

JASPER COUNTY BOARD OF COMMISSIONERS

Will have a

Work Session

Monday, January 13, 2025

6:00 P.M.

BOC Meeting Room, Ground Floor

The work session will be live-streamed via Facebook

Discussion Items:

- 1. HB 581 - Property and Sales Tax Reform**

Work Session Item 1 – Jasper County BOC

Department: Board of Commissioners

Date: January 13, 2025

Subject: HB 581 – Property and Sales Tax Reform

Summary:

Discussion Items:

Floating Local Option Sales Tax – FLOST

New 1% Sales Tax Strictly Used for Property Tax Relief

Requires County Referendum

All Cities That Levy Advalorem Tax Must Not Opt Out of Floating Homestead for New Sales Tax to be Available

School Boards that Opt Out of Floating Homestead Do Not Effect New Sales Tax Availability

Floating Homestead Exemption

Property with Homestead Exemption - Maximum Increase in Taxable Value Limited to Annual Inflation
Counties, Cities and School Boards Can Opt Out Independently – Opt Out Must be Completed by
March 1, 2025

Opt Out Requires Three Public Hearings

Background:

HB 581 – Property and Sales Tax Reform

State Approved – 62.9%

Jasper County Approved – 65.5%

Components

Floating Homestead Exemption

Floating Local Option Sales Tax

Property Tax Procedural Changes



HB 581

Property and Sales Tax Reform

April 11, 2024

Staff Contact: Dante Handel, Governmental Affairs Associate | dhandel@accg.org | 203-906-8762

Summary

This legislation changes several ad valorem tax provisions and creates a new local sales tax for property tax relief.

Ad valorem changes include:

- Implementing a floating homestead exemption for all taxing jurisdictions.
 - 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. The base year value may increase each year by up to the inflationary rate determined by the State Revenue Commissioner, which may utilize the Consumer Price Index (CPI). This new floating homestead exemption is in addition to and not in lieu of all non-floating 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. Any governing authority may elect to opt out of the floating homestead exemption created by this bill by advertising and conducting three public hearings on their intent to opt out and later adopting a resolution. 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.
- Creating an 'estimated roll-back rate' which is certified to the tax commissioner by the county for county and county school tax purposes. It is calculated using an estimated millage rate minus the millage equivalent of the total net assessed value added by reassessments. The estimated roll-back rate is required to be included on the assessment notice. 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.
- Removing 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, 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 for them.
- Requiring that the chief appraiser ensure that every parcel in the county be appraised at least every three years.

- Modifying the three-year lock statute for appeals so the taxpayer only receives the benefit of the lock if they receive a value reduction upon appeal. This will prevent frivolous appeals filed solely for the lock.
- Removing the confusing tax estimate from the assessment notice.
- 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 fifteen percent reduction in taxes owed and shall not be awarded attorney's fees.

Sales tax changes include:

- Revising 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 this bill
 - Columbus-Muscogee and Macon-Bibb OLOST
 - Augusta-Richmond Coliseum SPLOST
 - MOST for Atlanta and cities connected to its water system (East Point, College Park, Hapeville)
- A new local 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. The county and 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 which shall specify the rate, amount of time the tax is to be levied (not to exceed five years), and the proposed distribution between the county and cities. If the total of the populations of all municipalities absent from the IGA is less than one half of the aggregate population of all cities in the county that levy a property tax, then the cities signing the IGA shall specify a portion of the proceeds from the tax that the absent municipalities will receive, which shall 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. Cities levying a MOST are excluded from these calculations and from sharing in the proceeds of this tax.
- If the tax is approved at referendum, then the collection of the tax will begin at the start of the next calendar quarter beginning more than fifty days after that date, as opposed to eighty days for other local sales taxes. The tax may be renewed only by the passage of a local Act calling for the reimposition of the tax. 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. The proceeds shall be used exclusively for 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.

This Act becomes effective on January 1, 2025, if and only if the constitutional amendment authorized by House Resolution 1022 is ratified on the November 2024 ballot. It would be applicable to taxable years beginning on or after January 1, 2025.

