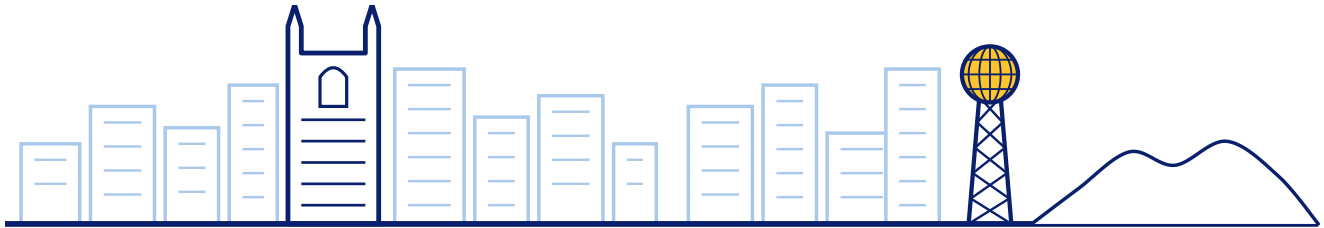


A Tale of Two Local Governments

A Property Tax Review of Davidson and Knox Counties



Introduction

Property taxes have received a great deal of attention lately, as local governments across Tennessee have passed massive increases in recent years. Nashville-Davidson County's 60 percent increase over the last five years received the most focus, but there have also been enormous single-year hikes, and not just in the state's capital city.¹ Just a few of these egregious rate hikes include Red Bank at 52 percent, Dayton at 60 percent, Thompson's Station at 64 percent above the certified tax rate, and towns like South Pittsburg and Mt. Juliet passing triple-digit rate increases of 138 percent and 164 percent, respectively.²

Rising property tax bills are not unique to the Volunteer State, but they are growing the fastest here. Beacon's analysis of data published by the *Wall Street Journal* showed Tennesseans suffered the highest increases in property taxes in the nation for the last six years.³ Though home values have increased, they are not the sole cause of rising property tax bills. Local governments have continually increased tax revenue through raising rates in nonreassessment years or exceeded the revenue-neutral certified tax rate after assessments.

These increases have caused residents to consider leaving their homes, businesses to shut down, and properties to be sold just to cover tax bills.⁴ Tennessee is now the state with the worst property tax hikes in the nation, largely because we are one of just four states without some form of property tax cap.⁵

Although massive tax increases are common throughout the state and receive justified attention, data show some local governments have bucked the trend. While some local governments have adopted a tax-and-spend policy, others have maintained an affordable tax rate while still meeting residents' needs, providing Tennessee-specific data showing that local governments can continue functioning under a property tax cap. Using data from two of the state's largest counties, Nashville-Davidson County and Knox County, this brief tells the story of each side of the property tax coin: the side of bloated, excessive taxing and spending, and the side of fiscal responsibility and good stewardship of taxpayer dollars.

