The Millage Rate Process
Georgia Clerks Education Institute
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Learning Objectives

At the end of this session, you will be able to

• Calculate a property tax bill
• Discuss three different views of property taxes
• Recall the components of the Tax Digest and how it is developed each year
• Obtain information from a Consolidation Report

Continued on next slide
Learning Objectives

At the end of this session, you will be able to

• Improve your government’s estimate of property tax revenue
• Calculate required Rollbacks, Reductions and Other Provisions
• Review other sources of information related to property taxes in Georgia
• Explain how property tax revenue impacts cash flow

Continued on next slide

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Learning Objectives

At the end of this session, you will be able to

• Review various property tax forms used in Georgia
• Recall the public notice and meeting requirements related to property taxes in Georgia
• Discuss presentation tips for presenting property tax Information in public meetings
Overview

• Property Tax Math 101
• Building the Property Tax Digest
• The Consolidation Report
• Rollbacks, Reductions, and Other Provisions
• Finding More Information about Property Taxes

Continued on next slide

Overview

• Property Tax Forms
• Meeting the Property Tax Requirements-Are We Legal?
• A Recent Change in Penalty and Interest Charges for Delinquent Property Taxes
• Estimating Property Tax Revenue-Tricks and Traps
• Presenting Property Tax Information in Public Meetings
Notes about Class Materials

- Appendices are included with the class materials to provide examples of calculations and forms used in the Property Tax process. Appendices will be reviewed during the class.
- Supplemental materials are also provided as background materials for in-depth review if needed after the class session. Supplemental materials will not be included in the exam at the end of class.

Importance of Property Taxes

- For Georgia Counties:
  - 44% of General Revenue
  - $367 per capita
  - $3.4 billion collected in 2013
- For Georgia Cities:
  - 27% of General Revenue
  - $287 per capita
  - $1.0 billion collected in 2013

Source: 2014 DCA Fiscal Planning Guide
Key Terms for Property Taxes

**Millage Rate** - A tax rate that when multiplied against the assessed value of taxable property calculates the amount of property tax to be paid. It is a “numerical multiplier”.

The Millage Rate is usually stated as “dollars per thousand”. For example, a millage rate of 5 mills is $5.00 per thousand of assessed value. When doing calculations, the millage rate is stated as .005.

The Millage Rate is established by the “levying authority” each year.
Key Terms for Property Taxes

**Market Value/Assessed Value** - Market value is the current estimated amount that property can be bought or sold. Assessed value is 40% of market value and is used as the basis for calculating the property tax levy (bill) in Georgia.

**Example:** If the market value of a parcel of real property is $150,000; then its corresponding assessed value is $60,000.

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Property Tax Calculations

Let’s look at the calculation of property tax for a single parcel of Real Property.....

<table>
<thead>
<tr>
<th>Market Value</th>
<th>$150,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assessed Value</td>
<td>$60,000 or 40% of Market Value</td>
</tr>
<tr>
<td>Millage Rate</td>
<td>0.008 or 8 mills</td>
</tr>
<tr>
<td>Annual Property Tax Levy</td>
<td>$480 Tax Amount</td>
</tr>
</tbody>
</table>
Class Exercise 1

- The market value of property for the average homeowner in Vinson County is $120,000. The current millage rate for Vinson County is 6.50 mills.
- How much does the average homeowner currently pay for property taxes each year?
- The Vinson County Commission is considering increasing the millage rate from 6.50 mills to 7.00 mills to provide added funds for road maintenance. What will the impact of this increase be for the average homeowner in Vinson County?

Three Different Views of Property Taxes

Providing the Right Information, to the Right Audience, at the Right Time is one of the Biggest Challenges to working with the Property Tax

Let’s look at three different views of Property Taxes for Georgia Local Governments
Three Different Views of Property Taxes

- **Total Digest** (“Macro” View)- Looks at the Property Taxpayers as a Group
- The **Average Homeowner/Taxpayer** (“Micro” View)- Looks at the individual property taxpayer
- The **Budget View**- Looks at the Impact of Property Taxes in the financial plan for the upcoming year

Concept of Equivalent Units

- These are short cuts or building blocks that help decision makers to understand the impact of adding to and subtracting to the current millage rate.
  - The revenue from a one mill increase or decrease in the upcoming budget
  - The impact of a one mill increase or decrease on the Average Homeowner/Taxpayer
### Property Tax Math 101: The Total Digest View

