The Tennessee Advisory Commission on Intergovernmental Relations

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MEMORANDUM

TO: Commission Members

FROM: Cliff Lippard
Executive Director

DATE: 18 June 2026

SUBJECT: Public Chapter 341, Acts of 2023 (Collections and Administration of Business Personal Property Tax)—Periodic Update

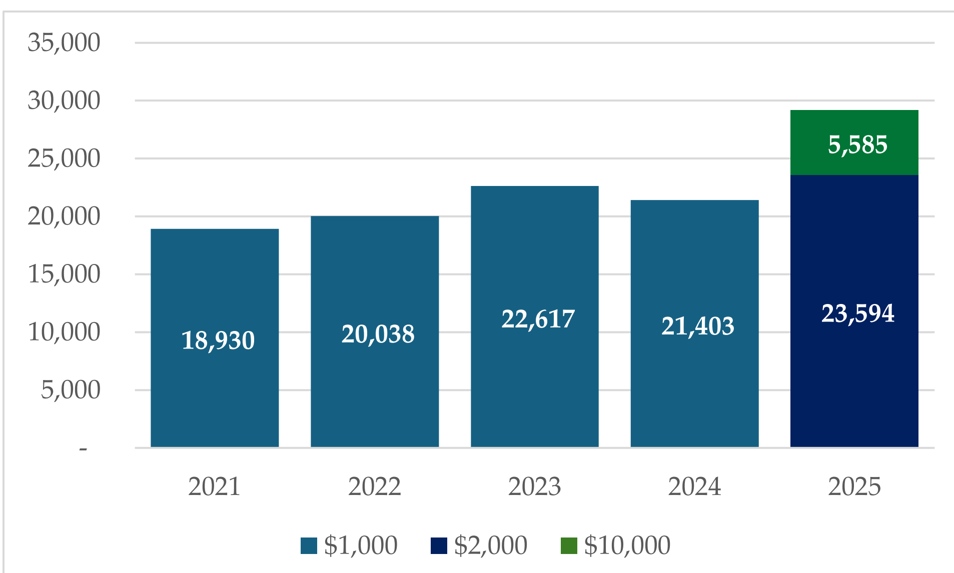
Each year, businesses in Tennessee pay taxes on their tangible personal property, which refers to assets such as furniture, office supplies, equipment, vehicles, and so forth. Compliance with the personal property tax can require businesses to spend hours or days accounting for every item on their premises. Because of this, business owners and local officials alike say that filing, paying, and collecting personal property taxes can be burdensome—and in many cases the amount of taxes owed is minimal. To reduce the burden on the smallest businesses, the state had long allowed those with $1,000 or less in personal property to check a box on their assessment form certifying that they have $1,000 or less of personal property, allowing them to pay tax at that $1,000 level of property value, subject to audit, rather than inventory all of their property on an itemized return. In response to concerns that this single threshold still left many small businesses no choice but to itemize their returns, the commission's December 2022 report *Both Businesses and Local Governments Could Benefit from Improvements to Tennessee's Personal Property Tax* identified several alternatives to make compliance easier without reducing local revenue and recommended that the state add one or more reporting tiers at amounts greater than the existing $1,000 threshold. The General Assembly adopted the commission's recommendation and enacted Public Chapter 341, Acts of 2023, which, beginning in tax year 2025, replaced the existing $1,000 threshold with two new reporting tiers at $2,000 and $10,000 and directed the commission to periodically report on its effects. This update follows the assessment of personal property in 2025, the first year that the new tiers were in effect. Though available data shows there has been an increase in the number of taxpayers eligible to forgo itemizing their personal property in 2025, and it appears more have chosen to do so, the data doesn't differentiate between taxpayers with itemized returns that happen to have exactly $2,000 or $10,000 in personal property value and those that chose to certify their property value at those tiers. No additional legislative changes are recommended at this time, but staff will continue to monitor the Act's effects.

The number of taxpayers who were eligible for and reported at one of the tiers in 2025 increased, though the percentage decreased.

More taxpayers are eligible to forgo itemizing their personal property because of the Act. In 2024, 34,827 businesses were eligible under the previous $1,000 tier. Had the new $2,000 and $10,000 tiers been in place that year, a total of 150,888 businesses—approximately half of all businesses in the state—would have been eligible to forgo itemization at either the $2,000 tier (62,126 eligible) or at the $10,000 tier (88,762 eligible). For 2025, with the two new tiers in place, approximately half of all businesses were eligible to forgo itemizing their tax returns.

The number of businesses that reported property values equal to one of the tiers—a proxy for the number of businesses that chose to forgo itemization—also increased from 21,403 for the $1,000 tier in 2024 to 29,179 for both tiers in 2025—23,594 businesses were at the $2,000 tier, and 5,585 at the $10,000 tier. See figure.

Figure. Number of Businesses Reporting at the $1,000, $2,000, or $10,000 Tiers 2021 to 2025



Source: TACIR staff analysis of Tennessee Comptroller of the Treasury data.

In 2024, under the $1,000 tier, 61% of eligible businesses reported property values equal to $1,000. In 2025, 39% of eligible businesses reported property values equal to $2,000, and 6% reported values equal to $10,000. Tennessee assessors of property contacted by TACIR staff provided a possible explanation for the decrease, saying that new businesses seemed more likely to use the new $2,000 and $10,000 tiers, while existing businesses with their personal property on file were more likely to update their itemized filings from prior years.

Businesses have been generally supportive of the change.

A representative of the National Federation of Independent Business was happy that the new tiers were enacted, saying that more businesses can now avoid paying certified public accountants amounts that can exceed the amount of tax owed. A representative of the Tennessee Chamber of Commerce said their large industrial members benefit indirectly because the new tiers reduce complexity and save time for the small businesses they contract with. Property assessors contacted by TACIR staff said that taxpayers are happy about the time they saved filling out the tax return.

Local officials report the Act had little effect on their staff.

Most assessors either said the new $2,000 and $10,000 tiers didn't change the cost of assessment or that the changes to costs were hard to quantify, though one said assessor staff time spent on personal property tax assessments actually increased because some taxpayers were confused with the new tiers. Another assessor said that some taxpayers didn't understand that when selecting a tier they were selecting their assessment, also needlessly filling out the personal property reporting schedule. A third suggested that adding details to the instructions on the reporting schedule could reduce confusion.

Assessors contacted by TACIR staff were frustrated with the large number of businesses that fail to file. When a business fails to file its tangible personal property taxes, the local assessor inputs an assessed value for the business, known as a forced assessment. According to TACIR staff analysis of data provided by the Tennessee Comptroller of the Treasury, the percentage of all personal property schedules that have a forced assessment continues to increase. The percentage increased from 45% in 2021 to 49% in 2024. For 2025, 50% of all businesses had a forced assessment from their local assessor.

None of the trustees contacted by TACIR staff reported any significant trend or change in collections or delinquencies, either because of the tiers or otherwise. The trustees said pursuing what are small delinquent tax bills continue to cost more than the amount billed and suggested that exempting very small bills or having a minimum bill would make more sense; however, the state constitution prevents that.