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

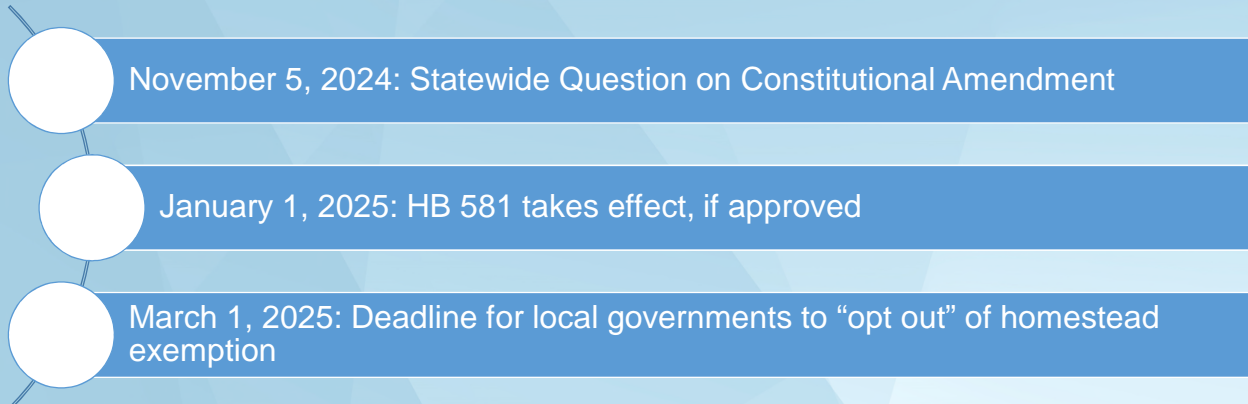


Is the Decision to “Opt Out” or “Stay In” Permanent?

- **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



HB 581

Part 2: 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, **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?

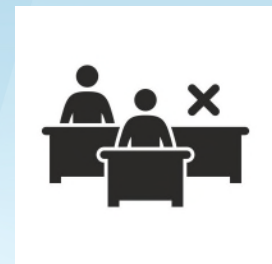


- Following the adoption of the IGA, the tax must be approved through local referendum
- Approval by the voters will be required to levy the sales tax
- This is a different vote than the one that occurs in November approving the constitutional amendment!

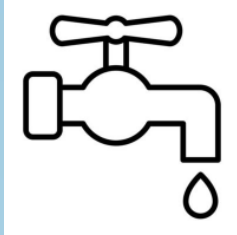


How are Cities Not on the IGA Treated?

- 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!



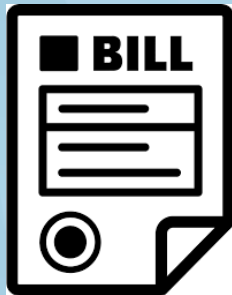
How are Funds From the New Sales Tax Used?

- 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

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ASSOCIATION COUNTY COMMISSIONERS OF GEORGIA & GEORGIA MUNICIPAL ASSOCIATION

HB 581 (2024): Frequently Asked Questions Document

The Local Opt-out Floating Homestead Exemption & Floating Local Option Sales Tax (FLOST)

House Bill 581 was passed by the Georgia General Assembly during the 2024 legislative session and was signed into law by Governor Kemp on April 18, 2024.

[HB 581](#) provides for several significant changes impacting local government revenue. Counties and cities must understand these changes and be prepared to make critical decisions in the coming months that will have lasting impacts. In general, HB 581 has three major components: first, the bill provides for some procedural changes to property tax assessments and appeals; second, the bill provides for a new statewide homestead exemption that applies to local governments unless the local government affirmatively opts out; third, the bill creates a new local option sales tax available to be used for property tax relief.

This document provides frequently asked questions (FAQs) to give an overview of the key provisions of the bill, the statewide homestead exemption and new local option sales tax, and the considerations local governments must have in mind. Appendix A then includes an outline of these key provisions to help guide local decision making.

A. Generally

1. In a nutshell, what is HB 581 (2024) about?

HB 581 contains multiple provisions related to property tax and sales tax. Most relevant to this FAQ, the bill:

- a. Grants a statewide homestead exemption that limits the increases in the taxable value of homes to no more than the inflation rate that occurred over the prior year;
- b. Allows local governments to elect to opt out of this homestead exemption within their jurisdiction so that it will not apply to their taxable values; and
- c. Authorizes most local governments with the new homestead exemption (or equivalent) to levy a new sales tax to be used for property tax relief.

