**Property Taxes**

**Annexation Committee**

**Druid Hills Civic Association**

**August 6, 2017**

1. **Introduction**

Some of the impetus for the recent upward trend in cityhood and annexation initiatives comes from the varying taxation rates imposed by different jurisdictions within DeKalb County. Although an area does not leave the county either by annexation or incorporation into a new city, the distribution of taxes between the municipality and the county can vary, depending on which services the municipality chooses to provide, and how efficient they are at doing so. This paper seeks to describe the situation in the City of Atlanta versus unincorporated DeKalb County.

1. **Current Situation**

Tax bills are determined by three variables:
2. The fair market value of the home as determined by the tax assessor
3. The millage rates approved by the County Commission, Board of Education and City Council
4. Any applicable tax exemptions or tax credits

Fair Market Value

Market values of homes in Druid Hills are among the strongest in DeKalb County, and are strongly linked to school attendance zoning. Whether a property is contained within a municipality within DeKalb County, or is in an unincorporated area, property appraisals are now and will continue to be conducted by the County Property Appraisal Department. In the City of Atlanta, and in unincorporated DeKalb County, the basic taxable assessment is 40% of the fair market (appraised) value.

Some residents fear that annexation into Atlanta could lower some property values on the real estate market if the neighborhood were to move into the Atlanta Public School (APS) system, especially if the city were to assume management of Druid Hills High School. Others feel an increase is possible, and point to the example of the University Drive annexed area, which recently moved into the attendance zone of Springdale Park Elementary School. However, the city of Atlanta has declared that they will not be changing the boundaries of APS in response to the annexation of Emory University, the Centers for Disease Control and Prevention, the Children’s Health Care of Atlanta, and other associated properties. From these two examples, it appears that flexibility exists to address the issue of school attendance at the time of annexation.

Millage Rates

The millage rate for the City of Atlanta general operating expenses has declined from 10.24 mils in fiscal year (FY)13 to 8.88 mils in FY17. The total millage for city expenses is 10.86 mils, after adding in bond debt (1.48 mils) and Atlanta parks (0.5 mils). Atlanta Public Schools millage rate is 20.75 mils, and the Fulton County rate is 10.48 mils.i

For Tax Year 2017, unincorporated DeKalb County applies the 2016 millage rates. The County assesses 8.76 mils for general operations. The total millage rate, including bonds, hospitals, fire, and police, in unincorporated DeKalb is 20.81 mills. The school millage for DeKalb County Public Schools is 23.38 mils. This brings the total millage rate to 44.19 milsii .

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| **Millage Rate**  | **Uninc. DeKalb County**  | **City of Atlanta**  |
| General Operating Expenses  | 8.76  | 8.88  |
| Bond Debt  | 0.49  | 1.48  |
| Parks  | --  | 0.50  |
| Police  | 5.95  | --  |
| Fire  | 2.57  | --  |
| School Operations  | 23.38  | 20.75  |
| Other County Operations  | 3.04  | (Fulton County) 10.48  |
|   |   |   |
| Total  | 44.19  | 42.09  |

In addition, DeKalb County assesses fees for sanitation, storm water management, and street lights, which are not subject to the exemptions discussed in the next section. These fees amount to an additional $48 per year for storm wateriii, $265 per year for sanitationiv, and $36.12 per year for street lighting.v

Everyone in DeKalb County, regardless of where they live, pays taxes for the criminal justice system, public health, property records, voter registration, libraries and tax collection.

Exemptions and Credits

**Atlanta** provides separate “homestead” exemptions for four broad categories of taxes - general operations, libraries, and parks; city bonds; school operations, and school bonds. A “homestead exemption” is an exemption you may claim against the taxable value of your home as long as you own and occupy that home as your primary residence.  The basic exemption is $30,000 for general operations, libraries, and parks; and for school operations. For senior citizens, there are three types of exemptions which rise with age, but which are subject to very low income restrictions. See the table below:

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| **Homestead Description**  | **Income Requirements**  | **Library, Parks, City General**  | **City Bond**  | **School Operations**  | **School Bond**  |
| Basic - A1  | N/A  | 30,000  | 0  | 30,000  | 0  |
| Basic + School Bond – A3, 62  | Georgia net <10,000              | 30,000  | 0  | 30,000  | 10,000  |
| Senior + School Bond – A4F, 65  | Georgia net <40,000  | 40,000  | 0  | 30,000  | 10,000  |
| Senior + Special School – A6F, 65  | Georgia net <25,000  | 40,000  | 0  | 55,000  | 25,000  |

**DeKalb County** provides several categories of tax exemptions and a tax credit [the Homestead Option Sales Tax (HOST) credit].vi

* The basic homestead exemption applies to all county taxes except bonds and the added fees for storm water, etc. A resident must apply to receive the homestead exemption – it is not automatic. The basic exemption is $10,000 for general County taxes and $12,500 for school operations.vii These exemptions increase for senior citizens, per the table below. For Exemption Codes H3, H4, and H6, Georgia Net Income is calculated by a formula provided by the Georgia Department of Revenue, and it excludes up to $31,956 for an individual or $63,912 for joint applicants in Social Security and retirement benefits.viii

