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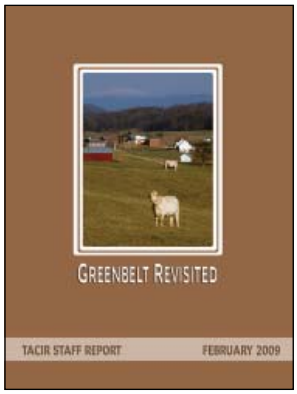
PROPERTY TAX DISPARITY AMONG TENNESSEE COUNTIES

AN ANALYSIS OF CHANGES IN REAL PER CAPITA PROPERTY TAX BASES

by Stan Chervin, Ph.D.

This brief continues TACIR's comprehensive study on property tax in Tennessee. The first report in this study is *Greenbelt Revisited* which identifies several concerns with Tennessee's current greenbelt law.



There is considerable disparity among Tennessee counties' property tax bases. This report analyzes the per capita property tax assessment base for each county, adjusting for inflation, for three periods—1986-2006, 1986-1996, and 1996-2006. The analysis shows that

- statewide, the value of per capita assessments increased 38.3% between 1986 and 2006 with growth ranging from a high of 97.8% in Sevier County to a low of 3.2% in Hawkins County;
- statewide, the real value of per capita assessments increased 17.0% between 1986 and 1996 with growth ranging from a high of 58.8% in Sevier County to a low of -19% in Van Buren County;
- for the period 1986-1996, 13 counties had negative growth, 10 had growth of less than 5%, and 15 had growth of less than 10%;
- statewide, the real value of per capita assessments increased 18.3% between 1996 and 2006 with growth ranging from a high of 56.1% in Van Buren County—which had seen the lowest growth in the preceding period—to a low of -5.0% in Smith County; and that

Tennessee Advisory Commission on Intergovernmental Relations (TACIR)
226 Capitol Boulevard Building
Suite 508
Nashville, TN 37243
Phone: 615.741.3012
Fax: 615.532.2443
E-mail: tacir@state.tn.us
www.state.tn.us/tacir

- for the period 1996-2006, 6 counties had negative growth, 6 had growth of less than 5%, and 13 had growth of less than 10%.

This report also discusses two counties, Van Buren and Johnson, as examples of how various factors can cause large shifts in assessments over time:

- During the period 1986-1996, both counties lost ground in per capita, inflation-adjusted commercial/industrial and farm property assessments while also trailing growth relative to the state as a whole in residential property assessments.
- During the period 1996-2006, both counties significantly exceeded state growth in all categories.
- Van Buren County's large negative growth of -44.5% for the period 1986-1996 for inflation-adjusted per capita farm assessments appears to have occurred as a result of a reappraisal in 1989.
- Since Van Buren and Johnson Counties also have a relatively large percentage of their land engaged in farming, the impact of greenbelt valuations that allow lower assessments on such land was more pronounced in these counties than in the state as a whole.

Property tax base disparities helped provoke significant litigation during the 1980s and 1990s which sought more equal education funding. Since property tax revenue is more important than sales tax revenue in almost all counties, disparities in the property tax base were a major factor in the disparities that existed in local education spending. In response to the litigation, the Basic Education Program (BEP) funding formula was adopted to channel higher amounts of state education aid to counties with lower relative tax bases. The state's responsibility to assist local governments in providing other local services may be the next area to experience increased litigation involving the same general problem, namely disparities in the provision of other local public services that result from the uneven distribution of taxable resources.

INTRODUCTION

The uneven distribution of per capita property and sales tax bases among Tennessee counties is a serious fiscal concern. This report focuses on the property tax and analyzes the behavior of inflation-adjusted per capita assessments by county and the degree to which this tax base has or has not become more or less concentrated among Tennessee counties. The analysis uses statewide and county property assessment data for 1986, 1996, and 2006, along with population estimates for the same years.[1] It also estimates the

[1]Property tax data are from annual "Tax Aggregate Reports" published by the Division of Property Assessment in the Office of the State Comptroller. The data reflected in these publications form the basis for most of the property tax payments made during fiscal 2006-2007, 1996-1997, and 1986-1987. Population data are from the U. S. Census Bureau. Population figures are for June 1 of each of the studied years.

change in the inflation-adjusted value of per capita assessments over time as a gauge for measuring the long term usefulness of the property tax to local government finance in Tennessee.[2]

The analysis shows that statewide the inflation adjusted value of per capita assessments increased 38.3% from 1986 to 2006. When one divides that time period into two equal periods, one finds growth of 17.0% between 1986 and 1996 and 18.3% between 1996 and 2006. There was substantial variation among individual counties in each of the three time periods reviewed (1986-1996, 1996-2006, and 1986-2006).