2. Where did this proposal come from and what was the reason?

Entering the 2024 legislative session, many legislators were concerned with the rapid rise in property values across the state, and in turn, the rise in property taxes. The homestead exemption proposal came from the General Assembly and was first introduced in the Senate. The reason was to provide more certainty to homeowners who are concerned about the significant increases to the taxable value of homes in recent years. Under this bill, if the local government does not opt out, then the homeowner knows their value may not increase by more than the rate of inflation, which prevents large jumps and helps them budget.

The sales tax provision (FLOST) came from the House and was originally designed as a flexible new sales tax to act in place of sales tax laws written to apply to only one jurisdiction, such as that for the Coliseum SPLOST for Augusta-Richmond County; however, it changed throughout the legislative process to become a method to reduce millage rates imposed on all properties (homestead and non-homestead).

B. The Homestead Exemption of HB 581

1. What type of homestead exemption does HB 581 provide? Is there a difference between floating, base-year, adjusted base-year, and frozen homestead exemptions?

The core purpose of any base-year, floating, or frozen homestead exemption is to reduce or eliminate the tax impact of increases in the fair market value of a homesteaded property that occur following the purchase of a home. The terms are generally synonymous and used to describe either the practical or technical effect of the exemption. The key difference is whether such an exemption allows for adjustments to the base year value based on a standard rate or the inflation rate.

For a base-year, floating, or frozen homestead exemption **without** an adjustment factor, the value of the exemption changes or floats each year to always equal and exempt the full difference between the base-year value of the home and the current value of the home, so that the taxable value of the home never increases (but the millage rate may still increase). These are most often called frozen exemptions because the assessed value of the home is blocked from increasing (and often, from decreasing).

For a base-year, floating, or frozen homestead exemption **with** an adjustment factor, the base year and the base year value for a homestead does not change, but the base year value is adjusted annually by a percentage equal to either a set rate or the inflation rate that occurred during the prior year. These are best called adjusted base-year homestead exemptions.

In the case of HB 581, practically speaking, the homestead exemption limits the amount of any increase in the assessed value of homes to no more than the rate of inflation experienced over the prior year—it does not freeze the value. This is best described as an adjusted base-year homestead exemption, because it grants an exemption equal to the difference between the homestead’s adjusted base-year value—generally the value for the year prior to the homeowner’s application for the exemption plus an inflation factor for each year since the exemption was first granted—and the current year’s true value.

It is important to note that most of these homestead exemptions do account for substantial changes in the property. For example, if a homeowner doubles the size of their house, then the base-year value may be increased, regardless of any freeze or limitation, but thereafter, the new base-year value enjoys the benefit of the exemption. Also important to note, these exemptions do not stay with the property nor the property owner when a change in ownership occurs. If an individual sells their home, the taxable value of that home resets to fair market value for the next owner. Similarly, the individual cannot carry the value of the exemption to their new home.

2. How is the value of the HB 581 homestead exemption determined?

The value of the exemption is unique to each individual property and will generally change each year for such properties. The core purpose of a base-year or floating homestead exemption is to reduce or eliminate the impact of increases to the fair market value of a homestead. In the case of HB 581, the homestead exemption prevents rapid increases in the assessed value of homes but does not freeze the value.

HB 581 is considered an adjusted base-year homestead exemption, because it allows the homestead’s base-year value to increase annually by up to the inflation rate determined by the State Revenue Commissioner (likely the consumer price index) which occurred during the prior year. The value of the exemption is the difference between the adjusted base-year value and the fair market value. Even if two properties begin with identical base year values, if the fair market value of the properties diverge over time, then the property with the higher fair market value will receive the larger exemption while potentially paying the same in property taxes.

3. If my local government wants to opt out of the HB 581 homestead exemption, how can we do that?

As authorized through a constitutional amendment (HR 1022 (2024)) and outlined in HB 581, the opt-out process is very similar to the “public notification of tax increase” process that is required when a local government does not fully rollback its millage rate. The local government seeking to opt out of the HB 581 homestead exemption must advertise and hold three public hearings of intent to opt out, and then pass a resolution opting out and file it with the Secretary of State. The process may not begin until the effective date of the bill on January 1, 2025, and must be completed by March 1, 2025. Each local government (county, city, school) may independently make the decision whether to opt out; any combination may elect to do nothing or opt out of the HB 581 floating homestead exemption. If a local government opts out, its taxpayers will not receive the benefit of the exemption, and their property will be taxed (absent other exemptions) at the property’s fair market value.

