

HB 581 Summary and Guidance

ACCG & GMA Joint Trainings
October 3rd, 2024

Ryan Bowersox
Assistant General Counsel, GMA

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).

Contingent upon November Statewide Referendum
(HR 1022)

Major Components:

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



Presentation Outline

- When does this bill take effect?
- Who gets a floating homestead exemption?
- What is a floating homestead exemption?
- What is the procedure to opt out and what is the timeline?
- What is the new sales tax?
- Other sales tax revisions
- Other property tax changes
- Policy considerations for local governments
- Other local government considerations

When Does this Bill Take Effect?

- HB 581 is contingent upon the passage of the constitutional amendment from HR 1022 on November 5, 2024 which allows local governments the ability to opt out of the floating homestead exemption.
 - A simple majority is required for passage.
 - If the constitutional amendment fails, all of HB 581 is repealed.
 - If the constitutional amendment passes, then the bill takes effect January 1, 2025.

HB 581

Part 1: Statewide Floating Homestead Exemption

- If approved, 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.
 - It is also referred to as a base-year or value offset exemption.
 - Freezes are a type of floating homestead exemption, but do not have an annual inflationary adjustment.

How Does a Floating Homestead Exemption Work?

- It works by increasing the value of the exemption to offset inflation.
 - For example, if a property had a taxable value of \$100,000 and the taxable value increased the following year due to market changes to \$110,000, then the exemption 'floats' to be worth \$10,000 of taxable value so the taxpayer still pays on the original base year value of \$100,000.



How Does HB 581's Floating Homestead Exemption Work?

- The HB 581 floating homestead exemption is unique because the base year value is adjusted and will increase by a rate of inflation determined by the State Revenue Commissioner – likely CPI.
 - If we take the same property with a \$100,000 taxable base year value and CPI is 2% the following year, then the base value of \$100,000 may be increased by up to 2% to give an adjusted base year value of \$102,000. The exemption 'floats' to be worth \$8,000 of assessed value so the 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.
- For homes first receiving the exemption in later years, the base year assessed value will be the assessed value for the immediately preceding year.
- 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.
- Non-homesteaded property (i.e. Commercial) will continue to be valued at fair market.

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!
 - If there is an existing local floating homestead exemption, the taxpayer will receive whichever of the two exemptions is more beneficial. This is also true if a local floating homestead exemption is added in the future.
 - Existing local exemptions, such as the \$2,000 of assessed value, are added after the floating homestead exemption is calculated.

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.
- A county, the cities, and the school board may 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 if it is approved in November.
 - Once the opt out period has passed, currently there is no future method to opt out.
- If a local government opts out, there is no future method to opt in to the HB 581 exemption.
 - Of course, 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, if approved

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

HB 581

Part 2: Sales Tax Revisions and FLOST

- HB 581 makes two major changes to local sales tax: [REDACTED]
- Revises the provisions of O.C.G.A. 48-8-6 [REDACTED] 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. [REDACTED]



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?

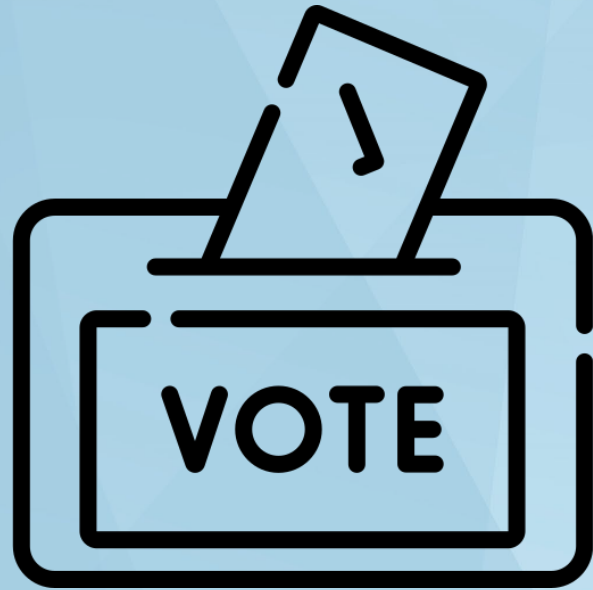
- A new sales tax is created for the limited purpose of property tax relief – it may be levied in 0.05 percent increments up to one percent.
- To be eligible to levy the tax, **both the county and all cities within the county that levy a property tax** must have in effect a floating homestead exemption: either the one created by this bill or a local 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 county and city/cities representing at least fifty percent of the municipal population of cities that levy a property tax must enter into an intergovernmental agreement (IGA) calling for the tax.
- The IGA shall specify the rate, duration (not to exceed five years), and the distribution between the county and cities. It will also set the ballot question.



How is the New Sales Tax Implemented?



