PROPERTY TAX 101

Property Tax

- Property tax is an ad valorem tax
- "according to value"
- Taxes are apportioned among taxpayers according to the value of their property
- Amount of tax bill is based on the fair market value of the property

All real and personal property... unless exempted by law... required to be returned or assessed for taxation at...

... the value which would be realized from the cash sale but not the forced sale of property or "fair market value of property" defined as "the amount a knowledgeable buyer would pay for the property and a willing seller would accept for the property in an arm's length, bona fide sale."
Recent legislation has redefined “fair market value” to include:

- Foreclosure sales
- New legislation clarifies that only transactions that are between unrelated or unaffiliated parties
- Financial institution owned sales
- Distressed sales (short sales)
- Sales at public auction

New Definitions of Fair Market Value

- "Real Property"
  - "Real Estate" – the physical parcel of land, improvements to the land, improvements attached to the land, real fixtures and appurtenances such as easements

- "Personal Property"
  - Tangible personal property includes business inventory, machinery and equipment, furniture and fixtures, appliances, boats, etc.
  - Excludes household goods

Real or Personal Property?

- "Real Property" – the physical parcel of land, improvements to the land, improvements attached to the land, real fixtures and appurtenances such as easements

- "Personal Property" – Tangible personal property includes business inventory, machinery and equipment, furniture and fixtures, airplanes, boats, etc.
  - Excludes household goods

Taxable Tangible Property Returned or Assessed at fair market value…

….subject to tax at assessed value…

Assessed Value = 40% of Fair Market Value

Exceptions:

- Harvested timber taxed at 100% of Fair Market Value
- Some jurisdictions Assessed Value > 40%
- Special Assessment Programs (Historic, Brownfields etc.) 40% of Special Assessment Value
- Current Use Assessments (Conservation Use, Forest Land, Residential Transitional, Environmentally Sensitive) 40% of current use value
- Preferential Agricultural – 75% of Assessed Value
Time for Filing Returns
January 1st - April 1st

Public utility companies and railroads return property directly to revenue department...

- Revenue Department proposes assessments
- Billed by local taxing authority

- Tax
  - Digest
  - Commissioner
  - Tax Assessors
  - County Governing Authority
  - Municipalities
  - Communication & Coordination
    - Discover & value all property in county
    - Issue annual assessment notices for all real property
    - Issue assessment notice for personal property if taxpayer’s return value changed
    - Include an estimate of tax bill based on current year’s proposed value and last year’s millage rate (or most applicable rate)
    - Appeals
Taxpayer may appeal Change of Assessment Notices…

...Board of Assessors reviews appeal...and if not resolved with taxpayer...

appeal sent to Board of Equalization, Hearing Officer or Arbitration (Taxpayer’s choice)

Value – According to.....

You

Potential Buyer

Your Lender

Your Appraiser
As seen by your tax assessor

Special Assessment Programs
• Rehabilitated Historic Property
• Landmark Historic Property
• Preferential Agricultural Property
• Conservation Use Property
• Environmentally Sensitive Property
• Brownfield Property
• Forest Land Conservation Use Property

After returns examined and assessments completed by Board of Assessors...

The Tax Digest is prepared from returns filed, building permits, warranty deeds and other information gathered by the appraisal staff and board of assessors
Compile Consolidation sheets and worksheets
Forward digest values to Board of Commissioners, School Board, Municipalities
Certify and Submit digest to DOR
Bill, Collect and Disburse Tax

What is the tax digest?

A listing of owners, assessments and exemptions
Owner/Mailing Address/Property Description and taxable values for:
Real and Personal Property
Timber
Mobile Homes
Motor Vehicles
Heavy Duty Equipment
Governing Authorities (including municipalities) & School Boards

- Establish annual budget
- Set Millage rate
- Advertise and Hold Public Hearings

Definitions

Millage rate -- a function of net assessed value and budget
Budget -- Revenue needed to fund operations
Net assessed value -- measure to which tax rate or millage is applied
Millage -- Rate that applied to net assessed value will fund budget

Determine Millage Rate

Mill = $1.00/1000 Value
Budget / Net Digest Value = Millage
MILLAGE RATE CALCULATION

<table>
<thead>
<tr>
<th>BUDGET</th>
<th>Non-property Tax Revenue</th>
<th>Revenue Deficit</th>
<th>Net Taxable Assessed Value</th>
<th>Millage Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>$10,150,950</td>
<td>$1,405,350</td>
<td>$8,745,600</td>
<td>$24,775,247</td>
<td>$0.0094 or 9.467 mills</td>
</tr>
</tbody>
</table>

