

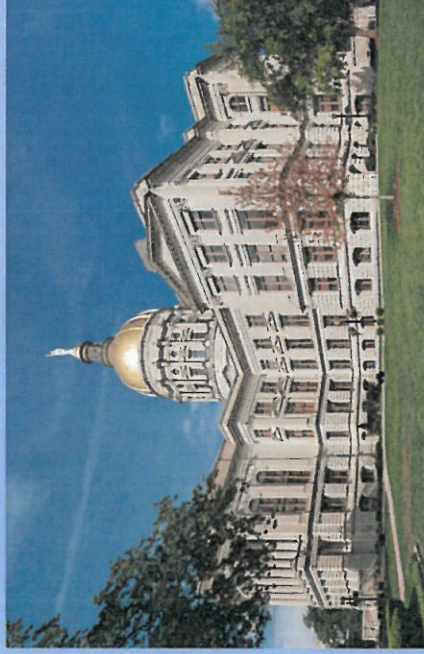
HB 581 Work Session

December 20, 2024

Adapted from ACCG & GMA Joint Training on October 3, 2024 by Ryan Bowersox (Assistant General Counsel, GMA) and Dante Handel (Associate Director of Governmental Affairs, ACCG)



Background: Where Did This Come From?



- Legislature entered 2024 session concerned about rising property value assessments and in turn property tax
- Senate leaders wanted measures to control rapid increases in property assessments
- House leaders looked to expand sales tax options
- Various proposals ultimately resulted in HB 581 (& HR 1022)

HB 581: Overview

Signed into law April 18, 2024 (Act 379).

Was contingent upon November Statewide Referendum (HR 1022), which passed

- Passed statewide – 64.5% Yes, 35.5% No
- Passed in Richmond County – 62% Yes, 38% No

Major Components:

1. Statewide Floating Homestead Exemption
2. New Local Option Sales Tax
3. Property Tax Procedural Changes



Presentation Outline

- When does this bill take effect?
- What is a floating homestead exemption?
- What is the possible financial impact?
- What is the procedure to opt out and what is the timeline?
- What is the new sales tax?
- Other property tax changes
- Policy considerations
- Questions for local governing body

When Does this Bill Take Effect?

January 1, 2025



HB 581

Statewide Floating Homestead Exemption

HB 581 implements a statewide floating homestead exemption for all local governments:

- Counties
- Cities
- School Boards

A floating homestead is a special type of homestead exemption designed to offset or reduce increases in taxable value to the property.

How Does a Floating Homestead Exemption Work?

It works by increasing the value of the exemption to offset inflation. For example:

- Property had a taxable value of **\$100,000** in Year 1
- Taxable value increases to **\$110,000** in Year 2 due to market changes
- The exemption **'floats'** to be worth **\$10,000** of taxable value, so the taxpayer still pays on the original Year 1 value of \$100,000



How Does HB 581's Floating Homestead Exemption Work?

Base year value is adjusted (will increase) by a **rate of inflation** determined by the State Revenue Commissioner – likely CPI. Example:

- Property has **\$100,000** taxable value in Year 1 and **\$110,000** in Year 2
- But if CPI is **2%**...
- Base value of \$100,000 may be increased only up to 2%, giving an adjusted value of **\$102,000**
- Exemption 'floats' to be worth \$8,000 of assessed value = taxpayer would pay on a taxable value of \$102,000 in Year 2

How Does HB 581's Floating Homestead Exemption Work?

- For homes first receiving this exemption in taxable year 2025, the base year assessed value will be the 2024 assessed value.
- Similar to other homestead exemptions, the value will be reset when the home is sold and is adjusted with “substantial property change.”
- Homeowners can not transfer exemption to new property.

How Does HB 581's Floating Homestead Exemption Work?

- The effect of HB 581's homestead exemption:
 - The taxable value of a home may only increase at a rate of inflation each year
 - Essentially, controlling this will control how much the "value" of a home can increase annually
- Homeowners already granted a homestead will receive this exemption automatically
 - *In 2024, approx. 31,000 properties in Richmond County – 38% of all properties*
- Non-homesteaded property (i.e., Commercial) will continue to be valued at fair market
 - *In 2024, approx. 49,000 properties in Richmond County – 62% of all properties*

How Does this New Homestead Exemption Impact Existing Homestead Exemptions?

- This new floating homestead exemption is in addition to and not in lieu of all non-floating homestead exemptions. **This will not repeal/replace existing homestead exemptions!**
- Existing local exemptions, such as the \$2,000 of assessed value, are added after the floating homestead exemption is calculated.