#1

Tennessee saw the largest property tax bill increase in the nation

60%

Nashville-Davidson Co.'s property tax increase in five years

27 years

Since Knox County last raised its property tax rate

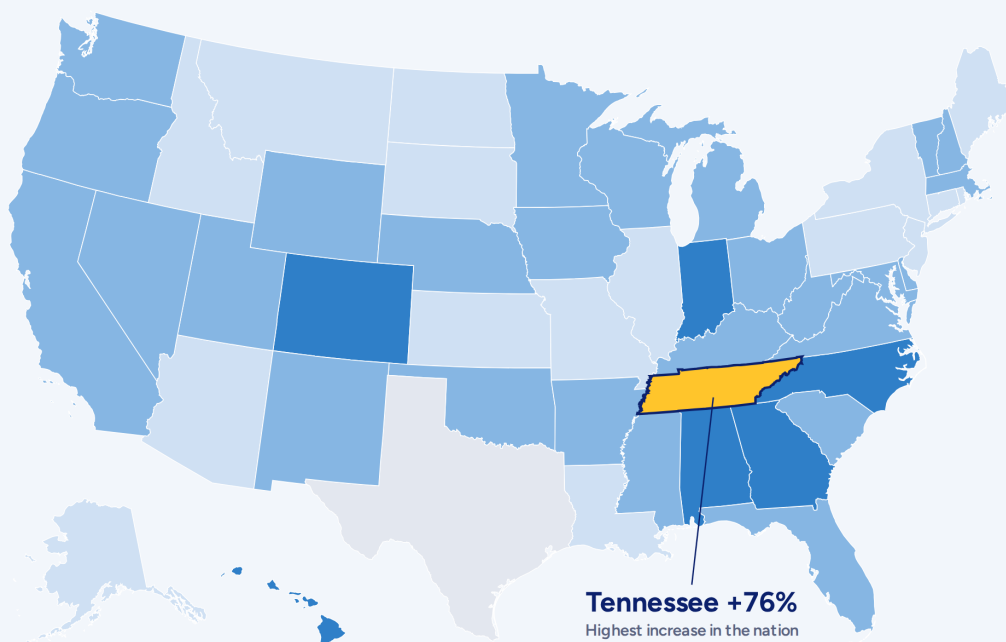
46+ D.C.

States with a property tax limit; Tennessee is one of four without one

Tennessee Leads the Nation in Property Tax Growth

Change in the average property tax bill by state, 2019–2025

Decrease Up to 25% 25–50% 50–75% 75% or more



Source: ATTOM property tax data published by the *Wall Street Journal*; Beacon Center of Tennessee analysis.

Figure 1. Tennessee had the largest increase in average local property tax bills of any state from 2019 to 2025.

Key Takeaways

- Property tax hikes are not just a big-city problem. Local governments across the state have passed double- and triple-digit increases.
- A proposed bill in the 114th General Assembly would have capped property tax levy (revenue) growth at two percent plus inflation.
- Davidson County and Knox County have taken opposite taxing strategies, with the former passing two large hikes in recent years and the latter not raising taxes in nearly three decades.
- Without raising property taxes, Knox County has still increased revenue through growth and maintained services.
- Despite not raising taxes since 1999, Knox County matches or exceeds Davidson County in key areas like education and fiscal strength.
- Knox County stands as a Tennessee example that a property tax cap would not prevent local governments from providing core services.

A Tale of Two Local Governments

Nashville-Davidson and Knox County have taken two drastically different approaches to property taxes. While Davidson has raised its rate multiple times, with two increases totaling 60 percent just in the last few years, Knox County has gone the other way, with no property tax increase in nearly three decades.⁶ Since 2020, both localities have had an increase in population, with Davidson County growing by 4.2 percent, while Knox County has experienced a 6.8 percent increase.⁷ Since Nashville-Davidson is a consolidated city-county government and Knox is a county-only government, this is not a direct comparison. Still, both cover core government services like a countywide school system and fund law enforcement, making this comparison informative. Do Davidson's increases mean a higher quality of core government services? And without an increase, has Knox suffered, collecting the same amount of revenue for decades?

Davidson County's 34 percent property tax rate increase in 2020 contributed to the total property tax levy jumping from \$1.01 billion to \$1.4 billion—an increase of nearly \$396 million for fiscal year 2021.⁸ Even without an additional property tax hike from 2021 to 2025, Davidson County's property tax levy increased every year, with the latest figure showing it jumped almost \$166 million more in 2025 compared to 2021. A 26 percent rate hike passed in 2025 is budgeted to bring in \$2.16 billion for fiscal year 2026, nearly \$600 million more than the total tax levy of \$1.57 billion for 2025.⁹

Despite no property tax increase in nearly three decades, Knox County has also seen revenues increase. From 2016 to 2025, the county's total property tax levy increased nearly 20 percent.¹⁰ Though Knox has not raised property taxes or exceeded the certified tax rate, new growth has increased its total property tax levy. While Davidson County and many other local governments have claimed that without massive tax increases, core government services would be on the chopping block, Knox County has funded schools, public safety, and other core government services without an increase in nearly three decades.

