

This bill seems to be a very good one and especially meaningful for homestead property owners in areas where there is a lot of surrounding development. Supply and demand can make property values go up around your property, and based on surrounding property sales your property taxes can continue to go up even though you never sell. This can literally erode the value of your long-term investment because of what you have to pay out in taxes over the years to keep your property. HB 581 locks in the rate your property is taxed -at the rate of inflation, instead of surrounding property sales determining the amount you are taxed.

HB 581 can be a problem for the more rural areas that do not have as heavy a benefit from other forms of tax coming into their county, such as LOST, SPLOST, ESPLOST and TSPLOST. Areas that benefit heavily from these forms of sales tax are usually ones that have a combination of heavy traffic flow with great retail locations as well as dense populations that are placing online orders (the local portion of the sales tax goes back to the county that the online order originated from). For counties, that are very rural, it could make sense to opt out but for counties with a lot of development, development potential and sales tax revenue (in my opinion), there should be a strong consideration, given in letting HB 581 move forward to protect the investment of long-term homeowners.

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Local taxation authorities that can opt out of the floating homestead exemption include:

- 1. County Governing Authorities**
- 2. Municipal Governing Authorities (City Governments)**
- 3. Local School Districts**

Breakdown of Georgia HB 581

House Bill 581 (HB 581), enacted during Georgia's 2024 legislative session and effective January 1, 2025, introduces significant reforms to the state's property tax and local sales tax systems. The key provisions are as follows:

1. Statewide Floating Homestead Exemption

- **Purpose:** To limit the annual increase in assessed values of homesteaded properties to the rate of inflation, thereby providing homeowners with protection against sharp property tax hikes.
- **Mechanism:**
 - For properties with an existing homestead exemption, the assessed value cannot increase by more than the inflation rate of the previous year.
 - The exemption is unique to each property and adjusts annually based on factors such as inflation and assessed home value.
 - Substantial property changes, like significant renovations or expansions, can reset the base-year value, after which the new value benefits from the exemption.
 - Upon sale, the property's taxable value resets to fair market value for the new owner.
- **Opt-Out Provision:**
 - Local governing authorities, including school districts, can choose to opt out of this exemption.
 - To do so, they must:
 - Advertise and conduct three public hearings on their intent to opt out.
 - Adopt a resolution formalizing the decision.
 - This process must be completed between January 1 and March 1, 2025.

2. Property Tax Procedural Changes

- **Assessment Notices:**
 - The previous requirement to include an estimate of current tax based on the prior year's millage rates has been removed.
 - Assessment notices will now feature the current year's "estimated roll-back rate," established by the local government.
 - If the adopted millage rate exceeds this estimated roll-back rate, a disclaimer will be included on the tax bill, indicating the governing authority responsible for the increase.
- **Appraisal Frequency:**
 - Mandates that every parcel in the county be appraised at least once every three years to ensure assessments reflect current market values.
- **Appeals Process:**
 - The "three-year lock" on property values now applies only if the property's assessed value is reduced as a result of an appeal.

- Removes the provision that limited the fair market value to the sale price in the year following a sale, allowing for more accurate assessments.

3. New Local Option Sales Tax for Property Tax Relief

- **Introduction of FLOST:**

- Establishes a new local option sales tax, referred to as the Floating Homestead Local Option Sales Tax (FLOST), aimed at providing property tax relief.
- This tax can be levied in increments of 0.05%, up to a maximum of 1%.

- **Eligibility and Implementation:**

- To levy this tax, both the county and all cities within the county that impose a property tax must have a floating homestead exemption in place, either the statewide version or a local variant.
- The county and cities representing at least 50% of the municipal population must enter into an intergovernmental agreement (IGA) specifying the tax rate, duration (not exceeding five years), and distribution of proceeds.
- Upon voter approval in a local referendum, the tax proceeds are to be used exclusively for property tax relief, with property tax bills indicating the amount reduced due to this tax.

4. Revisions to Local Sales Tax Limitations

- **Local Sales Tax Cap:**

- Maintains the general local sales tax limit at 2% but introduces exceptions, allowing local governments to levy additional taxes beyond this cap in specific categories:
 - Education Special Purpose Local Option Sales Tax (ESPLOST)
 - Up to 1% for transportation-related sales taxes, including:
 - Regional TSPLOST
 - Single-County TSPLOST
 - Transit SPLOST
 - MARTA
 - An additional 1% for specialty purposes, such as:
 - The new FLOST for property tax relief
 - Other local option sales taxes like OLOST, CSPLOST, and MOST

These reforms aim to provide property tax relief to homeowners while granting local governments flexibility in managing revenue through sales taxes. Local authorities must carefully consider the implications of these changes, especially the decision to opt out of the floating homestead exemption, to balance taxpayer relief with the funding needs of essential services.