While this report analyzes disparities among counties in property tax bases, TACIR staff has also recently evaluated statewide property tax trends. In a November 2007 presentation to the Joint Select Committee on Business Taxes, staff noted

- an increase in the importance of residential property versus other property classifications, and
- an increase in the importance of the property tax versus the local option sales tax.[3]

Between 1976 and 2006, residential property increased as a share of the total property tax base from 36.7% to 54.2%. A number of factors may have contributed to this trend, including significant increases in residential property values, reductions in taxes on utilities, reductions in the share of commercial and industrial property assessments to total assessments due to property tax abatements, and reductions in the share of farm and other undeveloped land assessments to total assessments due to the state's greenbelt law. Property tax abatements and the greenbelt law are analyzed in two recent TACIR reports.[4]

The property tax increased in importance relative to the local option sales tax in 61 of Tennessee's 95 counties between 1997 and 2007. One possible factor contributing to this relative importance is the reduction in the overall vitality of the sales tax due to the shift from a manufacturing to a service economy; Tennessee does not tax services as comprehensively as it does goods.

The complexity and magnitude of these trends, as with the trends in inter-county disparity discussed in this report, underscore the importance of maintaining a clear view of property tax characteristics, capabilities, and trends.

[2]State and local price deflator data from the U. S. Bureau of Economic Analysis (U. S. Department of Commerce). http://www.bea.gov/national/nipaweb/SelectTable.asp (accessed December 5, 2008).

[3]Changing Nature of the Property Tax in Tennessee, presentation to the Joint Select Committee on Business Taxes, November 6, 2007, Clifford M. Lippard and Stanley Chervin, TACIR, available at http://state.tn.us/tacir/PDF_FILES/Presentations/CHANGING%20NATURE%20OF%20PROPERTY%20TAX%20IN%20TENNESSEE.pdf.

[4]See Young, E., Roehrich-Patrick, L., and Hunter, E. (2008). Getting It Right: The Effect on the Property Tax Base of Economic Development Agreements and Property Tax Incentives for Businesses, Nashville: TACIR, and Chervin, S. and Green, H. (2009). Greenbelt Revisited, Nashville: TACIR.

ASSESSMENT DATA

Assessment values depend directly on property values. As a result, assessment data for particular counties for particular years are sensitive to the reappraisal cycle in use in each county. The assessment values used in this study (data for 1986, 1996, and 2006) are adjusted for differences in county reappraisal cycles by dividing assessment values for each county in each of the three years by each county's respective median appraisal ratio.[5] The adjusted or equalized assessment data represents the first step in measuring trends in county assessments over time. Table 1 shows equalized assessment data for each county for each of the three years included in the study.

Table 1. Equalized Assessments by County

COUNTY	2006	1996	1986
ANDERSON	1,248,733,467	795,585,740	407,879,700
BEDFORD	746,495,720	307,745,251	172,318,737
BENTON	194,050,481	101,732,097	67,640,902
BLEDSOE	161,689,225	69,093,836	52,355,238
BLOUNT	2,639,004,771	1,137,612,332	681,233,181
BRADLEY	1,685,029,701	902,791,488	502,327,074
CAMPBELL	591,541,709	283,850,370	166,240,248
CANNON	179,277,193	81,881,509	52,604,427
CARROLL	304,118,004	203,490,763	122,546,257
CARTER	687,105,464	336,416,060	225,281,180
CHEATHAM	627,097,301	277,799,023	112,395,920
CHESTER	180,448,482	90,597,223	56,709,707
CLAIBORNE	451,284,929	201,806,989	119,720,106
CLAY	100,749,021	58,548,670	34,934,515
COCKE	465,546,993	216,912,559	136,092,380
COFFEE	833,370,537	431,998,871	260,657,584
CROCKETT	193,914,114	129,255,384	86,247,794
CUMBERLAND	1,102,445,614	492,896,960	216,576,493
DAVIDSON	15,821,004,769	8,990,549,587	5,327,438,866
DECATUR	156,055,751	83,870,651	57,485,341
DEKALB	378,860,612	172,852,586	76,739,186
DICKSON	876,797,218	408,334,064	196,880,629
DYER	563,981,669	380,877,416	223,455,264
FAYETTE	730,462,596	297,245,162	142,494,393
FENTRESS	226,900,185	102,986,613	70,021,227
FRANKLIN	692,043,974	322,075,290	165,693,795
GIBSON	662,981,757	421,103,484	236,956,853
GILES	448,450,999	254,032,547	152,844,881

[5]Data from "Tax Aggregate Reports." The median sales ratio is the preferred statistic (rather than the arithmetic mean) used in property tax administration since it is less affected by extreme low and high values usually found in sales ratio studies.

