

TACIR

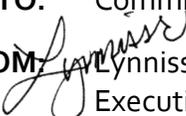
The Tennessee Advisory Commission
on Intergovernmental Relations



6

226 Capitol Boulevard Bldg., Suite 508
Nashville, Tennessee 37243-0760
Phone: (615) 741-3012
Fax: (615) 532-2443
www.tn.gov/tacir

MEMORANDUM

TO: Commission Members
FROM:  Lynnis Roehrich-Patrick
Executive Director

DATE: 6 January 2016

SUBJECT: Adjusting the Homestead Exemption to Reflect Cost of Living (Public Chapter 326, Acts of 2015)—Final Report for Approval

The attached Commission report is submitted for your approval. The report responds to Public Chapter 326, Acts of 2015, requiring the Commission to study the homestead exemption amounts in Tennessee and determine whether they should be increased to accurately reflect the cost of living. The act also requires the Commission to compare the various categories of homestead exemptions in detail to those of other states. The report provides a brief history of the homestead exemption in Tennessee, compares the homestead exemptions of all states, and examines the homestead exemption in the context of other available property exemptions.

Tennessee has the lowest homestead exemption of the states that do not allow the use of the federal homestead exemption and has the third lowest combined dollar value of all property exemptions after Missouri and Alabama. The homestead exemption amounts in Tennessee for individuals (\$5,000) and joint owners (\$7,500) have lost considerable value and would be worth \$18,513 and \$21,907 if they had kept pace with inflation. A simpler way to bring these figures up to date and keep them up to date would be to adopt an individual state homestead exemption amount equal to the federal homestead exemption, which is adjusted for inflation every three years. Tennessee's exemption amounts for debtors with custody of a minor child are currently more than those amounts and would need to be grandfathered until the federal exemption amount catches up to it.