4. Should my local government opt out of the homestead exemption if we already have another form of a floating, base-year, or frozen homestead exemption?

There are at least a few things to consider when answering this question for your jurisdiction.

First, how far does your current floating homestead exemption extend? Does it cover all millage rates, including those for special districts? The reason that this is important to answer is that the HB 581 homestead exemption extends to all millage levies except for any bond levies.

Second, does your current homestead exemption incorporate any form of inflationary or automatic increase? The value of the HB 581 homestead exemption for each homeowner is, in effect, reduced annually by the amount of inflation that occurred over the prior year, which allows the taxable value of the homestead to rise over time in-line with inflation. If your jurisdiction has a set rise over time that is expected to exceed the inflation factor in HB 581, then your jurisdiction may want to opt out.

Third, if the homestead exemptions are equivalent, you may want to consider opting out of the HB 581 floating homestead exemption to reduce confusion. Your jurisdiction would still have access to the new sales tax for property tax relief (FLOST) assuming all the conditions to impose the tax are met.

5. Does the HB 581 homestead exemption apply to community improvement districts (CIDs)?

For all practical purposes, the homestead exemptions would not apply to CID's as CID's may only levy taxes on nonresidential property. Ga. Const. Art. IX, Sec. VII, Para. III(c).

6. How does the HB 581 homestead exemption affect tax allocation districts (TADs)?

The homestead exemption could potentially reduce the amount of expected property tax revenue growth within the TAD by limiting the assessed value increase of homestead property over time. This question requires analysis specific to the TAD in question.

7. Can the HB 581 floating homestead exemption be later repealed for my county or city?

If a jurisdiction elects not to opt out of the HB 581 homestead exemption, they will not have an opportunity to opt out in the future and will have the homestead exemption permanently. There may be a method to remove such jurisdictions in the future, but it would require a change to general law or a constitutional amendment done by the legislature.

8. Will the HB 581 homestead exemption affect a homeowner's existing homestead exemptions?

HB 581 does not eliminate any existing homestead exemptions for any jurisdiction, regardless of the type of homestead exemption, but it may override existing floating, base-year, and frozen exemptions, if the HB 581 exemption provides a greater benefit to the taxpayer.

- a. If your local government has an existing non-floating homestead exemption, such as an exemption for \$5,000 of assessed value, that will be unaffected by HB 581. The floating homestead exemption is calculated first, and then the non-floating exemptions are calculated on the back end. That said, if the existing, non-floating local homestead exemption says that it may not be applied in addition to any other homestead exemption, then it may not be applied.
- b. If your local government has an existing base-year homestead exemption, then the taxpayer will receive whichever provides them with the largest benefit in any given year. Your tax assessor's office will be responsible for tracking both floating homestead exemption values in addition to the fair market value.

For example, if there is an existing base-year or floating homestead exemption that does not have inflationary increases, then it would generally provide the larger benefit to the taxpayer. Similarly, if the base-year of a homestead exemption that is comparable to HB 581 pre-dates HB 581's base-year, then the older base year will likely provide the larger benefit.

9. Will it affect the county's ability to impose a FLOST if another city opts out of the homestead exemption granted by HB 581?

Yes, if a city that imposes a property tax opts out, then the county and all cities within the county will be ineligible for the FLOST. If a city that does not levy a property tax opts out, then it would not affect the ability for the county to levy a FLOST. If even one city that opts out does levy a property tax at such time, then the FLOST would not be permitted. Of course, jurisdictions may opt out and not impact eligibility if the jurisdiction has another eligible homestead exemption in place.

10. If the county opts out of the homestead exemption will this impact a municipality's ability to impose a FLOST?

Yes. Similarly, if a county opts out all municipalities in the county will be ineligible for the FLOST unless the county has another eligible homestead exemption in place.

11. If a municipality or a county opts out of the HB 581 homestead exemption will homesteads have multiple assessed values for tax assessment?

Yes, if the homestead exemption applies for some but not all jurisdictions, the taxable value of the property will essentially be different. The fair market value of a property is the same for all taxing jurisdictions where the property is subject to property tax. Homestead exemptions are applied after the fair market value of the home is determined and reduce the taxable value of the home—the taxable value may be different among jurisdictions based on applicable homestead exemptions.

