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CENTER OF TENNESSEE

Volunteering for Higher Taxes?

Assessing Tennessee's Uncapped Property Taxes

Introduction

The feeling of "sticker shock" has become all too familiar these days, affecting everything from groceries to insurance premiums. Unfortunately, Tennesseans may be more shocked than most not only with everyday purchases, but with annual local property tax bills. Being one of only four states lacking any statewide measure to protect taxpayers from the rising cost of property taxes, Tennesseans can face unlimited property tax increases from local governments.[1] The rising cost of living is coupled with the increasing cost of local governments, though many are raising rates well beyond the cost of inflation.

It's difficult to forget Nashville's 34 percent increase at the onset of the pandemic, but some residents elsewhere in Tennessee have witnessed even more egregious hikes, some with rates more than doubling in recent years.[2] The purchase of a home or renting a property has already become difficult for so many in our state. For a state that prides itself on a low tax burden, local governments— with no limit on raising property taxes—have an outsized influence on raising the cost of living for Tennessee residents. Unbridled tax increases contribute to making the dream of home ownership, or continuing to afford their current one, even further out of reach.

Truth in Taxation and Questionable Statements

Every four to six years, counties must conduct a property reappraisal.[3] Tennessee's Truth in Taxation law requires local governments to calculate a certified tax rate (CTR) following these reappraisals.[4] The CTR is a new tax rate designed to bring in the same amount of revenue as the previous year. This law prevents local governments from a windfall of tax revenue following an increased value of reappraisals. It promotes transparency, yet it doesn't prevent local governments from increasing the tax rate above the CTR. Additionally, the CTR provides politicians with the opportunity to claim a "tax cut" despite no reduction in government revenue or spending.

In 2021, Nashville residents saw the political shell game of property taxes and the CTR. Then-Mayor John Cooper said the property tax rate was going down, with the recent 34 percent tax increase being "reversed."[5] On its face, one would assume such a statement would mean lower property tax bills, but the tax rate is only one variable in calculating property tax bills. The mayor was correct that the rate would be reduced, but it was not thanks to the city council lowering the rate or reducing spending; it was the increased value from appraisals and the new CTR. Even now in 2025, politicians in Shelby County have taken a page from the former mayor of Nashville, claiming a "property tax cut" was their proposal after the required reassessment.[6] It's important to note that assessments can vary from each individual property, and tax bills can fluctuate despite the CTR being adopted by a local government. Such claims of "tax cuts" are often disingenuous, as they fail to acknowledge the increased property values in the property tax equation. Which means, lower rates coupled with higher assessments can still lead a local government to bring in even more tax dollars.

Here Come the Tax Hikes

In the early months of 2025, as local governments began to plan for upcoming budget votes, discussions of tax increases have made front page news. Nationally, property tax payments rose 5.5 percent from 2023 to 2024.[7] Yet for residents in Tennessee, Hawaii, New Hampshire, and Vermont, tax increases are not constrained by taxpayer protection laws, whether it be a limit on assessments, levies, or tax rates.[8]

This year, Tennessee's lack of a property tax cap is on full display again as Nashville residents were handed a 26 percent increase, Jonesborough a 28 percent hike, Chattanooga a 24.5 percent increase, and Mt. Juliet residents brace for a hike of nearly 164 percent.[9] Unfortunately, the more-than-doubling of property tax rates is not a first in the state, when just last year, the city of South Pittsburg raised property taxes by 138 percent.[10] Increases like these go well beyond the national average and put Tennessee residents in the unfortunate few who don't have the most basic protections of property tax increases, afforded to residents in 46 other states and D.C.[11]

