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Spring Hill would be ninth city in Midstate without property tax Residents fret about services; Mt. Juliet says no tax can work



Spring Hill is considering getting rid of its city property tax. Revenue from impact fees and commercial development, such as this new strip mall, would help fill the gap in revenue. JOHN PARTIPILO / STAFF

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Spring Hill, which stunned its residents Monday night with a proposal to get rid of its property tax, would become only the third city in Tennessee with more than 10,000 residents to live without the local levy.

Most Midstate cities have local property taxes because they need every source of revenue they can get their hands on to fund the basics: police and fire protection, sewer lines and parks.

And some Spring Hill residents already are wondering whether the tax cut would hurt those services.

"We need property taxes to fund the different projects like roads and sewer and things," resident Joe Jones said. "We've got lots of business now, but what's going to happen in eight to 10 years when stuff starts closing down? If you cut all the taxes out, what are you going to do then?"

All Midstate counties charge a property tax, as do most cities. Davidson County, with 521,106 residents, just approved a 67-cent hike in the property tax, which now tops \$4. While Metro offers a much higher level of services than small towns, even they often need to rely on local taxes to pay for basic infrastructure.

But an informal *Tennessean* survey yesterday found eight cities in Middle Tennessee that get by without a property tax. Only one, Mt. Juliet, has more than 10,000 residents.

Mt. Juliet officials say that, thanks in part to a growth boom, they have been able to pay for city services without a property tax.

"To Spring Hill: 'Welcome to the august club of cities with zero property tax,' " said Rob Shearer, Mt. Juliet's city manager. "Obviously, it's one less tax that your citizens have to pay. It's not to say they don't pay property taxes, but the only property tax they're paying, it's to the county. The truth of the matter is, counties live on property tax and cities live on sales tax."

Still, officials in Westmoreland in Sumner County approved a 40-cent increase Monday night to raise the city's property tax to \$1.40 — the first increase in 12 years. The town has 2,120 residents, according to the U.S. Census Bureau.

"The last four years we trimmed the budget to where there was nothing else to trim," Westmoreland Mayor Ricky Woodard said. "In order not to take any money from the reserve account, we didn't have any choice but to raise taxes. ... The more people you have, the more water you need to provide and more garbage you have to pick up."

No property tax

Eighty-four cities in Tennessee didn't charge a local property tax as of May 2001, according to the Tennessee Municipal League and the office of the Tennessee Comptroller of the Treasury.

Mt. Juliet in Wilson County and Farragut in Knox County were the only two cities with populations greater than 10,000 in the zero-tax group.

Mt. Juliet implemented a property tax between 1998 and 2000 to fund a road project that never materialized, Shearer said. Once the project was scrapped, so was the property tax.

One-third of the city's \$6 million budget is funded by local sales tax revenues, he said. The rest comes from building permits, court and impact fees on developers.

"If you're talking about a city that is not responsible for the school system, can a city provide basic city services with no property tax? Yeah. We do it. It can be done," Shearer said. "For the last four or five years we've been able to strike a good balance. We've been very careful to set up a financial structure so that the costs of growth are covered by the revenue that we get from growth."

Like many other cities, Mt. Juliet charges one-time impact fees that developers pay to build homes. They generate between \$400,000 and \$500,000 in annual revenue, Shearer said.

Small towns such as Coopertown in Robertson County and Pegram in Cheatham County have never depended on a local property tax to boost their budgets, officials said.

With 2,180 residents, Pegram relies on the county for police protection, Mayor Gene Hannah said. But if residents insisted on a city police force, a property tax probably would be considered, he said.

A property tax "would change the quality of the services that we can provide now," Hannah said. "It's something we never talked about because we seem to be getting along pretty good."

Pleasant View, a town of about 3,000 between Nashville and Clarksville, incorporated in 1996 and has never had a property tax.

"If we had zero growth in commercial and these homes were still coming in, we'd have to pinpoint some time down the road to look at a property tax," Mayor Kerry McCarver said.

Meanwhile, news of the tax elimination proposal in Spring Hill was the talk of the town yesterday. City aldermen are scheduled to vote on the issue next month. If approved, the property tax loss would trim the city budget by \$545,000, Spring Hill Mayor Danny Leverette said.

That gap would be filled with revenue from impact fees and commercial development.

"It's unfortunate that people cannot envision stepping outside the box, and that's what we do here in Spring Hill," Leverette said. "You're always going to have your nay-sayers and your hindsight's-20/20ers and everybody that has a better way of doing something."

Spring Hill resident Ken Magyar thinks his city's plan is just fine.

"Too bad Nashville's not doing it," Magyar said. "Some of those boys might want to spend some time here to see how it's done."

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