3921 CHURCH STREET ♦ CLARKSTON, GEORGIA 30021
(404) 296-6489 ♦WWW.CLARKSTONGA.GOV

Mayor Beverly H. Burks

Councilmembers:
Debra Johnson – Vice Mayor *Jamie Carroll*
Sharifa Adde *Susan Hood*
Yterenickia Bell *Mark Perkins*

Tammi Saddler Jones, Interim City Manager

SPECIAL CALLED CITY COUNCIL MEETING AGENDA

Tuesday, February 11, 2025 - 6:00PM
IN-PERSON/ HYBRID

1. **CALL TO ORDER**

2. **ROLL CALL**

3. **NEW BUSINESS**
   - **A.** Public hearing to receive comments on potentially opting out of the Homestead Exemption pursuant to O.C.G.A. § 48-5-44.2(i).
   - **B.** To consider approving a resolution to opt out of the Homestead Exemption pursuant to O.C.G.A. § 48-5-44.2(i).

4. **ADJOURNMENT**

PUBLIC PARTICIPATION BY VIDEO CONFERENCE
The City of Clarkston, Georgia will conduct the City Council Meeting at 6:00 p.m. on Tuesday, February 11, 2025. The public may participate in the meeting in-person or by using the following information below:

Register in advance for this webinar:

https://us02web.zoom.us/webinar/register/WN_Ob0GJaPaRneCj6TGK6GZKg

After registering, you will receive a confirmation email containing information about joining the webinar.

RESOLUTION NO. _____

RESOLUTION BY THE CITY OF CLARKSTON TO OPT OUT OF THE HOMESTEAD EXEMPTION PURSUANT TO O.C.G.A. § 48-5-44.2

WHEREAS, Georgia Code O.C.G.A. § 48-5-44.2, effective January 1, 2025, creates a statewide homestead exemption from ad valorem taxes levied by, for, or on behalf of the state or any county, consolidated government, municipality, or local school district in this state; and

WHEREAS, more specifically, O.C.G.A. § 48-5-44.2(i) authorizes the governing authority of any county, consolidated government, municipality, or school district to opt out of the homestead exemption otherwise granted with respect to such political subdivision through certain procedures and the adoption of a resolution by March 1, 2025; and

WHEREAS, the City of Clarkston desires to opt out of the homestead exemption otherwise granted; and

WHEREAS, the City of Clarkston has complied with the required procedures pursuant to O.C.G.A. § 48-5-44.2(i), including but not limited to, holding at least three public meetings on the intent to opt out and placing the required advertisement in a newspaper of general circulation and on its website as required.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Clarkston hereby **opts out** of the homestead exemption otherwise granted by O.C.G.A. § 48-5-44.2.

BE IT FURTHER RESOLVED, that this Resolution shall become effective upon its approval by the City Council of the City of Clarkston.

BE IT FURTHER RESOLVED, that the Clarkston City Clerk is hereby directed to provide a certified copy of this Resolution to the Georgia Secretary of State no later than March 1, 2025.

PASSED AND RESOLVED this ___________day of ______________________, 2025.

CLARKSTON CITY COUNCIL

____
BEVERLY H. BURKS, Mayor

ATTEST:

____
Tomika Mitchell, City Clerk

Approved as to form:

Stephen Quinn
Stephen Quinn, City Attorney

House Bill 581 (2024): Summary and Guidance

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 extremely significant changes impacting local government revenue. Cities must understand these changes and be prepared to make critical decisions in the coming months that will have lasting impacts. This document provides an overview of the key provisions of bill and considerations local governments must have in mind, before providing an executive summary of all provisions of HB 581.

November 2024 Ballot Question and Effective Date

The constitutional amendment (proposed by HR 1022) that allows for the implementation of HB 581 was approved in a statewide referendum by voters on November 5, 2024. This constitutional amendment provides the authority for the statewide floating homestead exemption provided for in HB 581. Because the constitutional amendment was approved, **all of HB 581 will become effective January 1, 2025**.

Statewide Floating Homestead Exemption

HB 581 provides significant changes to local property tax by implementing a statewide floating homestead exemption (also referred to as a base year or adjusted base year homestead exemption). While technically this operates as a homestead exemption, it effectively limits annual increases in the assessed value of homestead property to an annual rate of inflation. This limitation would apply to properties that qualify for a homestead exemption and would apply for city, county, and school board property taxes. As long as the same homeowner lives in the property, the annual increase in assessed value is limited, but the value is reset to fair market price when the home is sold.

This new exemption will apply to local government property taxes unless each specific local government "opts out" of the exemption. A local government choosing to opt out must do so by March 1, 2025, and must follow the specific procedure in HB 581. This will be the only opportunity to opt out of the exemption.

New Local Option Sales Tax

Also included in HB 581 is the creation of a new local option sales tax that may be levied countywide and shared among the county and cities for the purpose of property tax relief. This new local option sales tax is available only if the county and all cities within the county have in place a freeze or a floating homestead exemption (this can either be the statewide exemption in HB 581 or a similar exemption already in place or subsequently approved). The revenue from the sales tax will be split among only the county and cities based upon an intergovernmental agreement. Voters within the county must approve the sales tax through a separate referendum prior to the sales tax being levied, and this sales tax must be reauthorized every five years by local act of the legislature and subsequent referendum.