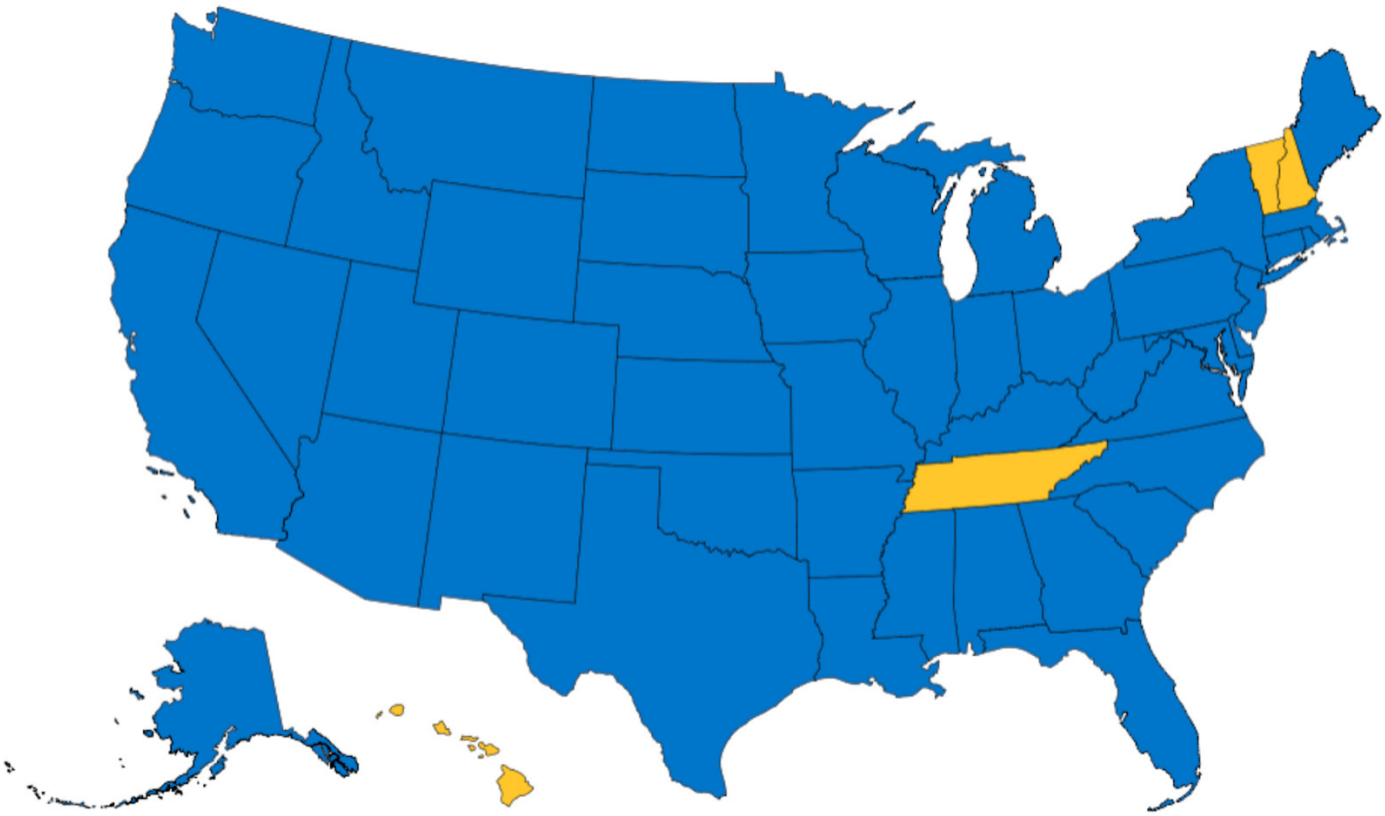

Figure 1. Tennessee is one of only four states without some form of limitation on property tax increases.[12]