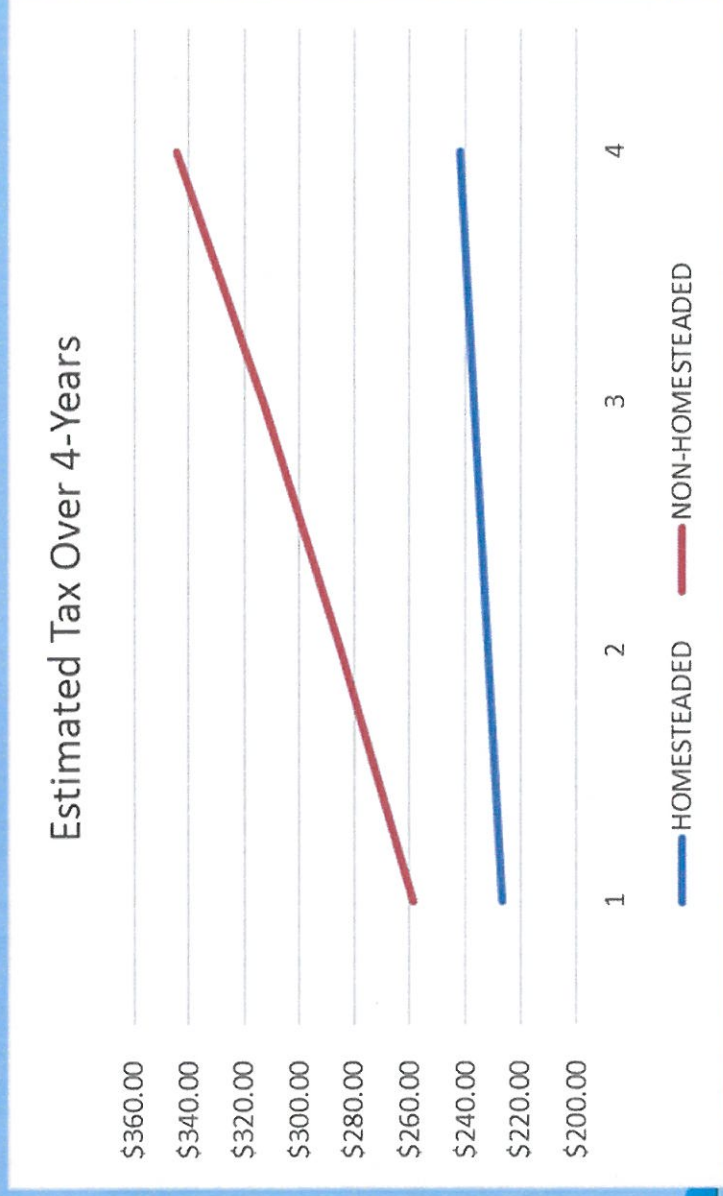
How Does this Affect All Properties?

- The overall property tax collected will remain roughly the same.
- That means the roll-back rate will be **higher** to offset the exemptions.

For two properties valued at \$100,000, with annual appreciation of 10% and annual CPI of 2%, and a stable millage rate of 6.468:

	ESTIMATED TAX			
	Base Year	Year 1	Year 2	Year 3
HOMESTEADED	\$ 226.38	\$ 231.55	\$ 236.83	\$ 242.22
NON-HOMESTEADED	\$ 258.72	\$ 284.59	\$ 313.05	\$ 344.36

How Does this Affect All Properties?



Financial Impact for Augusta

	Increase in Home Value		No Increase in Value
	Current	With Floating Homestead	
Assessed Value	100,000	100,000	110,000
Market Increase	10,000	10,000	
Float Exemption		(8,000)	
New Assessed Value	110,000	102,000	110,000
Taxable Value	39,000	35,800	39,000
Millage Rate	6.648	6.648	6.648
Tax	\$ 259	\$ 238	\$ 259

Financial Impact for Augusta

	2024 Actual	2024 w/ Floating Homestead	Change
Ad Valorem Taxes	\$52,453,757	\$ 52,452,193	\$ (1,564)
Roll Back Rate	6.4680	6.525	0.057
Additional Exemptions w/cap at 4.1%		\$ 71,083,396	

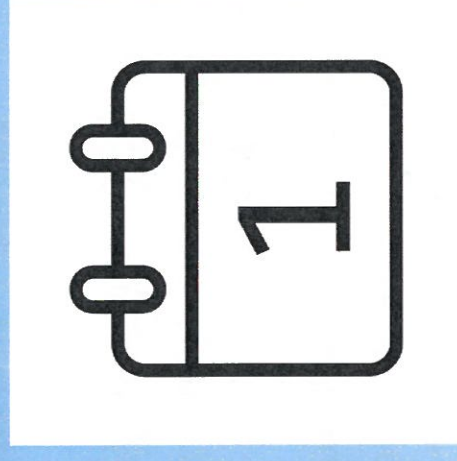


How Can a Local Government “Opt Out” of the Homestead Exemption?