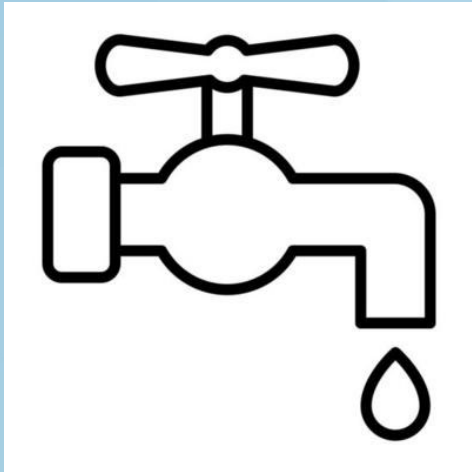
- Following the adoption of the IGA, the tax must be approved through local referendum.
- Approval by the voters will be required to levy the sales tax.
- This is a different vote than the one that occurs in November approving the constitutional amendment!

How are Cities Not on the IGA Treated?

- The IGA must also specify a portion of the proceeds that the cities not on the IGA will receive.
- Must not be less than the proportion the absent municipality's population bears to the total population of all cities within the county that levy a property tax.
 - Modelled after LOST absent municipality provisions.





How are MOST Cities Treated?



- Cities levying a MOST (Municipal Option Sales Tax for Water and Sewer Projects) are excluded.
- Will not be considered for eligibility and are not included in these calculations.
- Tax will not be collected within the city and city can not receive the proceeds of this tax.
- Currently Atlanta, East Point, College Park, & Hapeville.

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 and the county will be responsible for distributing the money to the cities in accordance with the IGA. 

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 IGA between the county and eligible number of cities.
 - A new referendum to approve the tax by the voters.
- Talk to your local delegation!

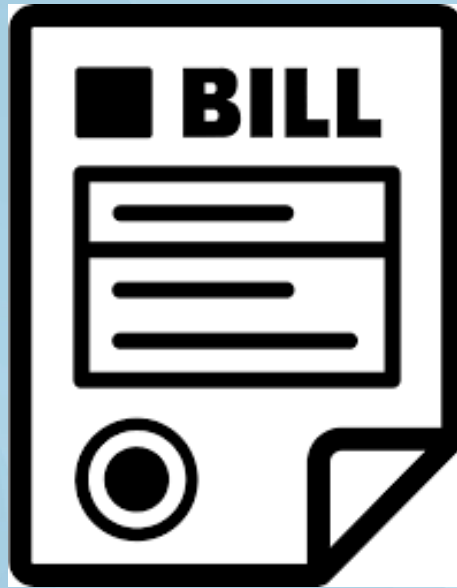


How are Funds From the New Sales Tax Used?

- 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.

HB 581

Part 3: 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

Part 3: 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

Part 3: 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

Part 3: 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 for Local Governments

- As with any other local government choice, this is a policy decision with pros and cons to be considered.
- The floating homestead exemption rewards 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: in this instance, the taxes are shifting from homestead properties to all other property types (commercial, agricultural, industrial, residential non-homestead).

Policy Considerations for Local Governments

- Taxation is a formula: taxable value multiplied by the millage rate gives the property tax revenue to meet local budgets.
 - 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.
- Counties and cities may more easily increase the millage rate if needed than schools due to the 20-mill cap, which may only be exceeded after the successful passage of a local referendum.

Other Local Government Considerations

- Each local government (counties, cities, and schools) may independently decide whether to opt out.
- This decision does not impact the homestead exemptions but cities and counties can impact eligibility for the FLOST.
- Every local government has a unique digest mix of property types. Local officials are encouraged to contact their Chief Appraiser for information regarding their specific situation. Some communities will better be able to support a floating homestead exemption than others.

Other Local Government Considerations

- The referendum is likely to be very popular and citizens may not understand a local government's decision.
- Even if your local government decides to opt out of the HB 581 floating homestead exemption, nothing precludes your local delegation of the General Assembly from passing a local Act putting a local floating homestead to referendum in your jurisdiction.
- If a local government decides to opt out, it may be best practice to explain this decision to the public and the local delegation.

Other Local Government Considerations

- Many jurisdictions have existing floating homestead exemptions. These typically apply only to M&O millage rates, but not to special service districts (SSDs).
 - The HB 581 floating homestead exemption applies to special service districts in addition to M&O but does not apply to bond millage.
 - If a local government that has a floating homestead exemption already in place does not opt out, then their special service districts will be affected by the new floating homestead exemption.
- A local government may consider opting out to avoid confusion.

Other Local Government Considerations

- While the decision to opt out of the floating homestead exemption is independent, instituting the new sales tax requires collaboration between the county and cities.
- The county and all cities in the county that levy a property tax must have a base year homestead exemption in place (statewide or through a local Act).
- The county and cities should discuss the option of the sales tax before expiration of the opt out period.
- Know the distribution is determined by the IGA, so this should be discussed early.
- A local Act is required for renewal, so involve your local delegation.

Next Steps....

- Joint ACCG-GMA Webinar Oct. 16th (live and recorded).
 - This will be the same presentation
- Joint Guidance Document/FAQ released today!
 - Document on GMA's Website
 - Link to ACCG HB 581 page:
 - [ACCG Advancing Georgia's Counties](#)



Contact Us

Ryan Bowersox
Assistant General Counsel, GMA



Dante Handel
Associate Director of Governmental Affairs, ACCG