<table>
<thead>
<tr>
<th></th>
<th>Fair Market Value (FMV)</th>
<th>Assessed Value (AV)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Property</td>
<td>$3,750,000,000</td>
<td>$1,500,000,000</td>
</tr>
<tr>
<td>Less Exempt Property</td>
<td>($500,000,000)</td>
<td>($200,000,000)</td>
</tr>
<tr>
<td>Taxable Property</td>
<td>$3,250,000,000</td>
<td>$1,300,000,000</td>
</tr>
<tr>
<td>Less Exemptions</td>
<td>($250,000,000)</td>
<td>($100,000,000)</td>
</tr>
<tr>
<td>Net Taxable Property</td>
<td>$3,000,000,000</td>
<td>$1,200,000,000</td>
</tr>
</tbody>
</table>

**Millage Rate:** 0.0085 or 8.50 mills

**Tax Levy:** $10,200,000

**Net Property Tax Collections:** $9,690,000

**Equivalent Units:**
- 1 Mill ($1 per thousand) = $1,140,000
- 0.50 of a Mill ($0.50 per thousand) = $570,000
- 0.1 of a Mill ($0.10 per thousand) = $114,000

### Property Tax Math 101: The Average Homeowner/Taxpayer View

<table>
<thead>
<tr>
<th></th>
<th>Fair Market Value (FMV)</th>
<th>Assessed Value (AV)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Property Value</td>
<td>$150,000</td>
<td>$60,000</td>
</tr>
<tr>
<td>Less Exemptions</td>
<td>($25,000)</td>
<td>($10,000)</td>
</tr>
<tr>
<td>Taxable Value</td>
<td>$125,000</td>
<td>$50,000</td>
</tr>
</tbody>
</table>

**Millage Rate:** 0.0085 or 8.50 mills

**Tax Levy:** $425.00

**Equivalent Units:**
- 1 Mill ($1 per thousand) = $50.00 Taxable Value/1000
- 0.50 of a Mill ($0.50 per thousand) = $25.00
- 0.1 of a Mill ($0.10 per thousand) = $5.00
Property Tax Math 101-The Budget View
(A Balanced Budget)

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Year Property Tax Revenue</td>
<td>$9,690,000</td>
</tr>
<tr>
<td>Total Revenue not Including Property Taxes</td>
<td>$9,810,000</td>
</tr>
<tr>
<td>Use of Fund Balance</td>
<td>$500,000</td>
</tr>
<tr>
<td>Total Sources</td>
<td>$20,000,000</td>
</tr>
<tr>
<td>Total Operating Budget</td>
<td>$19,000,000</td>
</tr>
<tr>
<td>Total Capital Budget</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Total Uses</td>
<td>$20,000,000</td>
</tr>
<tr>
<td>Difference</td>
<td>$0</td>
</tr>
</tbody>
</table>

Property Tax Math in Action

Situation: The Chief Tax Appraiser reports that the assessed value (AV) of property in the County will decline by $25,000,000.

1. How much will property tax revenue decline?

   Using the Total Digest View the answer is $201,875.
### Property Tax Math 101 - The Total Digest View

<table>
<thead>
<tr>
<th></th>
<th>Before Decline</th>
<th>Impact of $25M Decline</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair Market Value (FMV) 100%</td>
<td>$3,750,000,000</td>
<td>$1,500,000,000</td>
<td>($25,000,000)</td>
</tr>
<tr>
<td>Assessed Value (AV) 40%</td>
<td>$1,500,000,000</td>
<td>$1,475,000,000</td>
<td>($25,000,000)</td>
</tr>
<tr>
<td>Less Exempt Property</td>
<td>($500,000,000)</td>
<td>($200,000,000)</td>
<td>($25,000,000)</td>
</tr>
<tr>
<td>Taxable Property</td>
<td>$3,250,000,000</td>
<td>$1,300,000,000</td>
<td>($25,000,000)</td>
</tr>
<tr>
<td>Taxable Property</td>
<td>$1,275,000,000</td>
<td>($25,000,000)</td>
<td>($25,000,000)</td>
</tr>
<tr>
<td>Net Taxable Property</td>
<td>$3,000,000,000</td>
<td>$1,200,000,000</td>
<td>($25,000,000)</td>
</tr>
<tr>
<td>Millage Rate</td>
<td>-</td>
<td>0.0085</td>
<td>0.0085</td>
</tr>
<tr>
<td>Tax Levy</td>
<td>-</td>
<td>$10,200,000</td>
<td>$9,987,500</td>
</tr>
<tr>
<td>Property Tax Collection Rate</td>
<td>-</td>
<td>0.95</td>
<td>0.95</td>
</tr>
<tr>
<td>Net Property Tax Collections</td>
<td>-</td>
<td>$9,690,000</td>
<td>$9,488,125</td>
</tr>
</tbody>
</table>