The Prodigal 'Son': Johnson City Spends, Jackson Saves

Two Tennessee cities of similar size have also taken different paths on property taxes. In 2003, Jackson increased property taxes.¹⁷ Since then, there have been discussions of raising taxes again, but the city has adopted the revenue-neutral certified tax rate each time, not raising taxes in over 20 years, all without compromising core government services.¹⁸

Johnson City also went over a decade without raising taxes. The upper East Tennessee city increased taxes in 2001, but didn't raise them again until 2015 (by 15.4 percent), then again in 2023 (14.45 percent), and most recently, a 20 percent increase in 2026.¹⁹ Part of the latest increase came with the promise of a new aquatics center, as one of the city's current facilities was deemed inadequate for diving and in need of costly repairs.²⁰ Despite the city's own feasibility study showing a new aquatics center would require ongoing subsidies, and residents asking for a referendum, the tax hike passed anyway.²¹

But here's the kicker: Shortly after passing the tax hike to fund the new aquatics facility, the school system reached an agreement with the city to repair the old facility that was deemed inadequate in the first place to the tune of \$864,000.²² With multiple places to swim and multiple tax increases, Johnson City taxpayers are getting soaked.

Like Davidson and Knox counties, this comparison illustrates how two similarly sized cities take drastically different approaches to property taxes, with one living responsibly within its means and another taxing citizens to build redundant luxuries.

A Tale of Two Local Governments: Property Taxes in Nashville-Davidson and Knox Counties

Knox County has grown its property tax revenue every year without raising its tax rate, opposite of Nashville-Davidson's multiple increases

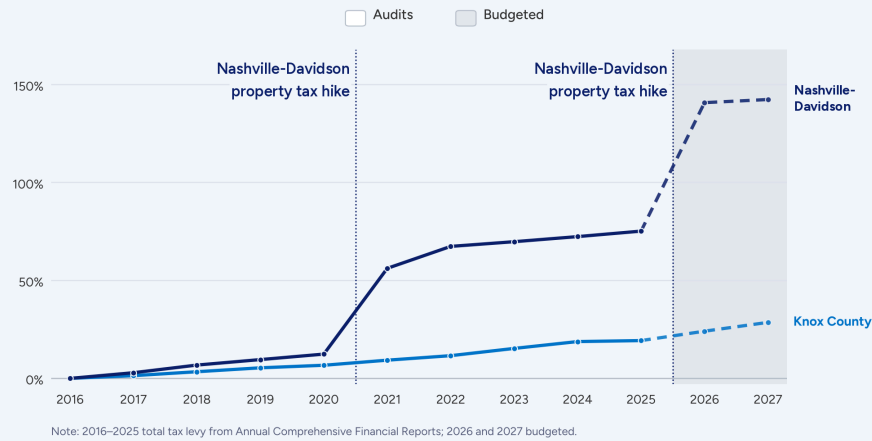


Figure 2. Knox County property tax revenue has grown modestly without tax increases, compared to Nashville-Davidson's massive tax hikes on residents.

Knox County isn't just surviving without an increase; in many areas, it surpasses Davidson County. In education, Knox grades higher in graduation rates and students on track—while spending less per student.¹¹ In public safety, the Knox County Sheriff's Office solved nearly 38 percent of crimes in 2025 for areas it patrols, with Davidson County clearing less than 30 percent.¹² In local government finances, Knox's spending has only exceeded revenues once in the last decade, compared to Davidson County's five, according to the Tennessee Comptroller of the Treasury.¹³ For fiscal year 2025, Davidson County had enough cash to cover just 67

days of average spending, half of Knox's 134 days.¹⁴ Moody's credit rating for Knox is higher than Davidson County's.¹⁵ Knox isn't living on debt either: Per resident, general obligation bond debt for Davidson County is more than three times higher than Knox County's.¹⁶

As noted, this is not a perfect apples-to-apples comparison because Nashville-Davidson is a consolidated city-county government. Still, it shows how one of the state's largest counties has provided core government services without tax increases for decades at the same quality—or better—than high-taxing ones.

