

Real Estate Transfer Tax

HB649/SB1080

by Speaker Pro Tem Representative Pat Marsh and Senate Majority Leader Johnson

Background information

- The current rate of this tax is \$0.37 per \$100 of value. This bill does not increase that rate.
- Small portions of the tax are currently allocated for specific purposes (wetlands acquisition, local parks acquisition, state lands acquisition, agricultural resources conservation fund and the preservation of Civil War Sites and historic property land acquisition). However, approximately 78% of the funds are not earmarked and are currently deposited in the state general fund for any purpose.
- There is also a commission paid to the Register of Deeds for collection of the tax.
- Revenue from this tax fluctuates depending on developments in the real estate market, economic trends, interest rates, etc., but over time, this source of revenue has grown with the economy.
- According to Department of Revenue data, total realty transfer tax collections for the state averaged \$310,424,579 between FY 2021 and FY 2024.

The Proposal Under HB 649/SB 1080

- This bill proposes to return 50% of the tax to each county where the tax was collected. Based on collections over the last 4-years, that would equate to \$155,212,290.
- The intent of the legislation is to deduct the proceeds from the funds currently going to the State General Fund and not to reduce any of the earmarked appropriations or the register's commission.
- The bill does not allow these funds to be used for salaries and benefits.
- It requires the funds to be spent on infrastructure, debt service for capital projects, matching funds for state and federal projects and other nonrecurring expenses. The bill requires that not less than 50 percent of the funds should be dedicated to transportation infrastructure projects.
- This revenue could not be used to supplant current local funds in the highway department. The bill also specifies that this is considered a state-shared revenue and is not included in the 5-year average calculation for local highway funds. This protects the county against fluctuations in revenue due to changes in the housing market.
- When presenting the annual work program each year for state aid funding, the county highway chief administrative shall present a plan to the legislative body for using these funds.

Why this Proposal is Needed

- Counties are struggling to keep pace with growth and have a massive backlog of infrastructure needs.
- Currently, the bulk of state-shared revenue received by counties comes from motor fuel taxes (gas and diesel) or from T.V.A. in lieu of tax payments, both of which are stagnant and do not keep pace with inflation.
- Realty transfer taxes grow along with increases in property values and would provide counties with state-shared revenues that do not diminish over time when adjusted for inflation.
- All counties experience property transfers and have collections from this revenue source. Those experiencing the highest growth in population and demand for services also tend to see higher collections.
- On average, one-half of the transfer tax collections in a county equates to roughly five cents on the property tax rate for a county, ranging from a little over 3 cents to just under 10 cents.
- Returning a portion of the revenue from this tax to county governments would relieve pressure on the property tax, which is the primary revenue source for 94 of 95 counties, and would allow taxpayers to see half the revenue from the tax used to support the county where the property was purchased.