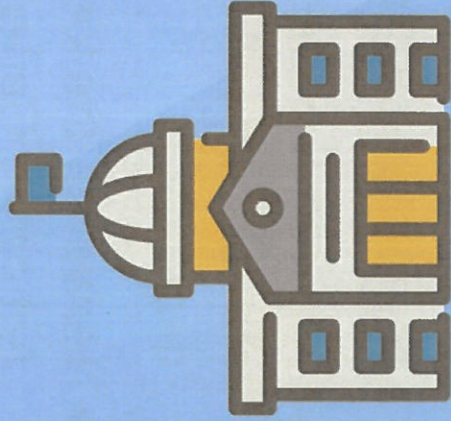
- Any governing authority may elect to opt out of the floating homestead exemption created by HB 581 by following a procedure like the “public notification of tax increase” when a full rollback is not taken.
- The local government must advertise and conduct three public hearings of intent to opt out and later adopt a resolution.
- Must file resolution to Secretary of State by **March 1, 2025!**
- If procedures are not met, opt out is not effective.

How Can a Local Government “Opt Out” of the Homestead Exemption?

- This process may not begin until the bill takes effect on January 1, 2025, and must be completed by March 1, 2025.
- A governing authority may not opt-out of the statewide floating homestead exemption after this deadline.
- However, the local delegation may pass a local Act of the General Assembly to implement a local floating homestead exemption at any time.



How Can a Local Government “Opt Out” of the Homestead Exemption?



- Important to note: The decision to opt out is independent among local governments
- **Augusta and the Richmond County Board of Education will each decide whether to opt out**
- The decision of whether or not to opt out will not impact the other local government's homestead exemption
- This may result in homes having different taxable values

Is the Decision to “Opt Out” or “Stay In” Permanent?

- **Yes**
- No action is needed by the local government to have the homestead exemption apply
- Once the “opt out” period has passed, currently there is no future method to opt in or opt back out
- A similar homestead exemption can still be done in traditional manner

HB 581 Timeline

November 5, 2024: Statewide Question on Constitutional Amendment

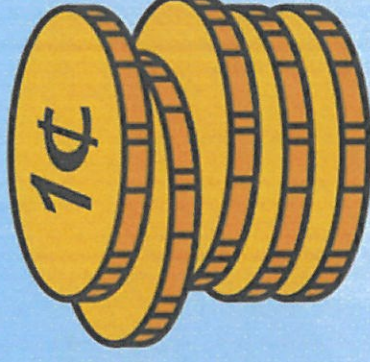
January 1, 2025: HB 581 takes effect

March 1, 2025: Deadline for local governments to “opt out” of homestead exemption

HB 581

Sales Tax Revisions and FLOST

- HB 581 makes two major changes to local sales tax:
 - Revises the provisions of O.C.G.A. 48-8-6 which limits the percentage of local sales tax a jurisdiction may levy.
 - Creates new local option sales tax contingent upon jurisdictions having a base year value homestead exemption.



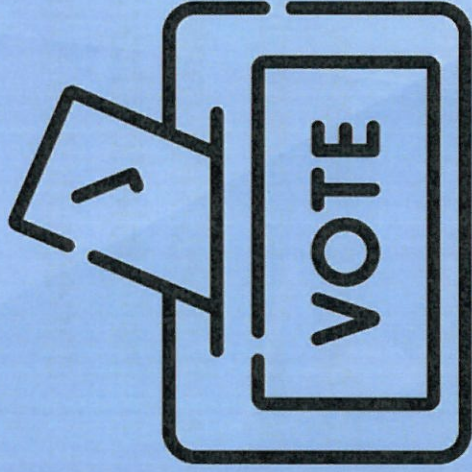
Revised Local Sales Tax Limitation

- This legislation revises the existing two percent local sales tax cap; exemptions now include:
 - ESPLOST
 - Up to one percent of the transportation sales taxes, which include:
 - Regional TSPLOST
 - Single-County TSPLOST
 - Transit SPLOST
 - MARTA
 - One of the specialty pennies, including:
 - **The new sales tax for property tax relief created by HB 581**
 - Columbus-Muscogee and Macon-Bibb OLOST
 - **Augusta-Richmond Coliseum SPLOST**
 - MOST for Atlanta and cities connected to its water system (East Point, College Park, and Hapeville)

What is the New Sales Tax?

- A new sales tax is created for the limited purpose of property tax relief – it may be levied in **0.05 percent increments up to one percent**.
- To be eligible to levy the tax, the county must have in effect a floating homestead exemption.
- It **does not** matter if the school boards opt out or not since they are ineligible to share in the proceeds of the tax without a separate constitutional amendment.

How is the New Sales Tax Implemented?



- The tax must be approved through **local referendum**
- Approval by the voters will be required to levy the sales tax

How is the New Tax Collected and Distributed?