Table 1. Equalized Assessments by County (continued)

COUNTY	2006	1996	1986
GRAINGER	247,063,933	106,237,235	72,568,187
GREENE	1,108,627,015	503,209,783	333,580,999
GRUNDY	144,200,550	87,285,892	52,774,070
HAMBLEN	1,175,239,072	649,877,762	360,543,277
HAMILTON	6,816,261,452	3,960,478,895	2,355,372,995
HANCOCK	88,527,307	44,651,135	25,686,618
HARDEMAN	336,385,792	177,918,179	117,210,330
HARDIN	523,921,450	251,492,848	162,231,394
HAWKINS	811,366,851	446,282,367	310,339,462
HAYWOOD	343,083,379	203,504,432	160,991,778
HENDERSON	343,652,921	176,495,429	92,886,648
HENRY	455,914,513	270,095,110	164,211,905
HICKMAN	310,881,686	161,958,180	91,594,274
HOUSTON	96,347,024	55,619,475	31,400,876
HUMPHREYS	331,616,720	208,012,503	116,360,688
JACKSON	132,476,220	69,801,746	44,117,826
JEFFERSON	905,592,595	386,497,774	192,023,997
JOHNSON	246,984,792	103,284,017	77,621,866
KNOX	8,052,990,533	4,522,307,128	2,458,313,626
LAKE	66,901,466	44,513,200	36,375,718
LAUDERDALE	291,081,957	187,047,038	99,788,258
LAWRENCE	522,717,526	306,546,761	172,057,747
LEWIS	145,212,950	86,342,234	42,209,126
LINCOLN	475,963,174	243,950,130	160,993,968
LOUDON	1,190,269,704	492,862,356	219,737,935
MCMINN	1,009,531,956	520,926,438	323,000,092
MCNAIRY	330,743,639	182,392,412	110,570,491
MACON	287,851,834	129,206,545	83,079,879
MADISON	1,695,450,395	1,009,859,437	531,894,556
MARION	499,276,825	216,025,469	139,642,323
MARSHALL	498,795,226	291,652,333	165,414,119
MAURY	1,394,808,593	729,551,441	334,393,270
MEIGS	186,837,905	74,585,156	48,492,444
MONROE	736,776,812	352,829,353	148,804,927
MONTGOMERY	2,290,515,404	1,137,936,122	409,117,713
MOORE	159,477,534	71,407,826	45,816,248
MORGAN	231,676,913	103,210,053	71,485,881
OBION	473,360,997	304,104,221	209,122,819
OVERTON	254,153,337	144,772,629	76,737,494
PERRY	132,642,448	73,077,382	46,338,157
PICKETT	85,919,671	38,639,013	23,180,816
POLK	245,929,842	108,036,769	74,931,405
PUTNAM	1,183,298,503	635,761,993	315,267,144
RHEA	489,007,273	225,734,590	117,917,923

Table 1. Equalized Assessments by County (continued)

COUNTY	2006	1996	1986
ROANE	954,560,899	476,001,295	250,337,245
ROBERTSON	1,108,176,462	514,244,593	223,860,677
RUTHERFORD	4,583,953,898	1,874,794,303	741,209,968
SCOTT	253,348,236	131,866,498	95,022,853
SEQUATCHIE	215,557,823	88,559,140	60,460,398
SEVIER	3,200,344,219	1,340,890,327	471,099,724
SHELBY	17,466,452,402	9,556,394,321	6,058,818,307
SMITH	282,851,217	172,261,114	79,456,553
STEWART	199,509,170	90,139,979	47,629,161
SULLIVAN	2,885,374,987	1,915,386,125	1,249,273,586
SUMNER	3,143,599,114	1,281,339,912	659,960,692
TIPTON	764,505,835	359,457,881	179,341,856
TROUSDALE	101,955,880	52,604,481	30,099,522
UNICOI	308,269,667	137,685,540	83,638,129
UNION	255,565,206	94,657,115	51,012,614
VAN BUREN	88,425,761	36,117,575	31,969,542
WARREN	537,640,534	341,450,167	177,999,559
WASHINGTON	2,309,403,570	1,151,158,361	596,553,630
WAYNE	197,175,084	101,791,939	83,029,193
WEAKLEY	405,752,545	279,285,486	173,252,032
WHITE	325,574,591	200,418,242	126,077,346
WILLIAMSON	6,163,797,679	2,163,796,523	763,991,307
WILSON	2,297,566,887	960,040,106	388,320,403
TOTAL	**118,348,139,611**	**60,970,264,335**	**33,972,387,440**

Source: "Tax Aggregate Report" published by the Division of Property Assessment in the Office of the State Comptroller; 2006, 1996, and 1986 editions.