Every county assessor's office is required to maintain a set of books with the fair market value of the property. The assessor's office will be required to maintain two or more sets of values if there are one or more floating homestead exemptions. Each homestead may have a different base-year value across multiple jurisdictions, but this will be tracked by the assessor's office.

12. For a home that has an exemption under HB 581, what happens if the home is substantially improved or is destroyed? How are changes to the home's value that do not result from market forces handled?

Substantial changes to the property are considered when assessing the property. Any substantial change will increase or decrease the adjusted base year value of the home.

Example: The adjusted base year value of a home as of January 1, 2028, was \$500k. During 2028, the homeowner doubles the square-footage of her home and adds a swimming pool. As of January 1, 2029, the tax officials for the county determine that the changes to the home increase the value by \$200k. The adjusted base year value for the 2029 tax year = \$500k (the 2028 ABYV) + \$200k (substantial change value) + any applicable inflation factor.

13. If my local government opts out of the floating homestead under HB 581, can we opt in at a later date?

If your local government opts out, there is no future opportunity for the local government to unilaterally opt-in or rejoin the HB 581 exemption.

However, a local government may still obtain a similar homestead exemption in a traditional manner. The General Assembly may pass a local Act creating an equivalent local floating homestead exemption. This would require 2/3's vote in the General Assembly and a local referendum. The General Assembly may do this against the will of the local government. We encourage you to maintain a dialogue with your local legislators, especially if you intend to opt out.

14. If my local government opts out of the HB 581 floating homestead exemption and our legislative delegation disagrees with that decision, can they take action to mandate the floating homestead exemption on my local government?

If your local government opts out of the HB 581 floating homestead exemption and your legislative delegation disagrees with that decision, your local delegation can pass a local Act to impose a floating homestead exemption within the jurisdiction. HB 581 has not changed the ability of the legislature to create specific homestead exemptions for local governments. This local Act would be subject to 2/3 vote in the General Assembly and approval by the voters in a local referendum. If the referendum is successful, then your local government would be subject to the homestead exemption provided for in the local Act, even though you opted out of the HB 581 exemption.

Note: A local government could elect to opt out of the HB 581 exemption and ask their local delegation to proceed with a more customized version of the homestead exemption.

15. Can the floating homestead exemption be transferred to a new owner of the home?

No, the homestead exemption is not portable or transferable—it is tied both to the property owner and the home. However, in the case of a surviving spouse who was not on the deed at the time of their spouse's death, said surviving spouse may continue the homestead exemption in the same manner as the deceased spouse, provided that the surviving spouse is otherwise eligible for the homestead exemption.

For anyone else that acquires the home as a homestead, the base-year and base-year value will be reset to the year prior to the person's acquisition of the home and to the actual value for the home for such prior year.

16. How much land can be included in a qualified floating homestead exemption?

Georgia state law states that the homestead exemption applies to the homestead and the land immediately surrounding the homestead; there is no specification for acreage. Many local homestead exemptions do limit the total acreage. It is likely up to local interpretation as to what

land constitutes the land “immediately surrounding” the homestead. The exemption would not include buildings or structures on the property, which are not part of the homestead dwelling, itself.

17. Does the HB 581 floating homestead exemption apply to special service districts?

Yes, the HB 581 floating homestead exemption applies to all millage rates except for millage rates to retire bonded indebtedness.

Point to consider: If the local government has an existing floating homestead exemption that *does not* apply to special service districts, then you may want to consider opting out, so your special service district millage levies are unaffected.

18. If a homeowner’s assessed value was locked following their appeal to the Board of Equalization in 2022, would that value be used for the 2024 base year for the purposes of the HB 581 exemption?

The homestead’s final assessed value for the base year is the base year value for the purposes of the HB 581 exemption. Code Section 48-5-44.2(a)(3)(A). Accordingly, if the locked assessed value from 2022 is what was lawfully used as the homestead’s final assessed value for 2024, then that taxpayer would have their HB 581 2024 base year assessed value set at that same amount.

19. Will the market value or the adjusted base year value be used when calculating value increases to the tax digest that are factored into the rollback millage rate that cannot be exceeded without advertising a tax increase?

The digest value for rollback purposes utilizes the net taxable digest, which is the value of the digest *after* exemptions are accounted for.

