sources in excess of Four Thousand Eight Hundred ($4,800) Dollars.

The Legislature may provide tax relief to home owners totally and permanently disabled, irrespective of age, as provided herein for the elderly.

Note that the Constitution prescribes a minimum relief which the Legislature shall provide for elderly low-income taxpayers. The Legislature may also provide relief for the totally and permanently disabled.

The Legislature, in Chapter 226, Public Acts of 1973, section 6, subsections 67-636 and 67-637, has implemented this new provision of the Constitution. The minimum relief required by the Constitution for the elderly low-income taxpayers is provided for them (67-636) and also for totally and permanently disabled persons (67-637). Both these groups will be refunded the local taxes paid on the first $5,000 worth of the full market value of their personal residential property.

Prior to "Question 3" the Legislature had "exempted" certain disabled veterans from all taxes on their real property up to the value of $25,000 if they owned and used the property exclusively as a home (TCA 67-509). Chapter 226, Public Acts of 1973, referred to above, repealed this provision and replaced it with provisions for a credit for this sum instead of an exemption (sec. 5 and sec. 6, subsection 67-638). The credit is in lieu of any refund.
under 67-636 or 67-637 and will be paid by the state directly to the cities and counties. Therefore, municipalities gain on this change since the state now will pay them the taxes on property which was previously exempt from taxes.

John D. Steffan of the State Division of Property Assessments reports that application forms for the tax refund are in the process of being printed, are expected back about mid-August, and will be supplied, with an explanatory letter and detailed booklet, to all county tax assessors and county trustees. These forms may then be obtained by taxpayers from these officials. Several supporting documents must be produced by the taxpayer for examination by the assessor or trustee when the application is filed.

A low-income elderly taxpayer or a totally and permanently disabled person proceeding under 67-636 or 67-637 must first pay his 1973 taxes in full before applying for a refund. The deadline for filing a refund application is March 1, 1974.

A disabled veteran proceeding under 67-638, however, is entitled to a tax credit in lieu of the refund. He must apply for his tax credit before mid-October 1973. His application must be accompanied by certain documents including a certificate of the tax due. The state will then pay directly to the city tax collector and county trustee the portions of the tax for which the veteran has qualified.

An appropriation totaling $3,000,000 was included in the 1973 General Appropriations Act (Chapter 230) to fund the "Tax Rebate Program."

MTAS advises that cities refer any questions from citizens about the refunds or tax credits to the county tax assessor or the State Division of Property Assessments.