

Delinquent Property Taxes

Dear Reader:

The following document was created from the MTAS website ([mtas.tennessee.edu](https://www.mtas.tennessee.edu)). This website is maintained daily by MTAS staff and seeks to represent the most current information regarding issues relative to Tennessee municipal government.

We hope this information will be useful to you; reference to it will assist you with many of the questions that will arise in your tenure with municipal government. However, the *Tennessee Code Annotated* and other relevant laws or regulations should always be consulted before any action is taken based upon the contents of this document.

Please feel free to contact us if you have questions or comments regarding this information or any other MTAS website material.

Sincerely,

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Delinquent Property Taxes

Reference Number: MTAS-531

Delinquent Property Taxes

A municipality has the option to collect delinquent property taxes any one of four ways:

- Under the provisions of its charter for the collection of delinquent property taxes;
- Under T.C.A. §§ 6-55-201–206;
- By the county trustee under T.C.A. § 67-5-2005 (a)-(c); or
- Under T.C.A. § 67-5-2005 (d).

If the municipality has the authority under its charter to collect its property taxes, but the charter makes no provision for the collection of delinquent property taxes, then the municipality may provide by ordinance for the collection of delinquent property taxes. (As a practical matter, it is unlikely that any municipal charter authorizes a municipality to collect its own property taxes but does not authorize it to collect delinquent property taxes).

If a municipality uses the county trustee or the delinquent tax attorney to collect its delinquent property taxes, the municipality must certify its delinquent taxes to the trustee by April 1 of the second calendar year after the taxes become due.

T.C.A. § 67-5-2405 requires the county delinquent tax attorney to bring suit in the name of the county, in the county's behalf and for the benefit of any municipality that has certified a delinquent tax list.

Property certified to the county trustee shall be advertised and sold by the county trustee at the same time, in the same manner, and as a part of the county trustee's other sales of property for state and county taxes. T.C.A. § 67-5-2005.

T.C.A. § 67-5-2010(a)(1) provides that, "To the amount of tax due and payable, a penalty of one-half percent and interest of one percent shall be added on March 1 following the tax due date and on the first of each succeeding month except as otherwise provided in regard to municipal taxes."

Therefore, if the municipality collects its own current property taxes but turns the collection of its delinquent property taxes over to the trustee, the property tax due and delinquency dates, the penalties, and the interest are those set out in the municipality's charter or ordinance.

T.C.A. § 67-5-2010(b) provides that, in all instances in which current municipal taxes are collected by the county trustee, the following provisions and rules for collecting delinquent taxes that may be due to the municipalities, and none other, shall prevail and obtain, anything in this chapter to the contrary notwithstanding:

- The taxes levied and assessed by such municipalities shall become due and delinquent on the date now provided by existing law; and
- If the municipal taxes are not paid on or before the date fixed for delinquency in the amount due and payable, a penalty of 0.5 percent and interest of 1 percent shall be added on March 1 following the tax due date and on the first day of each succeeding month.

In this circumstance, where the county trustee collects the municipality's current or delinquent property taxes, the property tax due and the delinquency dates remain those set out in the municipality's charter or ordinance; however, the penalty and interest prescribed by that statute prevail over the municipality's charter or ordinance and do not attach until March 1 following the tax due date.

A municipality is barred from collecting property taxes after the lapse of ten (10) years from April 1 of the year following the year in which such taxes become delinquent. T.C.A. § 67-5-1806.

T.C.A. § 67-5-1512 outlines the conditions under which taxpayers appealing their assessments must pay all or a part of the property tax and interest during the appeals process as a condition of the appeal.

Property taxes, interest, and penalties owed to the state, county, and municipality on property shall become and remain a first lien upon the property from January 1 of the year for which the taxes were assessed. Property taxes are also a personal debt of the property owners as of the same date. T.C.A. § 67-5-2101.

Cities have the authority to give foreclosed properties to private, non-profit entities. T.C.A. § 67-5-2509(d)(2).

Extension of Due Date for Military Personnel Engaged in Hostilities

T.C.A. § 67-5-2011 extends the due date of property taxes owed by persons in the armed services or who are called into active duty from a reserve or National Guard unit and who are engaged in hostilities until 180 days after the conclusion of the hostilities or 180 days after the person is transferred from the area of hostilities, whichever is sooner.

When Delinquent if Mailed

"Any tax report, claim, return, statement, remittance, or other tax document required or authorized to be filed with any payment made to the state or to any political subdivision thereof, which is ... transmitted through the U.S. mail to the state or political subdivision and postmarked no more than 24 hours subsequent to the last date for the timely filing of such document or payment shall not be considered delinquent." T.C.A. § 67-1-107.

Interest Rate on Delinquent Taxes

Reference Number: MTAS-748

The payment of taxes to local municipalities or to the state of Tennessee generally has a due date associated with it. If a taxpayer fails to pay the tax, or a portion thereof, on or before the date the taxes are required to be paid, interest is added to the amount of tax due. The commissioner of revenue determines the interest rate for delinquent taxes collected or administered by the state of Tennessee. Sales tax and local business tax are examples of taxes falling into this category.

Formula Rate of Interest

T.C.A. § 67-1-801 provides for the rate of interest to be charged on delinquent tax payments. This rate is called the "formula rate of interest" and is determined and set annually by the Tennessee commissioner of revenue.

Action Required by Municipal Finance Staff

Finance directors, city recorders and other finance office personnel responsible for collecting or remitting delinquent taxes collected or administered by the state of Tennessee should review the interest rate currently used for delinquent accounts and verify that it complies with the chart below.

Historical Interest Rates

The following table from the Tennessee Department of Revenue is a historical presentation of the "formula rate of interest" as determined by the commissioner of revenue. This information is provided as supplemental data to give finance officials a perspective of interest rates for prior years.

INTEREST RATE HISTORY DELINQUENT TAXES OF ALL TYPES T.C.A. § 67-1-801(a)(1-3)							
PERIOD COVERED			RATE	PERIOD COVERED			RATE
Through	-	9/30/1974	6.00%	7/1/1996	-	6/30/1997	12.25%
10/1/1974	-	7/31/1980	8.00%	7/1/1997	-	6/30/1998	12.50%
8/1/1980	-	6/30/1983	10.00%	7/1/1998	-	6/30/1999	12.50%
7/1/1983	-	6/30/1984	14.50%	7/1/1999	-	6/30/2000	11.75%
7/1/1984	-	6/30/1985	16.00%	7/1/2000	-	6/30/2001	13.50%
7/1/1985	-	6/30/1986	14.50%	7/1/2001	-	6/30/2002	11.00%
7/1/1986	-	6/30/1987	14.50%	7/1/2002	-	6/30/2003	8.75%
7/1/1987	-	6/30/1988	12.25%	7/1/2003	-	6/30/2004	8.25%

7/1/1988	-	6/30/1989	13.00%		7/1/2004	-	6/30/2005	8.00%
7/1/1989	-	6/30/1990	15.50%		7/1/2005	-	6/30/2006	10.00%
7/1/1990	-	6/30/1991	14.00%		7/1/2006	-	6/30/2007	12.00%
7/1/1991	-	6/30/1992	12.50%		7/1/2007	-	6/30/2008	12.25%
7/1/1992	-	6/30/1993	10.50%		7/1/2008	-	6/30/2009	9.00%
7/1/1993	-	6/30/1994	10.00%		7/1/2009	-	6/30/2016	7.25%
7/1/1994	-	6/30/1995	11.25%		7/1/2016	-	6/30/2017	7.50%
7/1/1995	-	6/30/1996	13.00%					

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