

February 20, 2025

Dear Senator Marsh and Representative Johnson,

I am writing in my capacity as the Tennessee Caucus Chair of Fahe. Fahe is a Network of 50+ nonprofit organizations building thriving communities in Appalachia. Since 1980, Fahe has invested over \$1.32B, generating \$1.69B in finance. Channeled through our Members and community partners, this investment has directly changed the lives of 778,114 people in some of the hardest-to-reach places in Appalachia. We have been active users of the HOME program since its inception in the early 1990s, and our Network has partnered with 16 Participating Jurisdictions (PJs) and 5 HOME Consortia for every allowable use of the program.



Our TN network is comprised of 15 Tennessee nonprofit housing development organizations (including housing authorities) serving the Appalachian region of the state. Our Members are among the highest performing housing organizations in the region. These partners have more than 40 years of experience weaving together various state, federal and private resources; navigating complex funding structures and dynamic regulatory environments. In the last 5 years along, this network has invested more than \$333.4 million to change the lives of 3,358 households in Tennessee.

We are reaching out today regarding the flurry of proposed legislation focused on reallocating the recordation fees ([HB095/SB0126](#) Rep. Johnny Shaw, Sen. Page Walley [SB0469/HB0586](#) Sen. Janice Bowling, Rep. Rush Bricken and [HB0649/SB1080](#) Rep. Pat Marsh, Sen. Jack Johnson)

While each of these proposals is slightly different, they all propose shifting the way in which the current recordation and realty transfer taxes are allocated to return some portion of the funds back to the counties of origin.

While we share your interest in ensuring our localities have sufficient resources, we do have some questions and concerns about the current round of proposals.

- 1) **Impact on the General Fund:** While most of these proposals suggest maintaining a 50% allocation of these funds go to the General Fund; this would still reduce the overall balance of funds to the General Fund.

For FY23, the recordation tax collections totaled \$400,919,789.51. This is broken down into three categories listed in our online tax collections: realty transfer tax (\$287,670,393.02), realty mortgage (\$100,818,845.60), and uniform commercial code, UCC (\$12,430,550.89). These funds were then allocated across 6 activities:

LESS WETLANDS	\$25,889,699.49
CO. OFFICAL RET.	\$10,333,142.96
LOCAL PARK LAND	\$13,940,593.56
STATE LAND ACQ.	\$11,949,080.19
AGR Resources Conservation	\$11,949,080.19
G.FUND	\$326,858,193.12

This means, **roughly 81% of the recordation funding was allocated to the General Fund to be used for a wide variety of purposes.** How would this revenue be replaced moving forward? What services would be cut? What other funds would need to be reallocated

at the state level to balance the loss of this revenue and at what cost to the state and residents?

2) Negative Effect on Rural Counties: Returning recordation taxes to their counties of origin would unfairly benefit already wealthy and predominately urban counties. Rural communities with lower home prices generate few dollars in the current structure and would thus, both recaptures less than wealthier neighbors, while also having to suffer from any cuts in services or revenue provided to them by the General Fund.

To give some context on the disproportionate impact we've selected 5 counties, spread across the state and detailed the revenue collection resulting from the realty and mortgage taxes (2 of the 3 revenue sources that comprise the overall recordation taxes).

County Realty Transfer and Mortgage Tax	December 2024	YTD FY 2025
Williamson	2,740,865.34	17,626,462.41
Cumberland	\$199,350	\$1,412,296
Washington	\$495,714	\$2,833,941
Haywood	\$26,493	\$246,006
Davidson	\$4,403,320	\$29,667,324

3) **Alternative Recommendations – A Coordinated Effort:**

Instead of pursuing multiple bills that all have slightly different effects on the general fund, and disproportionate impacts on already wealthy counties and metropolitan centers, we recommend a data driven, strategic approach to any reallocation of recordation funds. **Rather than reverting any funds back to counties; we encourage the General Assembly to consider asking TACIR to explore alternative uses of these dollars that could benefit the entire state in a balanced way.**

Many states use a portion of their recordation taxes to fund their affordable housing trust fund. In Tennessee, this could be a powerful additional resource as we seek to balance the rapid growth of the state's economy and workforce with limited housing production for those between 80-120% of AMI.

For instance, instead of pulling back 50% of currently captured revenue and returning it to the counties, what if we took 15% of the funding going to the General Fund and invested that into the States Affordable Housing Trust Fund – which has statewide benefits. Based on the 2023 numbers, this would add \$49,028,728 into the pool of funds used to support housing construction, weatherization, repair, and preservation. While still a reduction to the overall general fund, this method would generate benefits that served the entire state. Alternatively, we could allocate \$.03 cents per \$100 in just the realty transfer fee and generate as much as \$23 million annually for housing.

Bottomline, we agree there is probably some degree of funding currently generated by the recordation taxes that could be put to better use. However, rather than simply returning some percentage of these funds back to the counties of origin, we hope the General Assembly will consider a more balanced and strategic approach that allows the state to leverage these dollars to the greatest possible effect. And given the state of our housing market, we'd hope this would be the first place considered. We would welcome the opportunity to speak with you further about this topic. If you'd like to set up time, please reach out to Maggie Riden, mriden@fahe.org . Alternatively we will be in Nashville on March 26th for a Housing Hill Day and would welcome the opportunity to sit down with you then.

Sincerely,

Maria Catron
Fahe Caucus Chair

Aid to Distressed Families of Appalachian Counties (ADFAC)
Appalachia Service Project
Blount County Habitat for Humanity
Clinch-Powell RC&D Council
Creative Compassion, Inc.
Crossville Housing Authority
Eastern Eight Community Development
Foothills Community Development
HomeSource east tennessee
Kingsport Housing and Redevelopment Authority
Knoxville Leadership Foundation
Loudon County Habitat for Humanity
Mountain T.O.P.
Oak Ridge Housing Authority
TN Community Assistance Corporation