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	50 Percent of 4-Yr Average	Per-Penny equivalent on
County	of Collections	the County Property Tax
Anderson County	\$ 1,160,701.63	5.8
Bedford County	\$ 998,584.31	7.22
Benton County	\$ 178,196.18	5.83
Bledsoe County	\$ 143,314.61	4.92
Blount County	\$ 2,760,488.42	6.44
Bradley County	\$ 1,711,982.60	5.4
Campbell County	\$ 572,036.26	6.36
Cannon County	\$ 208,828.06	7.16
Carroll County	\$ 234,927.05	5.1
Carter County	\$ 557,495.67	5.05
Cheatham County	\$ 835,767.65	7.26
Chester County	\$ 144,002.16	4.37
Claiborne County	\$ 299,577.10	4.16
Clay County	\$ 99,077.24	5.43
Cocke County	\$ 388,218.62	5.9
Coffee County	\$ 962,050.79	5.93
Crockett County	\$ 112,247.78	3.14
Cumberland County	\$ 1,192,997.16	5.25
Davidson County	\$ 28,818,734.22	6.03
Decatur County	\$ 159,056.06	5.68
DeKalb County	\$ 435,439.83	6.68
Dickson County	\$ 1,112,117.54	7.2
Dyer County	\$ 327,224.36	4.01
Fayette County	\$ 959,933.33	6.53
Fentress County	\$ 309,486.29	8.5
Franklin County	\$ 867,077.21	5.21
Gibson County	\$ 535,429.48	5.72
Giles County	\$ 390,391.03	4.22
Grainger County	\$ 264,141.20	5.41
Greene County	\$ 838,108.61	5.92
Grundy County	\$ 171,259.23	6.29
Hamblen County	\$ 822,385.81	4.97
Hamilton County	\$ 8,927,893.54	6.52
Hancock County	\$ 54,159.86	3.99
Hardeman County	\$ 200,647.91	5.03
Hardin County	\$ 497,572.64	6.4
Hawkins County	\$ 618,445.71	4.58
Haywood County	\$ 143,827.62	3.19
Henderson County	\$ 214,886.82	4.62
Henry County	\$ 366,270.48	4.99
Hickman County	\$ 349,569.37	6.31
Houston County	\$ 103,299.73	6.47
Humphreys County	\$ 271,964.64	4.84
Jackson County	\$ 123,636.40	5.32
Jefferson County	\$ 944,476.48	6.63
Johnson County	\$ 240,662.34	6.44
Knox County	\$ 10,833,920.13	5.64
Lake County	\$ 32,536.82	3.15
Lauderdale County	\$ 134,862.29	3.03
Lawrence County	\$ 539,592.01	5.36

County	50 Percent of 4-Yr Average of Collections	Per-Penny equivalent on the County Property Tax
Lewis County	\$ 183,439.98	7.34
Lincoln County	\$ 490,519.76	6.35
Loudon County	\$ 1,698,867.66	7.03
McMinn County	\$ 718,728.40	5.46
McNairy County	\$ 211,313.63	3.61
Macon County	\$ 333,644.46	7.98
Madison County	\$ 1,403,517.34	4.47
Marion County	\$ 535,417.12	5.61
Marshall County	\$ 737,173.37	6.58
Maury County	\$ 3,479,159.80	8.6
Meigs County	\$ 171,446.15	5.38
Monroe County	\$ 736,359.66	6.18
Montgomery County	\$ 5,261,388.08	9.74
Moore County	\$ 114,822.19	3.39
Morgan County	\$ 186,131.16	5.13
Obion County	\$ 239,370.83	3.58
Overton County	\$ 279,746.00	6.03
Perry County	\$ 149,161.01	6.44
Pickett County	\$ 89,912.03	6.1
Polk County	\$ 213,840.82	6.33
Putnam County	\$ 1,274,748.33	5.58
Rhea County	\$ 432,428.79	5.64
Roane County	\$ 871,070.15	5.97
Robertson County	\$ 1,692,666.69	8.47
Rutherford County	\$ 9,395,768.09	6.16
Scott County	\$ 165,639.74	4.82
Sequatchie County	\$ 243,955.66	7.01
Sevier County	\$ 4,780,285.99	8.98
Shelby County	\$ 12,968,535.22	5.09
Smith County	\$ 283,468.35	4.46
Stewart County	\$ 182,359.51	5.56
Sullivan County	\$ 2,123,107.77	4.71
Sumner County	\$ 5,643,967.11	8.32
Tipton County	\$ 663,931.31	5.16
Trousdale County	\$ 178,816.90	5.41
Unicoi County	\$ 150,912.54	3.69
Union County	\$ 270,455.64	5.5
Van Buren County	\$ 125,876.82	7.38
Warren County	\$ 557,660.42	6.34
Washington County	\$ 2,177,729.33	6.09
Wayne County	\$ 141,260.53	3.56
Weakley County	\$ 273,737.47	4.58
White County	\$ 388,841.38	6.96
Williamson County	\$ 14,276,811.47	7.77
Wilson County	\$ 5,544,793.24	8.08
		Average
Total	\$ 155,212,290.11	5.77