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# Assessing Improvements

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Dear Reader:

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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 county 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 CTAS website material.

Sincerely,

The University of Tennessee  
County Technical Assistance Service  
226 Anne Dallas Dudley Boulevard, Suite 400  
Nashville, Tennessee 37219  
615.532.3555 phone  
615.532.3699 fax  
[www.ctas.tennessee.edu](http://www.ctas.tennessee.edu)

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# Assessing Improvements

Reference Number: CTAS-1477

## Damaged or Destroyed

In ascertaining the value of properties, assessors take into consideration the status of improvements to property. If, after January 1 and before September 1 of any year, a building or improvement is moved, demolished, or destroyed, or substantially damaged by fire, flood, wind, or any other disaster, and is not restored or replaced by another improvement before September 1 of that year, the assessor makes the assessment or corrects the assessment of such property on the basis of its value after the move, destruction, or substantial damage, notwithstanding the status of the property as of the assessment date of January 1. For the year in which the improvement is moved, demolished, destroyed, or damaged, the assessment of the improvement is prorated for the portion of the year prior to the date of the move, destruction or damage.<sup>1</sup>This provision is not applicable to the movement of a mobile home or other "movable structure" as defined in T.C.A. § 67-5-501.<sup>2</sup>An improvement is deemed substantially damaged if it has been rendered unfit for use or occupancy, or if the damage has reduced the value of the improvement by more than 50 percent.<sup>3</sup>

## Proration

Improvements to the property are similarly assessed to reflect their change in value during the year. If, after January 1 and before September 1, an improvement or new building is completed and ready for use or occupancy, or the property has been sold or leased, the assessor of property must make or correct the assessment of that property, based on the value of the improvement at the time of its completion, notwithstanding the status of the property as of the assessment date of January 1. For the year in which the improvement or building is completed, the assessment (or increase in assessment) of the improvement is prorated for the portion of the year following the date of its completion.<sup>4</sup>An improvement or new building is deemed completed and ready for use or occupancy when the structural portion of the building or improvement is substantially completed, even though the interior finish or certain appointments may be left to the choice of a prospective buyer or tenant after consummation of a sale or lease.<sup>5</sup>Any improvement or new building is deemed completed and to have a value for assessment purposes when the real property upon which such improvement or new building is located is sold to a bona fide purchaser, or when the new building or improvement has been occupied, used, or is suitable for occupancy or use, whichever occurs first. No improvement or new building is considered incomplete for valuation or assessment purposes for more than one calendar year immediately following the date on which construction was commenced.<sup>6</sup>In the event an improvement or new building is considered incomplete for assessment purposes on January 1 of any year, the owner of the improvement or new building shall, not later than February 1 of that year, submit to the assessor, in writing, the total cost of all materials used in the incomplete structure as of January 1, and the assessor assesses the incomplete structure as real property, based on the fair market value of the materials used.<sup>7</sup>

Issuance of a building permit can alert the assessor to the fact that improvements to the property are being made. In counties where building permits are not issued, the state director of fire prevention is required to furnish the assessor of property with the names of property owners and the location of the property for which electrical inspections have been made. Similarly, in counties which do not require building permits, assessors are to receive copies of permits for subsurface sewage disposal systems.<sup>8</sup>

If the status of an improvement to a property has changed by September 1 of any year, an adjustment to the assessment of the property is mandatory.<sup>9</sup>The adjustment can be made until the trustee relinquishes control of the tax roll after making the annual settlement of the trustee's accounts on the first Monday of September each year. For property on which delinquent taxes are owing, adjustment can be made until suit has been filed to collect the delinquent taxes.<sup>10</sup>Provisions attempting to postpone inclusion of increased value in assessments by providing that no property shall be reassessed to include new improvements until such improvements have been completed or until 18 months have passed following commencement of construction violated the constitutional requirement that all property be taxed according to its value and that taxes be equal and uniform.<sup>11</sup>

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<sup>1</sup>T.C.A. § 67-5-603(a)(1).

<sup>2</sup>T.C.A. § 67-5-603(a)(1).

<sup>3</sup>T.C.A. § 67-5-603(a)(3).

<sup>4</sup>T.C.A. § 67-5-603(b)(1).

<sup>5</sup>T.C.A. § 67-5-603(b)(3).

<sup>6</sup>T.C.A. § 67-5-603(b)(4).

<sup>7</sup>T.C.A. § 67-5-603(b)(5).

<sup>8</sup>T.C.A. § 67-5-603(c).

<sup>9</sup>T.C.A. § 67-5-603(a)(1) and (b)(2).

<sup>10</sup>T.C.A. § 67-5-1902; Op. Tenn. Atty Gen. 88-46 (February 1988).

<sup>11</sup>*Metropolitan Government v. Hillsboro Land Co.*, 436 S.W.2d 850 (Tenn. 1968).

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