

Memo

To: Mayor and Council
From: ChaQuias M. Thornton, City Manager
cc:
Date: 01/23/2025_with public hearing schedule on page 2
Re: HB581, Statewide Floating Homestead Exemption and FLOST

PART I: Statewide Floating Homestead Exemption

House Bill 581 (Statewide Floating Homestead Exemption and new Local Options Sales Tax) was signed into law on April 18, 2024 (Act 379). HB 581 implements a statewide floating homestead exemption for all local governments to include Counties, Cities and School Boards.

Floating homestead is a type of homestead exemption designed to offset or reduce increases in taxable value to homestead properties. The floating exemption works by increasing the value of the exemption to offset inflation.

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.
- Non-homesteaded property (i.e. Commercial) will continue to be valued at fair market.

This new exemption is in addition to and does not replace existing non-floating homestead exemptions. Existing local exemptions are added after the floating homestead exemption is calculated.

The City, as a governing authority, can elect to opt out of the floating homestead exemption created by HB 581 by providing a public advertisement of the city's intent to opt out and by conducting three (3) public hearings. The City must then adopt a resolution and file said resolution to the Secretary of State by March 1, 2025. If the City chooses to opt out, there will be no opportunity to opt in at a later date. However, the City via its local delegation (Act of General Assembly) can always implement a local floating homestead at any time. The decision to opt in or out is independently made by each city and the City's decision to opt in or out of the floating homestead exemptions does not affect/impact other local government's exemption.

PART II: FLOST (Local Options Sales Tax)

However, HB 581 has a second part that creates a new local option sales tax contingent on whether the City opts in to the floating homestead exemption. This sales tax is a countywide tax and is established for the purpose of property tax relief – up to one percent. This option IS contingent upon the County and all cities within the County having a floating homestead exemption in effect.

If the county and all cities within the county are eligible for FLOST, the county and the cities that make up at-least 50% of the population of the county must enter into an intergovernmental agreement that specifies the tax rate, the duration of the tax, and the distribution of proceeds between the county and the city. Then the tax must be approved through a local referendum in order for the tax to be levied.

Funds from the FLOST must be used for property tax relief and cannot be used for any other purpose.

POLICY CONSIDERATIONS

The decision to opt in or out of the floating homestead exemption is a policy decision to be made by the City's governing authority with positive and negative impacts to be considered. **To offer more detailed information regarding the Bill and the potential impact on the City's digest (estimated tax revenue), the City's financial advisor (Edmund Wall) will avail himself during the public hearing on 01/29/2025 to present such information to Mayor and Council.**

PUBLIC HEARINGS (REQUIRED):

The first public hearing is scheduled for Wednesday, January 29, 2025 at 6pm.

The second public hearing is scheduled for Monday, February 3rd, 2025 at 6pm – in conjunction with the work session of Mayor and Council.

The third public hearing must be held on Monday, February 10th, 2025 at 6pm – in conjunction with the regular meeting of Mayor and Council.

Additional informational summary, as provided by the Georgia Municipal Association can be found at:

[HB 581, Statewide Floating Homestead Exemption and FLOST](#)

[Local Sales Tax Overview: Griffin, GA](#)

[HB 581 FAQs-FINAL.pdf](#)

CMThornton