

# **State of Tennessee Property Tax Assessments Statutes**

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## **Basis for Property Tax Assessments – Market Value**

Property tax assessments are based on the appraised or market value of the property. Market value must reflect the sound, intrinsic, and immediate economic value of property in terms of a sale between a willing seller and a willing buyer, without regard to inflated values resulting from speculative purchases in anticipation of uncertain future real estate markets (Sec. 67-5-601, T.C.A.). Once the appraised value of property is determined, a prescribed assessment percentage is applied to arrive at the assessed value of the property.

Green energy property: The value of green energy source property should not initially exceed a percentage of total installed costs equal to the ratio of projected electricity output over a period of one year to the maximum capacity of the property. Specifically, the value of wind source property should not initially exceed one-third of total installed costs, the value of solar source property should not initially exceed 12.5% of total installed costs, and the value of other green source property should not initially exceed its appropriate capacity factor as determined by the State Board of Equalization along with the Department of Environment and Conservation. (Sec. 67-5-601(e)(2), T.C.A.) The amendments are based on legislative findings that property that generates electricity using green sources such as geothermal, hydrogen, solar, or wind generally produces less electricity than conventional sources because of uncertain or intermittent energy sources or other factors, affecting net operating income and putting these green energy sources at a commercially competitive disadvantage and making their sound, intrinsic, and immediate value significantly less than their total installed costs. The legislative findings also conclude that unless such circumstances are considered in the valuation for tax purposes, investment in property to generate electricity from green sources will be discouraged. (Sec. 67-5-601(e)(1), T.C.A.)

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## **Real Property Defined**

Real property is defined for Tennessee property tax purposes as lands, tenements, hereditaments, improvements, mobile homes, certain machinery and equipment affixed to realty, and rights pertaining to real property interests (Sec. 67-5-501, T.C.A.). Real property also includes railroad structures, tracks, and improvements; telephone, broadcast, transmission, and telegraph poles, towers, and conduits; pipes,



tanks, and property used for conducting steam, heat, water, oil, and electricity; and structures attached to real property with a utility service or by anchors, cables, wires, ramps, pillars, poles, or a foundation.

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### **Personal Property Defined**

Personal property is any property that is not classified as real property. Tangible personal property means property that is capable of manual or physical possession, such as goods, chattels, and machinery or equipment that is not affixed to real property (Sec. 67-5-501, T.C.A.). Tennessee regulations incorporate the common law tests for determining whether property should be assessed as real property or personal property.

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### **Intangible Property Taxes**

Although the Tennessee Constitution recognizes intangible personal property as a potentially taxable class of property (Sec. 28, Art. II, Tenn. Const.), there are no statutory procedures for taxing such property except with respect to insurance companies and loan, investment, and cemetery companies. Intangible personal property means personal property other than tangible personal property, including money, evidence of indebtedness, evidence of an ownership interest in a corporation or other business entity having multiple owners, and any other property the value of which is expressed in terms of what the property represents rather than its intrinsic worth (Sec. 67-5-501, T.C.A.).