**Equivalent Units:**
- 1 Mill ($1 per thousand) | $1,140,000 | $1,116,250 | ($23,750) |
- 0.50 of a Mill ($0.50 per thousand) | $570,000 | $558,125 | ($11,875) |
- 0.1 of a Mill ($0.10 per thousand) | $114,000 | $111,625 | ($2,375) |

### Property Tax Math 101 - The Budget View

(A Balanced Budget) | Before Decline | After Decline | Difference |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Year Property Tax Revenue</td>
<td>$9,690,000</td>
<td>$9,488,125</td>
<td>($201,875)</td>
</tr>
<tr>
<td>Total Revenue not Including Property Taxes</td>
<td>$9,810,000</td>
<td>$9,810,000</td>
<td>$0</td>
</tr>
<tr>
<td>Use of Fund Balance</td>
<td>$500,000</td>
<td>$500,000</td>
<td>$0</td>
</tr>
<tr>
<td>Total Sources</td>
<td>$20,000,000</td>
<td>$19,798,125</td>
<td>($201,875)</td>
</tr>
<tr>
<td>Total Operating Budget</td>
<td>$19,000,000</td>
<td>$19,000,000</td>
<td>$0</td>
</tr>
<tr>
<td>Total Capital Budget</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
<td>$0</td>
</tr>
<tr>
<td>Total Uses</td>
<td>$20,000,000</td>
<td>$20,000,000</td>
<td>$0</td>
</tr>
<tr>
<td>Difference</td>
<td>$0</td>
<td>($201,875)</td>
<td>($201,875)</td>
</tr>
</tbody>
</table>
Building the Property Tax Digest

“Piece by Piece”

• Each year the values and exemptions included in the Property Tax Digest are built based on deadlines set in state law or Georgia Department of Revenue regulations.

• The challenge for a financial official is:
  • To monitor the process
  • To gain important information that will impact the Government’s Budget
  • To meet all of the deadlines
### Components of the Digest

- Real and Personal Property
- Public Utility Property
- Motor Vehicles
- Mobile Homes
- Timber
- Exemptions

### Components of the Digest - In the Order as they are Completed Each Year

<table>
<thead>
<tr>
<th>Component</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motor Vehicles</td>
<td>January</td>
</tr>
<tr>
<td>Timber</td>
<td>Sales Date</td>
</tr>
<tr>
<td>Real and Personal Property</td>
<td>February</td>
</tr>
<tr>
<td>- New Construction</td>
<td>February</td>
</tr>
<tr>
<td>Mobile Homes</td>
<td>March</td>
</tr>
<tr>
<td>Exemptions</td>
<td>May</td>
</tr>
<tr>
<td>Real and Personal Property</td>
<td>June</td>
</tr>
<tr>
<td>- Existing Property</td>
<td>June</td>
</tr>
<tr>
<td>Public Utility Property</td>
<td>November</td>
</tr>
</tbody>
</table>
Step 1 - Review the Digest from the Previous Year

• Take time to review each component of the Previous Year’s Digest with the Tax Commissioner and Chief Tax Appraiser

• Determine if there have been any changes to the Previous Year’s Digest since the millage rate was established in July (a reconciliation process) and understand the impact and nature of these changes for the upcoming year

Continued on next slide

Step 1 - Review the Digest from the Previous Year

• This review will provide the Final Digest from the previous year

• The Final Digest becomes the starting point for the Digest that will be built for the upcoming calendar year
Step 2 Determine the Value of the Motor Vehicle Component

- The value of the motor vehicles included in the Tax Digest comes from the taxable value of all vehicles from the previous calendar year.
- This information is usually available from the Tax Commissioner’s Office by the end of January.

Changes to the Property Tax on Motor Vehicles
O.C.G.A. 48-5C-1

- HB 386 passed by the 2012 Georgia Legislature will change the property tax on motor vehicles to title tax beginning in 2013.
- Changes to the TAVT have been passed in 2013 (HB 266 and HB 463).
- A summary of these changes developed by GMA and ACCG with some updated information is included as Supplement 1 (Note: This material is not on the TEST).
Changes to the Property Tax on Motor Vehicles

- Conclusion: The value of the motor vehicle component of the Tax Digest will be eliminated over the next few years. Sales Tax revenue will also decline. Both sources will be replaced by revenue from the Title Ad Valorem Tax (TAVT).
- The changes will be different in each City and County. The Tax Commissioner will be able to provide detailed information on the impact of these changes on your government’s revenues.