When Revenue Increases, So Does Spending

With Nashville's recent 26 percent increase, only a handful of years after a 34 percent increase, has the city's revenue decreased to a point that the rate requires another hike? Looking at their Annual Comprehensive Financial Report, Nashville's revenue from property taxes sits at $1,621,482,000 for 2024. For the past 10 years, revenues grew to this high from $927,860,000 in 2015, or nearly a 75 percent jump. Even after the 34 percent increase took effect, property tax revenue has continued to increase, just not as sharply. Though property taxes are not a local government's only source of revenue, a 75 percent increase in a decade outpaces the inflation rate of 29.6 percent.[13] This jump in revenue is coupled with a decrease in the property tax rate, from $4.516 per $100 of assessed value, to $3.254 for 2024, or a decrease of nearly 28 percent. With sky-high reappraisals in the hot market of Music City, lower rates due to the CTR do not equal lower revenues for Nashville or lower property tax bills for all residents.

Looking even further back, in the last 20 years, Nashville's tax rate has decreased from a high of $4.69 per $100 of assessed value from 2006-2009 to the most recent adopted rate of $2.814 for 2025. Yet as seen in Figure 2, despite falling property tax rates, Nashville's property tax revenue has risen nearly every year.

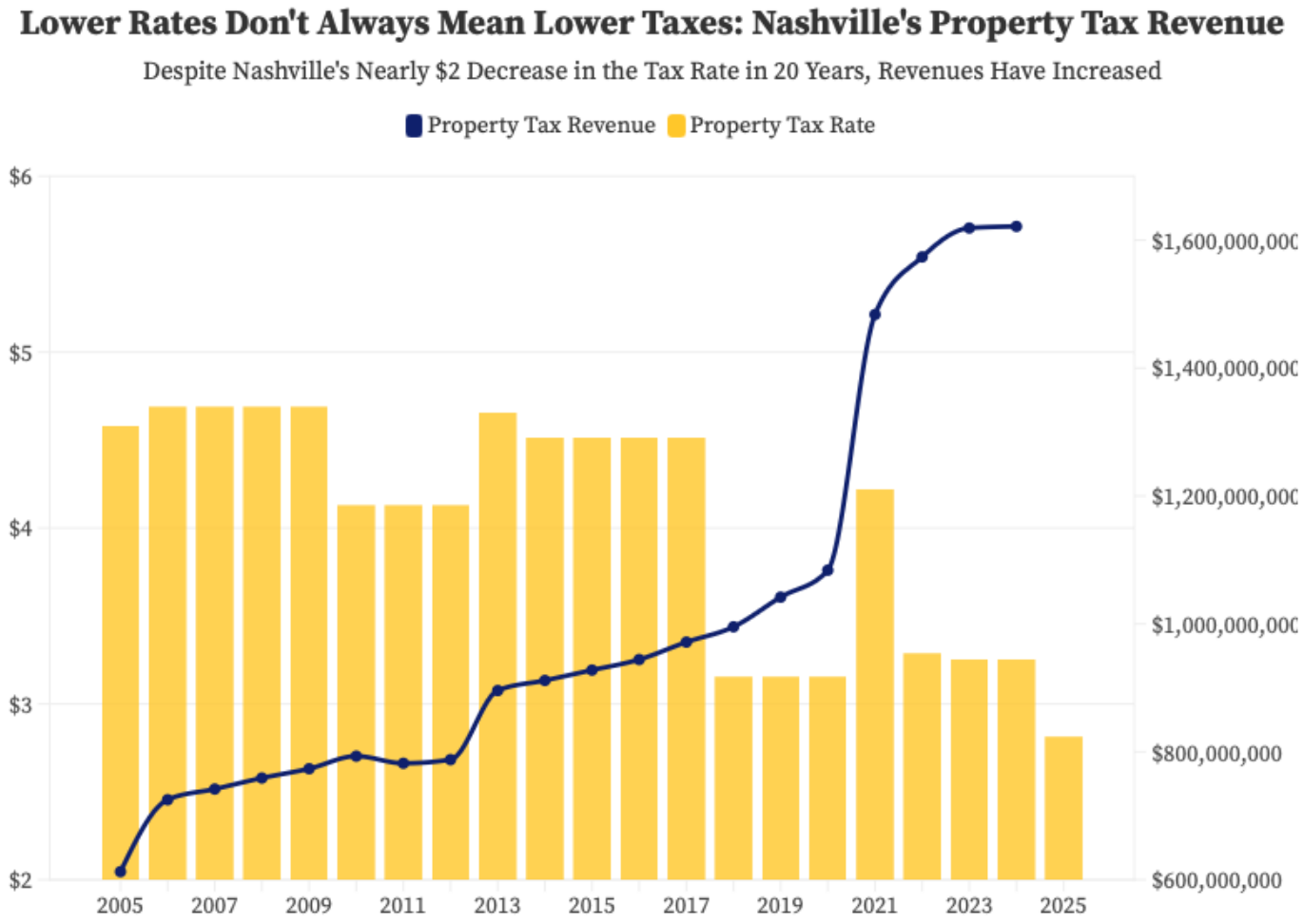

Figure 2. The past 20 years has shown Nashville's property tax rate has fallen, yet revenues have risen.

For Jonesborough, property tax revenue for the previous decade witnessed a 39 percent increase, a much more manageable 3.9 percent average per year, but still outpacing inflation. Despite this modest increase, Jonesborough's property tax rate has decreased from $1.3105 to $0.9662 from 2015 to 2024. The town's recent 28 percent increase still brings their rate for 2025 to less than their rate in 2015, but it will bring in more revenue as well as higher property tax bills for residents.

Mt. Juliet has experienced a similar effect, with property tax revenue increasing over 41 percent from 2015-2024, and collections rising from $1,577,329 in 2015 to $2,228,000 in 2024. However, the city's tax rate declined by nearly half, from $0.20 in 2015 to $0.11 in 2024. The city's recent 164 percent increase (down from a proposed 390 percent) will likely be a major shock to residents, who will find out that Tennessee's position as a low tax state doesn't prevent local governments from superseding that belief.[14]

Conclusion: To Preserve and Protect

