



# TACIR

The Tennessee Advisory Commission  
on Intergovernmental Relations



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226 Anne Dallas Dudley Blvd., Suite 508  
Nashville, Tennessee 37243-0760

Phone: (615) 741-3012

Fax: (615) 532-2443

[www.tn.gov/tacir](http://www.tn.gov/tacir)

## ***MEMORANDUM***

**TO:** Commission Members

**FROM:** Cliff Lippard  
Executive Director

**DATE:** 29 September 2022

**SUBJECT:** Personal Property Tax - Draft

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The attached Commission report is submitted for your review and comment. It was prepared in response to Senator Lundberg's request at the January 2022 Commission meeting that the Commission study the personal property tax in Tennessee to examine the costs to businesses both large and small to report and pay the tax; their levels of compliance in tax payment; how much the tax contributed to the overall revenue bases of local governments large and small, as well as the costs to those governments to collect on delinquent taxes; and possible revenue replacement models that could be used if the tax were reduced or eliminated altogether.

At the June 2022 Commission meeting, a panel of six experts was convened. Since then, the Commission has identified several alternatives to both make compliance easier for taxpayers, tax preparers, and local governments without reducing local revenue:

- Tennessee currently gives about 13% of businesses an option to streamline the process of complying with the personal property tax: on the assessment form, a business can forgo itemizing their property if they certify—subject to audit—that they have \$1,000 or less of personal property. **To give more businesses a means to reduce the time and cost of filing personal property taxes without decreasing local tax revenue, the Commission recommends that the General Assembly consider adding one or more tiers at greater dollar amounts.**
- About two-thirds of Tennessee's counties continue to rely on paper filings, while only a third offer e-filing. **To encourage increased compliance with the tax, streamline the reporting process for businesses, reduce labor and costs for assessors, encourage consistency in filing requirements across jurisdictions,**

and modernize the filing process, the Commission recommends that county assessors consider adopting e-filing and that they continue to be encouraged to do so.

- Some new businesses may incorrectly assume that the Department of Revenue administers all state and local taxes in Tennessee, and the information on state websites regarding personal property taxes could be easy to overlook. **To better inform taxpayers of their tax obligations and enhance compliance, the Commission recommends that new businesses receive an email upon registration of their business licenses that outlines all of the taxes they might owe, including local taxes.**
- In 1997, the Standard Industrial Classification (SIC) system was replaced with the North American Industrial Classification System (NAICS); however, Tennessee's business tax continues to use SIC while personal property tax account data use NAICS. **To ensure that business tax records across different governmental databases are consistent and updated, the Commission recommends that the General Assembly amend state law to update the industry classifications used for the business tax from the Standard Industrial Classification (SIC) system to the North American Industry Classification System (NAICS).**