Step 3 Determine the Value of New Construction

- By the end of February, the Chief Tax Appraiser is able to estimate the value added to the Tax Digest from new construction based on completion as of January 1.
Step 4 Mobile Homes Component

- Each mobile home in a County on January 1 is subject to taxation
- The taxable value of mobile homes is set by the Tax Assessors
- Property taxes for mobile homes are billed by March 1 and payment is due by May 1
- The millage rate from the previous calendar is used for billing mobile homes

Step 5 The Impact of Exemptions

- Exemptions are a reduction in the Assessed Value before the property tax amount is calculated.
- Citizens filing for Homestead Exemption, Special Use Exemptions, and the Businesses filing for the Freeport Exemption are due to the Tax Commissioner no later than April 1
- This information is compiled by May 1 and can be included in the Tax Digest Estimate
Step 6 The Value of Current Property

- By the end of April, the Tax Appraisal staff has completed the valuation of existing property for the current year.
- The Chief Tax Appraiser should be able to provide an estimate of the total taxable value of real and personal property for the year.
- This is usually the largest component of the Property Tax Digest.

Step 7 The Impact of Appeals

- Georgia Law requires that each property owner be notified of the value of their property for the year and their right to appeal the value. This is the Notice of Assessment.
- Property Owners have 45 days from the mailing of this Notice of Assessment to appeal the value set by the Tax Assessors.
- By June 15, the Chief Tax Appraiser should be able to provide information on the reduction to the real and personal property values from appeals.
Step 8 Adoption of the Millage Rate

- Property **Tax Digest** and the **Millage rates** must by submitted to the Georgia Department of Revenue no later than **September 1**.
- The Governing Authority must **adopt the Millage Rate** prior to submission to the Georgia Department of Revenue on **September 1**.
- All of the information needed for the Property Tax Digest has not been completed so **careful estimates** are required.

Step 9 The Public Utility Component

- The value of **property** owned by **utility companies** (Georgia Power, AT&T, etc.) and railroads is set by the **Department of Revenue**
- The **taxable value** of these properties are provided in **October/November** and **Tax Commissioners bill these properties** when they receive the values from the State
Step 10 Property Tax Billing

- Some counties send real and personal tax bills to property owners in September after the Department of Revenue has approved their Digest.
- Most counties send tax bills no later than October 20.
- Property owners have 60 days to pay their property taxes for the year.

Step 11 The Timber Component

- Timber that is harvested is taxed at 100% of fair market value when it is sold.
- Property taxes for timber are usually billed quarterly based on the millage rate levied by the taxing authority in the prior year.
Some Final Thoughts

• The final total value of the Property Tax Digest is not determined by the time the Millage Rate is set by the governing authority.
• Estimates of some of the components of the Property Tax Digest must be carefully and conservatively determined.
• The growth or decline of the Property Tax Digest has a significant impact on the government’s budget.

More Final Thoughts

• Teamwork and communication between the Tax Commissioner, the Chief Tax Appraiser, and the Finance Officer during this process is critical to determining the best estimate of the Property Tax Digest and Property Tax Revenue.
Still More Final Thoughts

• If the estimate of taxable property is higher than the final Tax Digest, the millage rate will not generate the property tax revenue needed in the budget.

• If the estimate of taxable property is lower than the final Tax Digest, the millage rate will generate more property tax than needed in the budget.

• Ultimately, the millage rate set by the governing authority is a political decision.
Reviewing the Digest

- All of the property in a County is listed in the Digest, a summary of the property is reported on a “Consolidation and Evaluation of the Digest”
- All property is classified by law and valued for the tax year as of January 1
- A copy of the Consolidation Report for Floyd County for 2011 is included in Appendix 1

A Consolidation Report Review Checklist

- Each parcel or item of property is classified using a state mandated system (note the definition of Property Codes in Appendix 2)
- The assessed value (40% of fair market value) is the primary valuation amount on this report
- Each property class is summarized and totaled
- The value of homestead and property exemptions is also included in summary
More about the Consolidation Report

• There is a **Consolidation Report** for each Tax District in the County (each City, School District, Fire District ...)