REAL PER CAPITA ASSESSMENT DATA

In order to provide a more relevant comparison, TACIR staff adjusted the assessment data in Table 1 for both population and inflation.[6] Using per capita data reflects the obvious reality that most local government spending is related to people: K-12 public education, police/sheriff services, fire and emergency protection services, roads, utilities, etc. Adjusting the data for inflation accounts for the increased cost over time in purchasing goods and services used to provide local government services. The resulting inflation-adjusted value of per capita assessments provides a measure of the ability of the local property tax base to produce sufficient revenue at a fixed nominal tax rate to pay for local government services.

[6]Adjusted for both changes in population and changes in the price of goods and services used in providing local government goods and services (primarily services).

As an example, consider the following. During fiscal year 1986-87 a county had $1,000,000 in taxable assessments and a population of 1,000. This produced per capita tax assessments of $1,000 ($1,000,000 / 1,000 = $1,000). The local property tax rate was $2 per $100. Total property taxes in fiscal 1986-87 were therefore $20,000 ($1,000,000 / $100 = 10,000; 10,000 x $2 = $20,000) or $20 per capita ($20,000 / 1,000 = $20). Presumably the $20,000 was sufficient along with other local revenues to pay for the level of local services chosen in fiscal 1986-87. Between fiscal year 1987 and 1997, the prices of goods and services purchased by this local government rose by 5% per year. So by fiscal 1997, the average cost of goods and services purchased by this local government had risen by almost 63%.[7] To finance the same level of government services as provided in fiscal 1987 to the same population of 1,000 persons required property taxes of $32,600 or $32.60 per capita.

This task is easily managed at the original tax rate of $2 per $100 if the local per capita tax base has also risen by at least 63%.[8] A 63% increase in the fiscal 1987 per capita tax base would produce $1,630 which at a tax rate of $2 per $100 would generate per capita taxes of $32.60. Local governments over time may decide to offer more services to their citizens, and the rate of tax base growth would certainly impact the ease or difficulty of maintaining nominal tax rates over time while providing a fixed or growing level of local services. Despite the fiscal pressures experienced by most local governments over the twenty year period 1986-87 to 2006-07, a majority of counties (67) imposed a lower property tax rate in fiscal 2007 than in fiscal 1987.[9] This somewhat counter intuitive fact was made possible by a fortuitous set of circumstances that is not likely to repeat:

1. For many counties, the local sales tax proved very productive during most of this period, reducing the need for higher property tax rates;

2. With the introduction of the Basic Education Program in 1993, state aid for local education grew dramatically, further reducing local government fiscal pressures, especially for counties suffering from low fiscal capacity; and

3. Many counties were fortuitous in experiencing a growing inflation-adjusted value in their per capita property tax base.

It should also be pointed out that the argument sometimes advanced that low assessments cause high tax rates is not borne out by the evidence. Using data for 2006 for comparison, there is little correlation

[7]Actual calculation is 62.89% implying a price index in 1997 of 162.89 relative to a base index in 1987 of 100.

[8]Growth could be either through new construction or increases in prices of existing properties.

[9]Seventy-nine had a lower property tax rate in 1996 than in 1986.

between county tax rates and county per capita assessments. Factors other than the amount of per capita assessments affect county property tax rates including

1. the productivity of the county sales tax,
2. the relative price of goods and services in the local area,[10]
3. the distribution of the local property tax burden between households and businesses,[11]
4. the importance of local services, especially education, to local residents,[12] and
5. the distribution of the provision of local services between city and county governments.[13]

This report provides measures of the relative changes in the real value of county per capita property tax bases over the period 1986-2006. This data can be used to identify in which counties the property tax failed or succeeded to grow at a pace sufficient to generate the same or higher real level of per capita revenue as generated in the base year used for comparison—using the same tax rate as used in the base year.

DATA CHALLENGES

Adjusting for population and price changes over time entailed two problems that need to be identified. The first potential problem, not unique to Tennessee, involves the inclusion in official U.S. Census population counts of persons in group quarters. Group quarters include correctional facilities, nursing homes, college dormitories, military barracks, group homes, and others.[14] The problem introduced by group-quartered persons is most severe in locations where the group-quartered population represents a significant portion of the total local population, and where the group facility itself either did not exist at some point in time, or where the facility has expanded significantly over time. Group-quartered persons can distort per capita comparisons among counties in a given single year, as well as distort comparisons over time. This "methodology problem" has been previously identified in Tennessee,[15] but left intact in all per capita tax-sharing

[10]The price of most services is higher in metropolitan areas than in rural areas of the state.

[11]The higher the percent of total assessments represented by commercial, industrial, and utility properties, the lower the tax cost to households in raising $1 of property tax revenue.

[12]The importance of a good education varies by household and by county. In certain areas of the state households demand, and are willing to pay, above average taxes to insure a quality public educational system.