C. The Floating Local Option Sales Tax (FLOST)

1. Generally, what is the FLOST?

The Floating Local Option Sales Tax or FLOST (named for its relation to the floating homestead exemption) is a new sales tax that can be levied up to 1 percent and collected county-wide. Funds are split between the county and cities based upon an intergovernmental agreement (IGA) and used for property tax relief.

2. What are the minimum requirements for a given county or municipality to be eligible to levy a FLOST?

- a. The county or municipality must levy a property tax and have a base-year or floating homestead exemption in effect¹;
- b. All other municipalities within the county that currently levy a property tax must also have a base-year or floating homestead exemption in effect²;
- c. The county or municipality must have available room under the overall sales tax cap³;
- d. The county and the applicable number of municipalities must enter into an intergovernmental agreement as required under Code Section 48-8-109.31(d)(1)(B);
- e. Hold a successful local referendum⁴; and
- f. Utilize the proceeds for property tax relief and in accordance with the IGA⁵.

3. Who must sign the intergovernmental agreement to authorize the referendum for the FLOST?

The county must reach an intergovernmental agreement with municipalities levying a property tax that represent at least 50% of the total municipal population within the county. This minimum requirement does not preclude more municipalities than those representing 50% of the municipal population from signing the IGA if all parties agree.⁶

Any municipality that does not sign the IGA is treated as an ‘absent municipality’ and will receive proceeds from the FLOST based upon the size of its population relative to the total municipal population within the county, excluding any municipalities that do not levy a property tax. Municipalities that do not levy a property tax are excluded from the calculations and from sharing in FLOST revenues.⁷

¹ Code Section 48-8-109.31(d)(1)(A).

² Code Section 48-8-109.31(d)(1)(A).

³ Code Section 48-8-6(a).

⁴ Code Section 48-8-109.32.

⁵ Code Section 48-8-109.42.

⁶ Code Section 48-8-109.31(d)(1)(A).

⁷ Code Section 48-8-109.31(d)(2).

4. What must an IGA to levy FLOST include?

- a. The rate of the tax: incremental in .05% increments up to a full 1.0%;
- b. The duration of the tax: up to 5⁸ years;
- c. Provisions for calling the referendum for the tax, including the question for the ballot;
- d. The distribution schedule⁹ apportioning proceeds among:
 - i. County
 - ii. Municipalities
 - iii. Absent Municipalities
- e. The IGA is not required to specify how property tax relief is to be applied but may do so.

5. How is the sales tax referendum scheduled?

First, there must be a valid intergovernmental agreement between the county and cities specifying the distribution of the tax. Next, the county may call for the sales tax referendum similar to other sales tax referenda.¹⁰

6. Is a local referendum necessary to impose the FLOST even if the ballot measure in November is successful?

Yes. It is important to note that the ballot question in November of 2024 proposes a constitutional amendment which enables the homestead exemption. If this amendment is not approved, all of HB 581 (including the FLOST) is repealed. If the constitutional amendment is approved, a subsequent referendum within the county is still required to levy the FLOST. Counties and cities should be mindful that the FLOST must be approved by voters in the county to be levied when making policy decisions concerning the homestead exemption.

7. Does FLOST revenue affect the rollback millage rate that is calculated for the purposes of Code Section 45-5-32.1 (Taxpayer Bill of Rights), which requires the advertising of a property tax increase, if exceeded?

Yes. Unlike LOST, the total amount of FLOST collected in the preceding calendar year must be subtracted from the millage equivalent calculated to provide the jurisdiction with the same net proceeds from the current year’s net taxable digest value as those derived from the previous year’s millage rate when multiplied by the previous year’s net taxable digest value.

⁸ Code Section 48-8-109.32(a).

⁹ Code Section 48-8-109.36(2).

¹⁰ Code Section 48-8-109.32.

8. What can the FLOST revenues be used for?

FLOST revenue must be used for property tax relief. Per Code Section 48-8-109.42, FLOST revenues:

- “[S]hall be used exclusively for tax relief and in conjunction with all limitations provided in the intergovernmental agreement authorizing the tax for such political subdivision.”
- Additionally:
 - “Each taxpayer's ad valorem tax bill shall clearly state the dollar amount by which the property tax has been reduced as a result of the imposition of the tax imposed under this article”; and
 - “The roll-back rate for the political subdivision, which is calculated under Code Section 48-5-32.1 [Taxpayer Bill of Rights], shall be reduced annually by the millage equivalent of the net proceeds of the tax authorized under this article, which proceeds were received by the political subdivision during the prior taxable year.”