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| **Exemption Code and Type**  | **County General**  | **County Bond**  | **School General**  | **GA Net Income Limit**  | **Federal Adj. Gross Income Limit**  |
| H1 – Basic  | 10,000  | 0  | 12,500  | N/A  | N/A  |
| H3 – Senior 62  | 10,000  | 0  | All  | 10,000  | N/A  |
| H4 – Senior 65  | 10,000  | 14,000  | All  | 10,000  | N/A  |
| H6 – Senior 65  | 14,000  | 14,000  | 16,500  | 15,000  | N/A  |
| H8 – Senior 65  | 14,000  | 14,000  | 22,500  | N/A  | 16,000  |
| H9 – Senior 70  | 10,000  | 0  | All  | N/A  | 84,115  |

* Residents in DeKalb County who receive the benefit of homestead exemption may also apply for a property assessment freeze to help offset future increases in property value. This freeze does not affect school, city or state taxes. For example, a Druid Hills property that has an assessed value of $124,000 receives a benefit equivalent to a $40,000 reduction in the taxable assessment.ix
* A disabled veteran, un-remarried spouse of a disabled veteran or un-remarried spouse of a veteran killed in action, may qualify for a Disabled Veteran/Spousal exemption which provides additional savings on their property tax bill.
* The County provides an exemption for the un-remarried surviving spouse of a peace officer or firefighter who was killed in the line of duty, for all ad valorem property taxes. This will not affect any special assessments assigned to the property (sanitation, stormwater, or streetlights, etc.).
* Someone who is 100 percent totally and permanently disabled and who meets certain income requirements may qualify for the Disabled Exemption.
* The Homestead Option Sales Tax (HOST) is a 1% sales and use tax assessed on all goods sold throughout DeKalb County. HOST generates approximately $100 million each year ($107.7 million in 2015).x The law, written specifically for DeKalb County in the 1980s, requires that at least 80% of the revenue collected be used to reduce County property taxes on homesteads. There are no limits on the HOST tax credit for an owner of a homestead property; as a result, high-value homestead property owners are favorably treated compared to commercial properties, apartment properties, or lower-valued homestead properties. In 2015, the HOST credit forgave $86 million in County property taxes.

The remainder is used by the County for capital improvements, and distributed to cities within DeKalb County as so-called “equalization” payments. These payments are made because HOST only subsidizes County millage rates, resulting in a disproportionate amount of tax credits accruing to residents of unincorporated DeKalb County. In 2015, equalization payments to cities totaled about $16.8 million. HOST has not proven to be an adequate source of revenue for capital improvements, providing only $4.9 million in 2015.
1. **Changed Conditions**

DeKalb is vastly underfunded for road resurfacing, sidewalk construction, intersection improvements, and maintaining parks and libraries. Thus HB 215 was passed by the Georgia General Assembly in 2016 to reform HOST. It authorized a referendum for voters regarding creating a Special Purpose Local Option Sales Tax (SPLOST) to provide funding for transportation (other than MARTA) road resurfacing, sidewalks, trails, intersections, and public safetyxi.

Along with the SPLOST, voters will decide whether to change the HOST formula (Equalized HOST, or E-HOST) so that 100% of the revenue from HOST would go to subsidizing County and city property taxes on homesteads.xii  This referendum was scheduled for November of 2016, but due to a technicality in the law, the referendum had to be reset for 2017.xiii The deadline for holding the referendum is September 26, 2017.

1. **Effects of the Change(s)**

Adoption ofE-HOST would increase the tax relief that HOST provides to unincorporated residents as well as those that live in cities. E-Host would take funding that currently is allocated to direct payments to municipalities and capital improvement projects in DeKalb County and redirect it to property tax subsidies for homeowners. Additionally, the law would provide for an expansion of the taxes which can be subsidized using HOST proceeds to include city taxes.xiv

The SPLOST funding would provide a larger and more stable source of funding for capital improvements in DeKalb County. Exactly how much has not yet been calculated and will require help from the Tax Commissioner and others.

1. **Alternatives**

Adoption of the E-HOST and SPLOST is the most significant alternative option available to residents of unincorporated DeKalb County. Voters will soon have a chance to accept or reject this change.

Some residents concerned about annexation by Atlanta have suggested requesting the city to adopt a senior exemption similar to the one provided by DeKalb County. This alternative would require legislation from the General Assembly.
2. **Conclusion**

Annexation will likely change the tax payments for many residents in unincorporated DeKalb County. However, the reasons for these differences are not because city residents will pay a city tax on top of what unincorporated residents pay, nor due to the variation in millage rates. Instead, much of the difference is directly related to the HOST credit which is unique to DeKalb County – and may change. For seniors age 70 and above, annexation into Atlanta would result in the loss of a significant tax break.

It is possible to go into a city and pay less total property tax than previously paid in unincorporated DeKalb – this is what happened in Dunwoody and Brookhaven. Also, Atlanta’s tax treatment of senior citizens may be more beneficial for some residents with low to moderate incomes.