[13]The more services provided to county residents by city governments, the fewer that need to be provided by county governments.

[14]For a full list see http://www.census.gov/acs/www/Downloads/2006_ACS_GQ_Type_Code_List.pdf (accessed February 19, 2009).

[15]See Green, H. and Roehrich-Patrick, L. (2004). A User's Guide to Fiscal Capacity in the Basic Education Program, p.16, Nashville:TACIR.

arrangements between state and local governments.[16]

Counties with a relatively large population of group-quartered persons (2000 data) include: Lake (28.7%),[17] Hardeman (14.1%), Wayne (12.9%), Lauderdale (9.9%), Bledsoe (9.5%), Morgan (8.7%), Johnson (8.5%), Chester (7.2%), Weakley (7.2%), and Hickman (6.2%). TACIR staff analyzed the data for these counties to insure that calculated real per capita assessment data over time were not impacted by activity associated with group-quartered persons. Staff obtained data for this analysis from the Tennessee Department of Corrections and from the University of Tennessee-Martin.[18] The analysis demonstrated that the only county whose adjusted population looked unreasonable was Lake County. The official Census population count for Lake County minus the count of prisoners produced a figure that seemed too low relative to population counts for Lake County in the past. The actual estimates of group-quartered persons for each county as reported to the U. S. Census were not available. Therefore the results for Lake County remain problematic but are included in the tables.

A second problem not easily sidestepped involves adjusting for rising resource costs. There are no price indexes to measure changes in prices of goods and services purchased by Tennessee local governments. The fallback solution taken is to use a national general price index for all state and local government expenditures[19] to inflation-adjust the per capita assessment data already described.

RESULTS

Table 2 shows calculated inflation-adjusted per capita assessments for each county for 1986, 1996, and 2006. Given the caveats and warnings already noted regarding the data, statewide, the real value of per capita assessments increased 38.3% between 1986 and 2006. There was considerable variation among individual counties. Real per capita assessment growth ranged from a high of 97.8% in Sevier County to a low of 3.2% in Hawkins County. Four additional counties had growth of less than 10%.[20] The concentration of real per capita assessments rose slightly between 1986 and 2006 as measured by both the coefficient of variation and Gini coefficient.[21] Between 1986 and 2006, the coefficient of variation rose from 24.6% to 29.5% while the Gini coefficient rose from

[16]None of the state tax-sharing arrangements with local governments in Tennessee that are based on population are adjusted for group-quartered persons.

[17]Percent of total population.

[18]Staff requested information from Freed-Hardeman College in Chester County as well as from UT-Martin, but Freed-Hardeman did not respond to the request for data. The information supplied by the Department of Corrections and UT Martin was used to reduce the reported population counts for all counties in which group-quartered persons represented more than 5% of the total estimated population.

[19]Specifically Table 3.10.4. Price Index for State and Local Government Consumption Expenditures located at http://www.bea.gov/national/nipaweb/SelectTable.asp (accessed February 19, 2009).

[20]Crockett, Marshall, Sullivan, and White Counties.

[21]A Gini coefficient or index is a measure of statistical dispersion, often used to measure the equality or inequality in the distribution of various economic factors such as income, wealth, taxes, etc.

13.3% to 14.5%. The following sections discuss the findings during two sub-periods, 1986-1996 and 1996-2006.

CHANGES BETWEEN 1986 AND 1996

Statewide, the real value of per capita assessments increased 17.0% between 1986 and 1996; however, as noted for the overall period above, there was substantial variation among individual counties. Real per capita assessment growth ranged from a high of 58.8% in Sevier County to a low of -19% in Van Buren County. Thirteen counties had negative growth, 10 had growth of less than 5%, and 15 had growth of less than 10%.

CHANGES BETWEEN 1996 AND 2006

Again, there was considerable variation among individual counties from 1996-2006. Statewide, the real value of per capita assessments increased 18.3%. Real per capita assessment growth ranged from a high of 56.1% in Van Buren County—which had seen the lowest growth in the preceding period—to a low of -5.0% in Smith County. Six counties had negative growth, six had growth of less than 5%, and 13 had growth of less than 10%. The amount of variation in real per capita assessments changed little between 1996 and 2006.[22] Clearly Van Buren County was undergoing different underlying changes between 1996 to 2006 compared to 1986 and 1996. While it is not the intent of this report to explain the changes in real per capita assessments in each county, some explanation for the most extreme results is useful in interpreting the underlying dynamics that impact the numbers.