9. In what ways may the local government calculate and apply the FLOST property tax relief to the property tax bill?

Outside of the parameters in Code Section 48-8-109.42, jurisdictions have latitude to apply the funds for legal purposes within the special district and as may be provided for in the intergovernmental agreement.

- The tax relief must be applied uniformly across all forms of tangible property within the given taxing jurisdiction for which it applies. For these purposes, taxing jurisdictions for which property tax relief may be granted can be the county, a municipality, or a special district, provided that the application is uniform within the given taxing jurisdiction.
- When the credit or reduction is shown on the taxpayer’s property tax bill, it **MUST** be applied as property tax relief, which would be a reduction in a charge that is assessed and levied upon the value of a property. The credit *cannot* reduce any charge or fee, which is not levied upon the value of the property (ad valorem). If a flat dollar amount is shown on the property tax bill, said dollar amount must be derived from the taxpayer’s savings from the reduction in the millage rate or assessed value.
- While not required, the best practice is to include within the required IGA exactly how the proceeds of the FLOST will be applied as property tax relief.

10. What types of communities would benefit most from a FLOST?

Communities that wish to supplant property taxes with sales tax would benefit from FLOST. It is a policy decision that would be expected to shift some of the tax burden imposed on the local government’s property owners to those who make purchases within such jurisdiction. Accordingly, communities with sales tax revenues derived disproportionately from those living outside of the local government’s jurisdiction would expect to see a net benefit for its property owners by shifting the tax burden to consumers; whereas those communities that have disproportionately few property owners among its many resident consumers would find only a shifting of the tax burden within the jurisdiction.

11. How often does the FLOST have to be voted on?

FLOST may be implemented for up to 5 years at a time, so at least every 5 years. Moreover, all FLOST renewals require a local Act of the General Assembly, so there is no renewal without a local Act and a new IGA, and passage in a local referendum.¹¹ While there is no requirement of a local Act to initially levy the FLOST any subsequent renewal does require a local Act from the General Assembly.

12. My county doesn't have a LOST. How will this affect my county, city, etc.?

Having a LOST is not a requirement for the FLOST. LOST is the most similar sales tax to the FLOST, but the way property tax relief is calculated under FLOST is more flexible than LOST.

13. Does this bill require the Department of Revenue to provide point-of-sale information?

This bill does not require DOR to provide point of sale information but does require such information to be furnished to DOR by the retail establishments that are required to collect the tax. All sales for FLOST occur countywide (within the special district which is conterminous with the boundaries of the county), except in the case of a county containing a municipality that levies the Water and Sewer Projects Cost Tax (MOST), in which case the FLOST is not collected within the boundaries of the MOST city.

14. Are Water and Sewer Projects Cost Tax (MOST) cities ineligible for a FLOST?

Yes, the cities that levy a MOST tax are ineligible to levy or receive proceeds from FLOST. This means that they are not counted when determining the municipal population in the county levying the LOST, the city levying the MOST cannot share in the proceeds of the FLOST, and the FLOST may not be levied within the municipal boundaries of the city levying the MOST.

Currently, the MOST cities are: Atlanta, East Point, College Park, and Hapeville.

15. If the school board opts out of the floating homestead exemption, can the county and municipalities still levy the FLOST tax?

Yes, if the school board opts out, you can still levy the tax assuming all other requirements are met. Schools generally cannot receive revenues from sales taxes other than those authorized by the Constitution (ESPLOST) and certain existing Local Constitutional Amendments (ELOSTs), so it would require such a constitutional amendment specifically authorizing or requiring that school districts receive a share in the FLOST.

¹¹ Code Section 48-8-109.33(c)

16. If my jurisdiction opts out of the HB 581 floating homestead exemption and has an existing base-year or floating homestead exemption, but which only applies to the general maintenance and operations (M&O) levy, would my jurisdiction be blocked from participating in the FLOST?

No, not on that basis alone. If your local government has an existing floating or base-year homestead exemption of any kind, you may still qualify for the FLOST, even if you opt out of the HB 581 floating homestead exemption. HB 581 only requires that you have some form of a base-year or floating homestead exemption to participate in FLOST. Such exemption can either be a local floating homestead exemption (predating HB 581 or added after) or the HB 581 floating homestead exemption. Please note that the HB 581 floating homestead exemption will apply to all levies, including special service districts, except for bonded indebtedness.