Computing LOST Rollback

\[ \frac{1,405,350}{24,775,247} = 0.057 \] or 5.7 mills

\[ \frac{1,405,350}{24,775,247} = 1.52 \] mills
Completion of PT-38

<table>
<thead>
<tr>
<th>CITY DISTRICTS</th>
<th>DISTRICT NO</th>
<th>GROSS MILLAGE FOR MAINTENANCE &amp; OPERATION</th>
<th>LOSS MILLAGE FOR LOCAL OPTION SALES TAX</th>
<th>NET MILLAGE FOR MAINTENANCE &amp; OPERATION PURPOSES</th>
<th>ROLLBACK MILLAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>City</td>
<td>1</td>
<td>10.980</td>
<td>1.570</td>
<td>9.417</td>
<td>0</td>
</tr>
</tbody>
</table>

Calculation of Tax Bill for Commercial Building and Lot

Fair Market Value $1,462,200
Assessment Level (40%) $1,462,200 x 0.40 = $584,880
Assessed Value $584,880 x 9.457 mills = $5,519.93
Property Tax Bill

Calculation of Tax Bill with Homestead Exemption

Fair Market Value $200,000
40% Assessment $80,000
Homestead Exemption $2,000

City Tax Bill $80,000 – $2,000 = $78,000 x 9.457 mills = $737.63
Taxes collected are disbursed to various levying authorities on different schedules:

- **State**: Disbursed at least once a month but can be distributed more frequently.
- **County**: County taxes disbursed once a week if population greater than 30,000; once every two weeks if population less than 30,000.
- **School**: Disbursed once a month.
- **Motor vehicle & mobile home taxes**: Distributed to taxing authority imposing the tax on or before 15th day of month following month of collection.
- **Municipalities**: Contractual arrangement.

Homestead Exemptions:

Exempts portion of assessed value of **homestead** from ad valorem tax:

- Various Statewide Homestead Exemptions
- Various Local Homestead Exemptions

Legislature must authorize referendums...

Must be approved by voters:
- State Homestead Exemptions – statewide ballot
- Local Homestead Exemptions – local ballot
Definition:

Homestead… real property owned and in possession of applicant on January 1st of the tax year and upon which applicant resides as permanent place of residence.

Homestead Exemptions

- Taxpayer must make application
- Applications accepted year-round but deadline for current tax year is April 1

Property Exempt from Taxation

<table>
<thead>
<tr>
<th>Class Code</th>
<th>Class Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>E0</td>
<td>Non profit homes for the aged</td>
</tr>
<tr>
<td>E1</td>
<td>Public Property</td>
</tr>
<tr>
<td>E2</td>
<td>Places of religious worship</td>
</tr>
<tr>
<td>E3</td>
<td>Property used for charitable purposes</td>
</tr>
<tr>
<td>E4</td>
<td>Places of religious burial</td>
</tr>
<tr>
<td>E5</td>
<td>Charitable hospitals</td>
</tr>
<tr>
<td>E6</td>
<td>Educational Institutions</td>
</tr>
<tr>
<td>E7</td>
<td>Air and Water Pollution Equipment</td>
</tr>
<tr>
<td>E8</td>
<td>Farm Products in Hands of Producer</td>
</tr>
<tr>
<td>E9</td>
<td>Others</td>
</tr>
</tbody>
</table>

O.C.G.A. 48-5-41 & 48-5-41.1
Public Property Exemptions…

- Personal clothing and effects, furnishings, equipment and other property used within home and not used commercially or held for sale or rental. OCGA 48-5-42
- Personal property owned by taxpayer in the county, except for motor vehicles, mobile homes and trailers, if value of such property does not exceed $7,500. OCGA 48-5-42.1
- Tools and implements of trade of manual laborers in an amount not to exceed $2,500. OCGA 48-5-42
- Domestic animals not to exceed $300 in value. OCGA 48-5-42
- Farm tractors and equipment owned by family farmers. OCGA 48-5-41.1
- Freeport exemptions. OCGA 48-5-42.2
- Various motor vehicle exemptions OCGA 48-5-470 – 48-5-478.4

PUBLIC NOTICES

- Publish in a newspaper of general publication a 5-year History which includes the following:
  - Assessed value of all property
  - Millage rate proposed for current year and rate levied for previous years
  - Total tax for current & previous years
  - $ amount of increase/decrease & % of increase/decrease
  - When & where the meeting will be held to adopt the millage rate (date, time & place)
- Also publish on website

NOTICE

The Taylor County Board of Commissioners then hereby announce that the millage rate will be set at the meeting to be held in the main courthouse August 26, 2015 at 5:30 PM and pursuant to the requirements of O.C.G.A. 48-5-403, notice is hereby given that the Board of Commissioners may at any time increase or decrease the amount of the rate by 10% or less of the then existing rate for the five years.
“Taxpayer Bill of Rights” was passed in 1999 to prevent a “Back Door” tax increase.