Table 2. Real Per Capita Assessments and Change by County

COUNTY	2006	1996	1986	1996 to 2006	1986 to 1996	1986 to 2006
ANDERSON	13,174.2	12,482.9	9,345.0	5.5%	33.6%	41.0%
BEDFORD	13,348.0	10,198.2	8,987.6	30.9%	13.5%	48.5%
BENTON	9,197.4	7,114.8	7,126.1	29.3%	-0.2%	29.1%
BLEDSOE	10,388.5	8,176.5	9,011.2	27.1%	-9.3%	15.3%
BLOUNT	17,333.4	12,917.9	12,733.5	34.2%	1.4%	36.1%
BRADLEY	13,983.9	12,665.9	10,868.8	10.4%	16.5%	28.7%
CAMPBELL	11,241.5	8,562.1	7,204.6	31.3%	18.8%	56.0%
CANNON	10,348.5	7,832.0	7,758.0	32.1%	1.0%	33.4%
CARROLL	8,113.7	7,919.8	6,825.7	2.4%	16.0%	18.9%
CARTER	9,016.3	7,135.0	6,669.8	26.4%	7.0%	35.2%
CHEATHAM	12,476.1	9,413.0	7,091.4	32.5%	32.7%	75.9%
CHESTER	8,731.3	7,168.4	6,889.7	21.8%	4.0%	26.7%

[22]The coefficient of variation (95 counties) was 29.52% in 2006 and 29.02% in 1996.

Table 2. Real Per Capita Assessments and Change by County (cont.)

COUNTY	2006	1996	1986	1996 to 2006	1986 to 1996	1986 to 2006
CLAIBORNE	11,175.4	7,872.8	7,146.7	41.9%	10.2%	56.4%
CLAY	9,709.2	9,043.2	7,213.9	7.4%	25.4%	34.6%
COCKE	10,260.9	7,777.4	7,175.4	31.9%	8.4%	43.0%
COFFEE	12,531.1	10,822.2	10,124.5	15.8%	6.9%	23.8%
CROCKETT	10,459.2	10,603.5	9,539.7	-1.4%	11.2%	9.6%
CUMBERLAND	16,349.3	13,184.8	10,527.2	24.0%	25.2%	55.3%
DAVIDSON	21,222.3	18,903.5	16,393.0	12.3%	15.3%	29.5%
DECATUR	10,602.2	8,770.3	8,212.1	20.9%	6.8%	29.1%
DEKALB	16,018.3	12,549.7	8,349.1	27.6%	50.3%	91.9%
DICKSON	14,611.1	11,524.2	9,312.8	26.8%	23.7%	56.9%
DYER	11,555.7	11,826.3	10,140.2	-2.3%	16.6%	14.0%
FAYETTE	15,706.4	11,796.7	8,634.4	33.1%	36.6%	81.9%
FENTRESS	10,076.4	7,336.6	7,073.2	37.3%	3.7%	42.5%
FRANKLIN	13,001.5	9,769.3	7,533.1	33.1%	29.7%	72.6%
GIBSON	10,619.9	9,881.6	7,618.2	7.5%	29.7%	39.4%
GILES	11,893.7	10,015.1	9,371.7	18.8%	6.9%	26.9%
GRAINGER	8,541.7	6,257.3	6,487.5	36.5%	-3.5%	31.7%
GREENE	13,050.1	9,690.1	9,148.8	34.7%	5.9%	42.6%
GRUNDY	7,720.4	7,074.1	5,842.7	9.1%	21.1%	32.1%
HAMBLEN	14,949.3	13,656.6	10,925.8	9.5%	25.0%	36.8%
HAMILTON	16,910.0	15,097.7	12,838.7	12.0%	17.6%	31.7%
HANCOCK	10,236.9	7,326.5	5,800.1	39.7%	26.3%	76.5%
HARDEMAN	9,965.1	8,304.0	7,709.9	20.0%	7.7%	29.2%
HARDIN	15,589.0	11,480.9	11,202.4	35.8%	2.5%	39.2%
HAWKINS	11,078.9	10,376.9	10,732.9	6.8%	-3.3%	3.2%
HAYWOOD	13,724.5	11,600.6	12,307.4	18.3%	-5.7%	11.5%
HENDERSON	9,972.5	8,437.7	6,489.9	18.2%	30.0%	53.7%
HENRY	11,116.3	10,249.1	8,867.1	8.5%	15.6%	25.4%
HICKMAN	10,624.6	9,863.0	9,187.7	7.7%	7.3%	15.6%
HOUSTON	9,260.9	8,075.8	6,952.4	14.7%	16.2%	33.2%
HUMPHREYS	13,994.9	13,970.1	11,187.7	0.2%	24.9%	25.1%
JACKSON	9,419.0	8,315.6	7,466.2	13.3%	11.4%	26.2%
JEFFERSON	14,238.4	10,753.7	9,084.2	32.4%	18.4%	56.7%
JOHNSON	11,929.2	7,764.2	8,526.1	53.6%	-8.9%	39.9%
KNOX	15,174.2	13,680.3	11,661.6	10.9%	17.3%	30.1%
LAKE	10,163.1	7,086.1	7,403.0	43.4%	-4.3%	37.3%
LAUDERDALE	8,452.7	8,699.3	6,482.1	-2.8%	34.2%	30.4%
LAWRENCE	9,912.7	8,898.0	7,548.1	11.4%	17.9%	31.3%
LEWIS	9,727.6	9,190.7	6,833.0	5.8%	34.5%	42.4%
LINCOLN	11,289.2	9,506.0	9,036.1	18.8%	5.2%	24.9%
LOUDON	20,732.5	14,845.2	11,197.8	39.7%	32.6%	85.1%
MCMINN	15,064.7	12,855.6	11,655.7	17.2%	10.3%	29.2%
MCNAIRY	9,981.5	8,661.3	7,507.9	15.2%	15.4%	32.9%
MACON	10,284.9	8,332.2	8,020.5	23.4%	3.9%	28.2%

