

**Synopsis of the “GREAT Plan”
Monday, January 7, 2008**

HR900 (LC 6755S)

- HR900 proposes using revenues from the GREAT Plan (see enabling legislation) to provide a credit against education property taxes other than bonded indebtedness incurred prior to January 1, 2009, intangible taxes, tax allocation district taxes, or community improvement district taxes.
- At a minimum, HR900 provides that a homeowner will receive a homestead exemption (paid for by the state) up to \$18,000 of the assessed value of the taxpayer’s total property tax bill or a complete homestead exemption (paid for by the state) from all education property taxes, whichever is more.
- HR900 states that when sufficient revenues are available, all taxpayers will be relieved from all property taxes for education.
- HR900 also provides a motor vehicle tax exemption for vehicles used for personal use. It requires the General Assembly to reimburse local governments for the loss of the tax revenues.
- HR900 authorizes the General Assembly to provide a state income tax refundable credit for low-income families to offset the state sales tax on groceries.
- HR900 allows the General Assembly to amend local constitutional amendments that currently require a local board of education to use local option sales taxes to reduce millage rates. The General Assembly could only amend each local constitutional amendment one time.

Constitutional Amendment Proposed for Senate to Carry (LC 18 6754)

- This proposed constitutional amendment states that assessed values of homestead property will be frozen at 2007 assessed values.
 - If property is improved, the improvements will be appraised for property tax purposes at their fair market value and added to the 2007 valuation amount.
 - If homestead property is sold or transferred, the property will be appraised for property tax purposes at the fair market value, which will be the same as the acquisition cost.
 - Homestead values may increase up to 1 percent annually.
- The proposed constitutional amendment places a cap on annual property tax increases by cities, counties or schools.
 - The cap is the percentage change in the price index for gross output of state and local government from the previous year to the current year, and is defined by the National Income and Product Accounts, determined by the United States Bureau of Economic Analysis and indicated by the Price Index for Government Consumption Expenditures and General Government Gross Output.
 - Starting on January 1, 2009, local governments may not collect property tax revenues that are not attributable to new construction, sales or

improvements, that exceed the amount collected in the preceding tax year plus the cap rate.

- In order for a local government to collect property tax revenues in excess of this amount, the local government would need to adopt a resolution or ordinance doing so and hold a referendum in which the matter is approved by the voters.
- Such a referendum may only be held in the June election in odd-numbered years and in the general primary election in even-numbered years.

Enabling Legislation (LC 18 6764)

- The enabling legislation allows taxpayers to appeal assessments after receiving tax bills (in addition to the opportunities already permitted by law) if the assessed value exceeds 5 percent of the returned value. The tax bill must include notice of this opportunity to appeal.
- The legislation imposes an annual motor vehicle fee on every motor vehicle licensed and registered in Georgia. The fee is \$20.00 for motor vehicles for personal use. The enabling legislation does not state the fee for motor vehicles for non-personal use.
- The legislation repeals the state sales tax exemption on groceries.
- The legislation establishes the guidelines for providing a refundable tax credit to offset the state sales tax on groceries for Georgians with gross incomes of up to twice the federal poverty level.
 - The amount of food expense that is reimbursed is based on the I.R.S. National Standards chart for the current year.
 - The amount of credit will increase as a Georgian's gross income approaches 100% of the poverty level and decreases as the gross income exceeds 100% of the poverty level.
- The legislation states that certain services, *including but not limited to* the following lists are retail services and thus subject to the state sales tax:
 - Accounting, financial or tax preparation;
 - Architectural;
 - Banking;
 - Engineering;
 - Household;
 - Legal;
 - Membership Fees;
 - Moving, freight or storage;
 - Personal services;
 - Photography;
 - Real property improvement or maintenance;
 - Acquisition of real property;
 - Transportation and travel;
 - Vehicle; and
 - Veterinary.
- The sale of lottery tickets will be subject to the state sales tax.

- Taxable services to an individual will only be subject to state sales and use taxes up to \$10,000 per vendor per year.
- Services to a business will not be subject to the state sales tax. Nor will medical, child care or education services.
- If a cable or video provider pays franchise fees or makes other valuable cash or in kind contributions of services or property to any state or local government with an aggregate annual value of at least \$20.00 per Georgia subscriber, the provider will receive a credit against the state sales tax on its services.
- In tandem with HR900, the enabling legislation provides each taxpayer with the greater of:
 - a homestead exemption of up to \$18,000 of the assessed value of the taxpayer's homestead of the taxpayer's property tax liability on the homestead, whichever is lower, or
 - a complete homestead exemption from education property taxes.
- In order to receive reimbursement for this homestead exemption, each school district must tally the total amount of tax revenue which would be received from applying the school millage rate to the eligible assessed value of each homestead in the school district and report that amount to the Department of Revenue.
- In tandem with HR900, the enabling legislation provides each taxpayer with a motor vehicle tax exemption for personal vehicles.
- In order to receive reimbursement for the motor vehicle tax exemption, each city, county, and school must tally the amount of tax revenue that would be collected by applying the city, county or school millage rate to the assessed value of each motor vehicle in the city, county or school district and provide that information to the Department of Revenue.
- In tandem with the proposed constitutional amendment for the Senate to carry, the enabling legislation states that the assessed value of homestead property for state, county, municipal and school property tax purposes may not be changed from the 2007 values.
 - Additions or improvements to the property will be appraised for property tax purposes at their fair market value and that amount will be added to the 2007 value.
 - If homestead property is transferred to another person, its new value for tax purposes will be the acquisition cost.
 - The 2007 values may increase by up to 1 percent annually.