Changes in real property values on the digest are due to one of the following factors:

- Values increased due to adding new construction, new parcels, etc. (growth)
- Values are increased due to inflation (Revaluations)
- Properties experiencing inflationary increases or reassessment do not require additional services but if the millage rate isn’t decreased to offset this growth the result is a “Back Door” tax increase.

Millage Rate Rollback

- Issue press release announcing a tax increase
- Advertise and hold 3 public hearings
  - One may coincide with budget hearing
  - One may coincide with meeting to set final millage rate that was advertised in the 5-Year history advertisement; and
  - One must start between 6 PM and 7 PM
  - 2 must be held at least 5 business days apart
  - If 2 are held on one day the 1st must be before noon and second held between 6 PM and 7 PM.
Format for Notice of Tax Increase

NOTICE OF PROPERTY TAX INCREASE

The TAYLOR COUNTY BOARD OF COMMISSIONERS has tentatively increased the millage rate which will require an increase in property taxes by 2.2% percent rollback rate.

All concerned citizens are invited to the public hearings on this tax increase at the Taylor County Board of Commissioners Administration Building, Tifton, Georgia on the following dates:

June 6, 2023 at 10:00 am
June 15, 2023 at 6:00 pm

This tentative increase will result in a millage rate of 44.8 mills, an increase of approximately 2.2% mills. The proposed tax increase for a home with a fair market value of $100,000 is approximately $220.00 and the proposed tax increase for non-homestead with a fair market value of $250,000 is approximately $550.00.

Advertisement Requirements

- Each ad must contain the statutory language
- Advertisement must be **30 square inches**
- Published in the "legal" section of newspaper
- Each public hearing must be advertised one week in advance
- Ads may be combined when 2 hearings are scheduled on the same day
- Ad must contain language estimating taxes
  - For average home value
  - Average value of non-homestead property

Time Line

- Publish Ad for 1st & 2nd Hearing & 5 Yr History
- Publish Ad for 2nd Hearing & 5 Yr History
- Host 2nd Hearing & Set Millage Rate
Each levying authority and each recommending authority shall cause a report to be published in a newspaper of general circulation throughout the county and posted on such authority's website, if available:

- At least two weeks one week prior to the certification of any recommending authority to the levying authority of such recommending authority's recommended school tax for the support and maintenance of education pursuant to Article VIII, Section VI, Paragraph I of the Constitution; and
- At least two weeks one week prior to the establishment by each levying authority of the millage rates for ad valorem taxes for educational purposes and ad valorem taxes for purposes other than educational purposes for the current calendar year.

Such reports shall be in a prominent location in such newspaper and shall not be included with legal advertisements, and such reports shall be posted in a prominent location on such authority's website, if available. The size and location of the advertisements shall not be grounds for contesting the validity of the levy."

Recent Changes

TITLE VALOREM TAX

- For motor vehicles (titled vehicle which is self-propelled) purchased after March 1, 2013
  - Pay title ad valorem tax on the fair market value of the vehicle
  - Exempt from sales tax
  - Exempt from ad valorem tax (birthday tax)
Revenue

- Continue to receive ad valorem tax on vehicles that have not transferred to a new owner
- Receive the title ad valorem tax from new owners
  - Dealer sales
  - Casual sales

Comparison

<table>
<thead>
<tr>
<th>TAX</th>
<th>Ad Valorem System</th>
</tr>
</thead>
<tbody>
<tr>
<td>$35,000 sale price for new vehicle</td>
<td>20,000 * 7.0% sales tax = $1,400</td>
</tr>
<tr>
<td>$15,000 trade in</td>
<td>Ad valorem based on 25 mills = $350</td>
</tr>
<tr>
<td>$20,000 taxable value</td>
<td>Year 1 taxpayer pays $1,750</td>
</tr>
<tr>
<td>Title ad valorem tax due = $1,400.00 (7% tax rate)</td>
<td>New system saves this taxpayer $350 in first year</td>
</tr>
</tbody>
</table>

And the amount of ad valorem tax for every year he owns the vehicle.

How do you make up for the lost revenue from decreasing ad valorem taxes on motor vehicles?

- Revenue loss will be made up by collecting the title ad valorem tax from casual sales
  - Sales tax was not collected on these sales
How local money is distributed

- 1/3 – County school system/Municipal school systems
- 1/3 county and city governments
  - Lost % or
  - Population
- 1/3 county & city governments
  - SPLOST Agreements
  - No SPLOST then based on population

Contact Information

Georgia Department of Revenue
Local Government Services Division
Ellen Mills, Director
Ellen.Mills@dor.ga.gov
Don Hicks
Don.Hicks@dor.ga.gov
Vicki Lambert
v_lambert@bellsouth.net