Table 2. Real Per Capita Assessments and Change by County (cont.)

COUNTY	2006	1996	1986	1996 to 2006	1986 to 1996	1986 to 2006
MADISON	13,724.7	13,461.2	10,596.4	2.0%	27.0%	29.5%
MARION	13,870.6	9,238.6	8,668.8	50.1%	6.6%	60.0%
MARSHALL	13,405.2	13,011.2	12,474.1	3.0%	4.3%	7.5%
MAURY	13,826.5	12,273.8	9,774.5	12.7%	25.6%	41.5%
MEIGS	12,398.3	9,010.8	9,614.2	37.6%	-6.3%	29.0%
MONROE	12,950.5	11,902.2	7,565.5	8.8%	57.3%	71.2%
MONTGOMERY	12,086.2	10,547.9	6,880.1	14.6%	53.3%	75.7%
MOORE	20,394.9	15,457.3	14,955.3	31.9%	3.4%	36.4%
MORGAN	9,674.7	6,843.5	6,925.6	41.4%	-1.2%	39.7%
OBION	11,417.3	10,645.6	9,812.5	7.2%	8.5%	16.4%
OVERTON	9,512.6	8,713.7	6,715.2	9.2%	29.8%	41.7%
PERRY	13,454.3	11,378.1	11,192.1	18.2%	1.7%	20.2%
PICKETT	13,737.7	9,391.8	7,843.3	46.3%	19.7%	75.2%
POLK	11,977.3	8,447.0	8,299.4	41.8%	1.8%	44.3%
PUTNAM	13,452.0	12,419.6	9,828.3	8.3%	26.4%	36.9%
RHEA	12,508.6	9,304.7	7,385.2	34.4%	26.0%	69.4%
ROANE	13,904.1	10,759.4	7,957.9	29.2%	35.2%	74.7%
ROBERTSON	13,833.1	11,622.6	8,803.0	19.0%	32.0%	57.1%
RUTHERFORD	15,550.3	13,644.1	11,163.6	14.0%	22.2%	39.3%
SCOTT	8,969.5	7,555.8	7,577.6	18.7%	-0.3%	18.4%
SEQUATCHIE	12,869.6	9,988.9	10,677.8	28.8%	-6.5%	20.5%
SEVIER	30,526.6	24,505.3	15,432.4	24.6%	58.8%	97.8%
SHELBY	14,876.0	12,402.8	11,664.6	19.9%	6.3%	27.5%
SMITH	11,708.4	12,330.3	8,618.5	-5.0%	43.1%	35.9%
STEWART	11,915.1	9,216.2	7,963.9	29.3%	15.7%	49.6%
SULLIVAN	14,616.5	14,384.7	13,327.8	1.6%	7.9%	9.7%
SUMNER	16,332.0	12,035.8	10,557.1	35.7%	14.0%	54.7%
TIPTON	10,342.6	8,986.1	7,982.5	15.1%	12.6%	29.6%
TROUSDALE	10,132.5	8,928.0	8,024.4	13.5%	11.3%	26.3%
UNICOI	13,548.0	8,995.9	7,654.4	50.6%	17.5%	77.0%
UNION	10,394.3	6,838.8	6,222.7	52.0%	9.9%	67.0%
VAN BUREN	12,599.5	8,072.1	9,969.4	56.1%	-19.0%	26.4%
WARREN	10,429.6	10,847.2	8,353.6	-3.8%	29.8%	24.9%
WASHINGTON	15,682.0	12,922.7	10,108.4	21.4%	27.8%	55.1%
WAYNE	10,077.0	7,674.1	9,039.2	31.3%	-15.1%	11.5%
WEAKLEY	9,442.4	9,634.6	8,209.6	-2.0%	17.4%	15.0%
WHITE	10,323.2	10,289.3	9,722.5	0.3%	5.8%	6.2%
WILLIAMSON	29,759.4	22,823.5	16,521.3	30.4%	38.1%	80.1%
WILSON	17,143.5	13,588.0	9,590.4	26.2%	41.7%	78.8%

Source: Tax Aggregate Reports (2006, 1996, and 1986 editions).