Knox County Does More, Without Tax Increases

Knox County vs. Nashville-Davidson County on schools, public safety, and finances

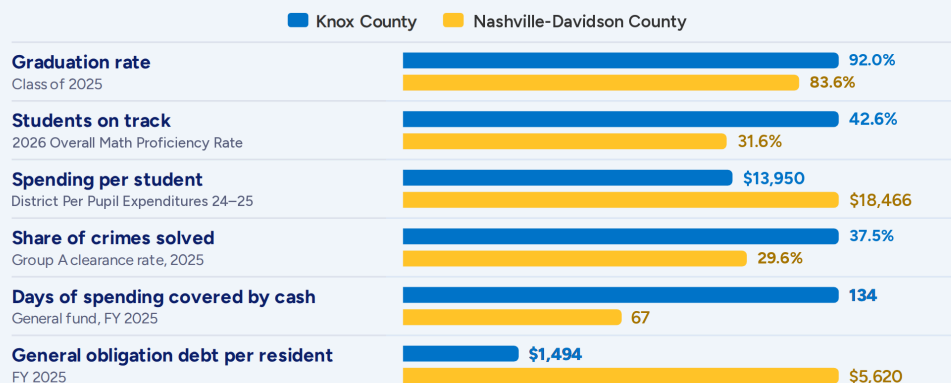


Figure 3. Knox County matches or outperforms Nashville-Davidson County on core services while spending and borrowing less.

Property Tax Cap in Practice

Davidson County's total property tax levy for fiscal year 2020 was \$1.01 billion. After the 34 percent rate hike, the levy for fiscal year 2021 jumped to almost \$1.41 billion. Had the proposed cap in HB 1873/SB 2064 been state law at the time, it would have limited the growth in Davidson County's levy to two percent plus inflation, regardless of the rate increase. Under the cap, Davidson County would have been able to collect about \$1.04 billion in fiscal year 2021 (not calculating in new construction revenue growth or debt service exemption), instead of \$1.41 billion.²³ This would have

Conclusion

Local governments in Tennessee have broad authority to raise property tax rates and increase tax revenue as high as they would like, and while some have used this freedom to do just that, others have maintained a fiscally conservative plan. A property tax cap like the one introduced in the 2026 legislative session would not affect or restrict local governments like Knox County that spend conservatively and can still meet the core government services needs of their residents. At the same time, leadership changes, county officials come and go, and there is no guarantee that the Knox Counties of the state will continue to operate within their means forever. A well-designed cap can provide stability for future generations of Tennesseans in all

saved Davidson County taxpayers approximately \$369 million alone. Cumulatively, taxpayers would have saved up to \$1.51 billion from fiscal years 2021 to 2025 if a cap had been in place, while Davidson County would still have taken in increasing revenues. For counties like Knox that are fiscally responsible and don't take action to hike up tax levies, they would be unaffected by such legislation. The proposal also included a referendum provision that would allow a local government to raise revenue above the cap if voters agreed.²⁴ This would bring immense accountability and be the truest form of local control.

counties while immediately stopping the exorbitant increases we see in local governments like Nashville-Davidson, Mt. Juliet, and Johnson City.

Taxpayer protections like a property tax cap are already afforded to residents in 46 states plus D.C., yet Tennessee is still failing to give residents this most basic protection. A property tax cap policy lets local governments raise additional revenue, up to a limit, while giving residents the peace of mind that tax bills won't double or triple in a single year. If a local government wants to raise revenue above a cap, it can make its case to residents and let them decide in a referendum. This is the greatest level of local control.

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