More information, including an FAQ document and a recording of a webinar hosted by GMA and ACCG on October 16, 2024, are available on the GMA website:
https://www.gacities.com/Resources/Reference-Articles/HB-581-Frequently-Asked-Questions.aspx

House Bill 581 Executive Summary

1) Property Tax Procedural Changes
   - Change to the Assessment Notice
     - Removes estimate of current tax based on last year's millage rates.
     - Instead, assessment notice will include the current year's "estimated roll-back rate" established by local government
     - Disclaimer is required on property tax bill if roll-back rate is exceeded
   - Codifies requirement that parcels are appraised at least every three years
   - Provides "three-year lock" only if property value is reduced on appeal
   - Removes provision limiting fair market value to sale price the year after the sale

2) Statewide Floating Homestead Exemption
   - Establishes a statewide "floating homestead" exemption based on a rate of inflation determined by DOR
     - Applies to taxable years beginning in 2025
     - Exemption allows assessment on homesteaded properties to only rise annually at the rate of inflation
     - Property value resets with a sale or adjusts with "substantial property change"
     - This exemption will be in addition to other homestead exemptions, except other base year value exemptions (freezes or floats). In that case, the taxpayer will receive the exemption that is more beneficial
   - Any local government wishing not to participate must affirmatively "opt out"
     - Local governments have until March 1, 2025, to opt-out
     - To opt-out, local government must pass a resolution after: holding three public hearings and run required advertisements one week prior to each meeting

3) New Local Option Sales Tax and Local Sales Tax Limit Revisions
   - Revised limitation on local sales tax
     - Keeps local sales tax limit at 2% (6% including state portion) but allows 3 "buckets" of exceptions, allowing local government 1 percent from each "bucket"
       - ESPLOST penny
       - A transportation penny (Regional TSPLOST, Single County TSPLOST, Transit SPLOST, or MARTA)
       - One additional from OLOST, CSPLOST, MOST, or the new FLOST
   - Creates a new local option sales tax for counties and cities. This has been referred to as the FLOST
     - Up to 1 percent sales and use tax for "property tax relief"
     - Split between the county and cites "that levy an ad valorem tax on property"
     - County and all cities must have "in effect a base year value or adjusted base year value homestead exemption"
     - Distributed between county and cities based on the IGA with proceeds used "exclusively for tax relief" similar to LOST
     - Tax may be levied up to five years but may then be renewed. For renewal, local act by the general assembly will be required in addition to the IGA and referendum

More information, including an FAQ document and a recording of a webinar hosted by GMA and ACCG on October 16, 2024, are available on the GMA website:
https://www.gacities.com/Resources/Reference-Articles/HB-581-Frequently-Asked-Questions.aspx

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

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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)

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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)

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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.

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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.

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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.

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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 <u>non-floating</u> 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.

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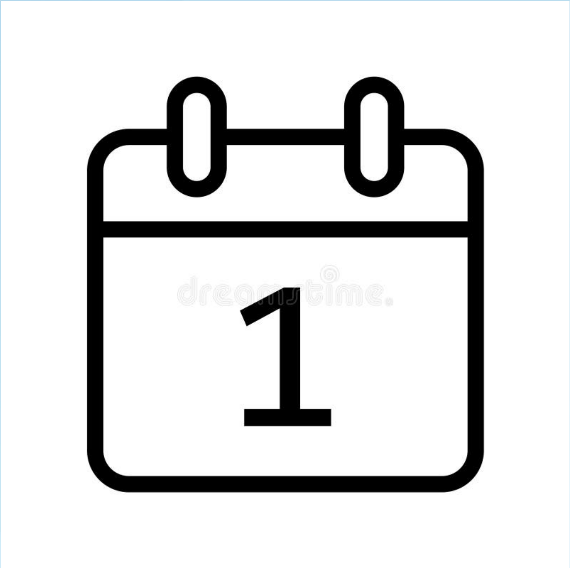
How Can a Local Government "Opt Out" of the Homestead Exemption?

- 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, <u>opt out is not effective.</u>

How Can a Local Government "Opt Out" of the Homestead Exemption?

- This process <u>may not</u> 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.



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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.

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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

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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.

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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 <u>does not</u> 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.

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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 <u>cities not on the IGA</u> 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.

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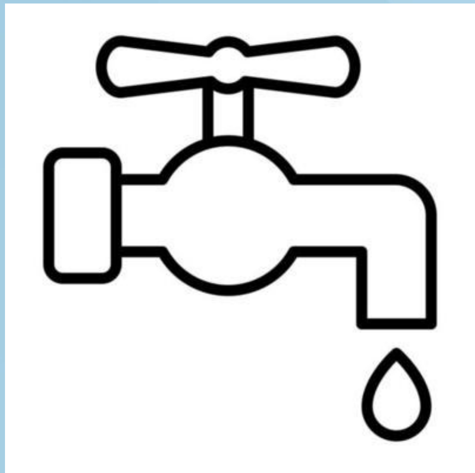
How are MOST Cities Treated?



- 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!

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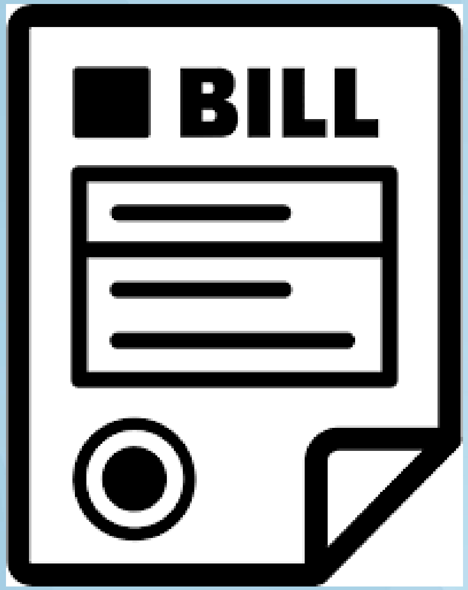
How are Funds From the New Sales Tax Used?

- 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 <u>does not</u> 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.

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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]

Advancing Georgia's Counties.

Contact Us

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