VAN BUREN AND JOHNSON COUNTIES

Van Buren County was not the only county to experience a big shift in growth between the two periods examined; Johnson County also experienced a big swing. Both counties also experienced significantly slower population growth than the state as a whole. While the statewide population grew 13.6% between 1996 and 2006, and 12.03% between 1986 and 1996, the respective figures for Johnson County were 7.73% and 6.68%, and for Van Buren County 8.57% and 1.87%. While this trend is important, the widely varying growth in real per capita assessment in these two counties in the two different time periods analyzed varied for reasons somewhat unrelated to population growth.

Table 3 shows real per capita assessment growth data for the two counties and for the state as a whole for the two periods analyzed. Note that the growth figures for the state for all property shown in Table 3 differ slightly from those reported elsewhere in this report. This is due to differences in the sum of reported detailed assessment data by category versus total assessment data (see the 1996 Tax Aggregate Report, Tennessee Comptroller of the Treasury). During the first period (1986-1996), the two counties lost ground in both the commercial/industrial and farm categories (in real per capita terms) while also trailing growth (relative to the state as a whole) in the residential category. During the period 1996-2006, both counties significantly exceeded the state growth in all categories.

Van Buren County's large negative growth figure for the 1986-1996 period for real per capita farm assessments appears to have occurred as a result of a reappraisal in 1989. Many counties undergoing reappraisals in 1989 had dramatic increases in both agricultural assessments and, at the same time, greenbelt valuation assessments. Van Buren County was one of only a few counties that underwent a reappraisal in 1989 and experienced a decline in total farm assessments. Since Van Buren and

Table 3. Real Per Capita Assessment Growth

Category	Johnson County		Van Buren County		State(3)	
	1986-1996	1996-2006	1986-1996	1996-2006	1986-1996	1996-2006
All property (1)	-8.9%	53.6%	-19.0%	56.1%	16.2%	18.5%
Commercial & Industrial (2)	-25.6%	42.0%	-5.2%	46.1%	12.1%	9.1%
Residential (2)	6.3%	84.3%	15.0%	97.2%	35.4%	31.9%
Farm (2)	-9.6%	36.1%	-44.5%	41.4%	4.3%	-22.9%

Notes:

(1) Includes both real and personal property.

(2) Reflects only real property (excludes personal property) since this category accounts for 88% of total assessments.

(3) Growth figures for state for all property differ slightly from those reported elsewhere in this report due to differences in the sum of reported detailed assessment data by category versus total assessment data (see 1996 Tax Aggregate Report).

Johnson Counties also have a relatively large percentage of their land engaged in farming, the impact of greenbelt valuations was more pronounced in such counties than in the state as a whole. The drop in commercial and industrial assessments in Johnson County could be the result of small growth or the large increase in inflation over this period.

POLICY IMPACT

Concern over the types of disparities in local tax bases analyzed in this report has already been the subject of significant legislation and policy initiatives. Specifically, the recognized impact of tax base disparities on local educational spending formed the basis for significant litigation during the 1980s and 1990s which sought more equal educational opportunities. Most state education programs now reflect a heavy dose of state government aid designed to reduce the variation in local education spending. In Tennessee, the increased state fiscal role is reflected in the BEP funding formula that channels higher amounts of state education aid to counties with lower relative tax bases;[23] however, in Tennessee other types of state aid to local governments are not based on any measure or consideration of fiscal capacity, nor in many cases, actual fiscal need. The state's responsibility to assist local governments in providing other local services may be the next area to experience increased litigation involving the same general problem, namely disparities in the provision of other local public services that result from the uneven distribution of taxable resources.

[23]While the BEP fiscal capacity process reevaluates local fiscal capacity on an annual basis, a study of the trend of local property and sales tax bases over time has not been evaluated.

Tennessee Advisory Commission on Intergovernmental Relations (TACIR)

The Commission was established by the General Assembly in 1978 to

- Monitor the operation of federal-state-local relations,
- Analyze allocation of state and local fiscal resources,
- Analyze the functions of local governments and their fiscal powers,
- Analyze the pattern of local governmental structure and its viability,
- Analyze laws relating to the assessment and taxation of property,
- Publish reports, findings and recommendations, and draft legislation needed to address a particular public policy issue, and
- Provide a neutral forum for discussion and education about critical and sensitive public policy issues.

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