17. If my county or city decides to opt of the homestead exemption, is it forever ineligible to levy the FLOST?

No. First, your city or county may already have a homestead exemption in place making them eligible for the FLOST. Second, if there is no homestead exemption in place and your county or city opts out, it can once again become eligible to levy the FLOST in the future through a subsequent eligible homestead exemption put in place by a local Act of the General Assembly.

18. What happens if we pass a FLOST and our legislative delegation does not approve the renewal, or the voters do not renew it?

If you pass a FLOST and your legislative delegation does not approve the renewal or the voters do not renew it, then the most likely outcome is an increase in the applicable millage rates. Since FLOST is sales tax being used to offset property tax, if the FLOST expires, the local government will have to cut expenses, raise property taxes, or some combination thereof.

19. If my county has an ELOST, can we utilize the FLOST?

If your county has an ELOST, the availability of FLOST depends on a few factors:

- a. Does the exact verbiage of the local constitutional amendment (LCA) limit the distribution of proceeds in the way that FLOST requires? Some of the LCAs are very permissive, and others are very restrictive. Please consult with your local jurisdiction's attorney for a legal opinion.
- b. Is the jurisdiction otherwise eligible to levy a FLOST?
- c. Does the jurisdiction have sufficient room under its local sales tax cap to levy a FLOST? See Code Section 48-8-6(a).

ELOST Counties: Bulloch County; Chattooga County (and Trion City); Colquitt County; Habersham County; Houston County; Mitchell County (and Pelham City); Rabun County; Towns County.

Appendix A: HB 581 - Timeline/Decision Tree

- 1) November 5, 2024: Statewide ballot measure determining approval of constitutional amendment enabling homestead exemption.
 - a) If the ballot question is not approved, HB 581 is repealed in its entirety. No further action is needed by local governments. All other property tax changes and the FLOST are repealed as well.
 - b) If the ballot question is approved, counties, cities, and school boards may independently determine whether they would like to “opt out” of the homestead exemption and not have the exemption apply to their homeowners.
- 2) Beginning January 1, 2025 through March 1, 2025, local governments may “opt out” and not have their homeowners receive the HB 581 floating homestead exemption.
 - a) If the local government decides not to “opt out” no action is required by the local government and the homestead exemption will go into effect.
 - i) The HB 581 homestead exemption does not replace existing locally enacted homestead exemptions.
 - (1) If your local government has an existing flat dollar homestead exemption, the 581 exemption will be in addition to that exemption.
 - (2) If your local government has an existing base year or adjusted base year exemption, the taxpayer will receive the more beneficial exemption.
 - b) If your local government decides to opt out, it must advertise and hold three public hearings of intent to opt out, and then pass a resolution opting out and file it with the Secretary of State by March 1, 2025.
- 3) If the November 2024 ballot question is approved, your county or city may decide whether to levy a FLOST for property tax relief. You must determine if you are eligible for the FLOST.
 - a) If your county/city does not levy a property tax, you are not eligible to levy/participate in the FLOST.
 - b) If you levy a property tax:
 - i) Your county/city must have a base year or adjusted base year homestead exemption in place.

*This may either be the homestead exemption provided by HB 581 or an existing base year or adjusted base year homestead exemption created by a local Act.
 - ii) The county and every municipality in the county that levies a property tax must also have a base year or adjusted base year homestead exemption in place (HB 581 or existing).
 - iii) If the county or any city that levies a property tax does not have an eligible homestead exemption in place, the county and all cities within are not eligible for the FLOST.

- c) If the eligibility criteria is met:
 - i) The county and city or cities representing at least 50% of the municipal population of cities levying a property tax must sign an intergovernmental agreement (IGA) for the levy of the tax. This IGA will set the rate (up to 1%), duration (up to 5 years), distribution of proceeds among the county and cities, and the ballot question to be used.
 - ii) The levy of the FLOST must be approved by the voters across the county in a referendum.
- d) The FLOST may then be levied for up to 5 years before needing to be renewed. Prior to the expiration of the tax a renewal requires: A local Act by the Georgia General Assembly approving the renewal for the jurisdiction, a subsequent IGA between the eligible county and cities, and a subsequent referendum for the voters to approve the renewal of the tax.

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