If Tennessee wants to protect its residents in all aspects and truly take claim to being a low-tax state, lawmakers should look around the nation and see that we are in the small minority that fails to protect citizens from unjust property tax hikes. As one of four states without these protections, Tennesseans are left at the will of local governments, and as we have seen, one large increase is not enough for governments without limitations. To lower the cost of living and especially housing costs, simple taxpayer protections should be a priority for Tennessee.

Protecting Tennesseans while still providing local governments with the ability to raise needed revenue shouldn't be controversial. Simply policy solutions could include:

A Levy Cap
Allow local governments to raise new revenue, but limited to a set percentage each year. This would provide taxpayers the protection and security that large tax increases won't price them out of their home.

Rollover Increases
By opting not to increase property tax revenues each year, local governments could rollover unused years of revenue increases for a set number of years. This would allow local governments to raise a larger portion of new revenue in a single year instead of smaller, annual increases.

A Referendum Trigger
If local governments want to raise revenue beyond the legislated amount, they can make their case to the residents and have them decide whether a higher increase is warranted. This would further increase transparency and accountability in government.

As seen in Nashville and, most recently, Shelby County, despite increased property tax revenues and tax bills, politicians use the certified tax rate to claim they have lowered taxes. These statements show Tennessee is in need of property tax reform and true protections for its residents. If lawmakers wish to preserve the state's ideal of low taxes and protect its residents from enormous property tax hikes, property tax limitations, like those in 46 other states, are needed. Giving the power to residents, allowing a referendum on any substantial increases, not only protects taxpayers but will provide opportunities for more community input and, most importantly, require elected officials to explain why more of your hard-earned money should go towards your city or county.

Simple protections, like those found in the vast majority of other states, will ensure greater accountability, responsible stewardship of tax dollars, and provide transparency for Tennesseans across the state.

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