- Collection of the tax will begin at the start of the next calendar quarter beginning more than 50 days after that date (as opposed to eighty days for other local sales taxes).
- The Georgia Department of Revenue (DOR) sends the money to the county.

How Can the Tax Be Renewed?

- The tax can run up to **5 years**
- Prior to the expiration, if the local governments want to renew, it requires:
 - Passage of a **local Act** calling for the reimposition of the tax
 - A **new referendum** to approve the tax by the voters

How are Funds From the New Sales Tax Used?

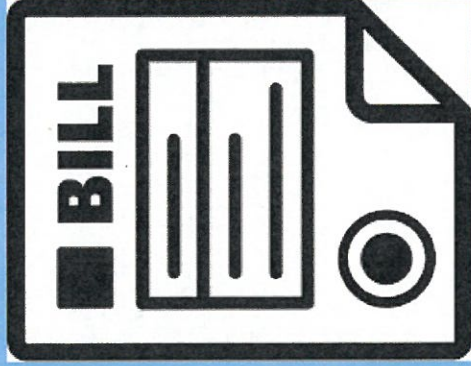
- Funds must be used exclusively for **property tax relief**
- Each taxpayer's property tax bill shall state the amount by which property tax has been reduced because of the imposition of this tax.
- The roll-back rate shall be reduced annually by the millage equivalent of the net proceeds of this new tax received by the political subdivision during the prior taxable year.
- If any political subdivision is not in compliance with the use of the proceeds from this tax, then the State Revenue Commissioner shall not certify the tax digest of that political subdivision until it comes into compliance.

Financial Impact for Augusta

	Potential Impact of Additional Sales Tax	
	2025	2025
Ad Valorem Taxes	\$ 52,098,090	\$ 28,348,090
LOST	47,500,000	47,500,000
Additional 0.5% FLOST		23,750,000
Total	<u>\$ 99,600,115</u>	<u>\$ 99,600,115</u>



HB 581 Procedural Property Tax Changes



- Created an “estimated roll-back rate” which is certified to the tax commissioner/collector by the local governments.
- The estimated roll-back rate is required to be included on the assessment notice, replacing the previous year’s millage rate.
- Designed to attempt to allow local government to give more accurate estimate of what tax liability will be.

HB 581

Procedural Property Tax Changes

- This gives local governments broad flexibility to set this rate wherever they deem appropriate
 - This does not need to be the same millage rate as the rollback rate for taxpayer bill of rights
- If the adopted millage rate exceeds the estimated roll-back rate, then a disclaimer is included on the tax bill stating the name of the governing authority that exceeded the estimated roll-back rate and that this will result in an increase of taxes owed.

HB 581 Procedural Property Tax Changes

- Removed the provision that the sale price is the maximum allowable fair market value in the next taxable year.
- This provision caused the Department of Audits and Accounts (DOAA) to change their sales ratio study methodology when it was originally passed in 2010, so this change will improve the sales ratio study and prevent penalties on local governments and their taxpayers.
- This legislation also allows the Board of Assessors to appeal the sales ratio study directly instead of requiring a local government to appeal on their behalf.

HB 581

Procedural Property Tax Changes

- Modifying the three-year lock for appeals so the taxpayer only receives the lock if they receive a value reduction upon appeal.
- Updating the settlement conference statute so that if neither the taxpayer nor their representative participates in good faith, then the taxpayer shall not receive the benefit of the temporary 15 percent reduction in taxes owed and shall not be awarded attorney's fees.
- Requiring that the chief appraiser ensure that every parcel in the county be appraised at least every three years.

Policy Considerations

- The floating homestead exemption benefits homeowners, especially those that reside in the community for a long period of time after this legislation takes effect.
- **Taxes do not disappear – they only shift:** the taxes are shifting from homestead properties to all other property types (commercial, agricultural, industrial, residential non-homestead).

Policy Considerations

- Since the floating homestead exemption slows the growth in value for residential homestead properties, it will create some upward pressure on the millage rate.
- The effects of a floating homestead increase over time, so this will have a smaller impact in the early years and a larger impact in the later years.
- Each local government (counties, cities, and schools) may independently decide whether to opt out.

Policy Considerations

- Even if we decide to opt out, nothing precludes our local delegation from passing a local Act putting a local floating homestead to referendum in Augusta.
- If we decide to opt out, it may be best practice to explain this decision to the public and the local delegation.
- Imposing the FLOST would require a referendum, as would renewing it in 5 years.

Questions for the Governing Body

- Does Augusta want to opt in or opt out of the floating homestead exemption?
- If we opt in, do we want to pursue the Flexible Local Option Sales Tax (FLOST) to replace property taxes?
 - Would require a referendum

Path Forward

- On agenda for January 7 Commission meeting
 - If you choose to opt in, no further action is needed
 - If you choose to opt out, we will schedule the three required public hearings

Questions?