• **M&O** (Maintenance and Operations) is the historical term for the General Fund tax levy

• **Bond** is the special levy for any General Obligation (GO) levy authorized by the County, City, or School District  

Continued on next slide

More about the Consolidation Report

• The list of **exemptions** is different for M&O and Bond

• **Class Review of the Consolidation Report from Floyd County** (Appendix 1)
## Consolidation Report

### Questions for the Class

1. Which component of the Digest is the largest in Floyd County?
2. What is the total amount of exemptions in 2011?
3. What class of property is designated with the CF code?
4. What is the millage rate proposed for 2011?
5. How much has the Digest increased since 2010?

### ROLLBACKS, REDUCTIONS, AND OTHER PROVISIONS
Rollbacks, Reductions, and Other Provisions

• Georgia law requires that local governments reflect or calculate and report three rollbacks or reductions of property taxes each year.

• Listed in order of adoption by Georgia law:
  • Local Option Sales Tax (LOST) Rollback
  • Insurance Premium Tax Rollback for Counties
  • Taxpayer Bill of Rights (TBOR) Reduction

The Local Option Sales Tax Rollback

• Cities and Counties are required by OCGA 48-8-91 to rollback their General Fund (M&O) millage rate to reflect Property Taxes as if the Local Option Sales Tax was not collected.

• City and County governments develop their budgets with the revenue from the local option sales tax included and then provide rollback information to property owners on their annual tax bill stated in dollars and also as a reduction of the millage rate.
Calculating the LOST Rollback

• First obtain the amount of LOST collected in your jurisdiction for the previous calendar year from the Department of Revenue’s website at http://dor.georgia.gov/documents/insurance-premium-and-local-option-sales-tax-proceeds-millage-adjustment

• Digest Submission Package for County Tax Officials---Insurance Premium and Local Option Sales Taxes Proceeds for Millage Adjustment (Appendix 3)

Calculating the LOST Rollback

• Second, locate the Property Tax Digest total amount (the total taxable value of all property in your jurisdiction from the Consolidation Report). This is the same amount that will be included in the Digest Submission to the Department of Revenue.
### Example of LOST Rollback Calculation

<table>
<thead>
<tr>
<th>Property Tax Digest for 20xx</th>
<th>$2,500,000,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund (M&amp;O) Millage Rate</td>
<td>0.009 or 9.00 mills</td>
</tr>
<tr>
<td>Local Option Sales Tax (LOST) Collections</td>
<td>$16,000,000</td>
</tr>
<tr>
<td>Rollback Calculation Amount:</td>
<td>0.0064 or 6.40 mills</td>
</tr>
<tr>
<td>(LOST/Property Tax Digest)</td>
<td>($16,000,000)/$2.5B</td>
</tr>
<tr>
<td>Rollback Calculation:</td>
<td></td>
</tr>
<tr>
<td>Millage Rate Before Rollback</td>
<td>15.40 mills</td>
</tr>
<tr>
<td>Rollback Amount</td>
<td>6.40 mills</td>
</tr>
<tr>
<td>Millage Rate After Rollback</td>
<td>9.00 mills</td>
</tr>
</tbody>
</table>

### Final Step for the LOST Rollback

- The gross millage rate and the LOST millage rate rollback are reported to the Department of Revenue in columns 4 and 5 of the PT 35 form used by Counties or the PT38 used by Cities that is signed by the chief elected official of the government.
- See Appendix 4
Premiums Tax Rollback for Counties

- State law (OCGA 33-8-8.3) requires that the proceeds from the insurance premiums tax be used to benefit unincorporated residents and property owners.
- Therefore, Counties are required to rollback the property taxes of unincorporated property owners if the proceeds from the insurance premiums taxes are not used for a listing of specific services noted on the next slide.

Premiums Tax Rollback for Counties

- The specific services are:
  - Police Protection (excluding protection provided by the Sheriff)
  - Fire Protection
  - Curbside or on-site residential or commercial garbage & solid waste collection
  - Curbs, sidewalks, and streetlights
  - Such other services provided for the primary benefit of unincorporated residents
Example of a Insurance Premiums Tax Rollback

<table>
<thead>
<tr>
<th>Property Tax Digest for 20xx for Unincorporated Area</th>
<th>$1,200,000,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund(M&amp;O) Millage Rate</td>
<td>0.009 or 9.00 mills</td>
</tr>
<tr>
<td>Total Premiums Tax Collections</td>
<td>$1,250,000</td>
</tr>
<tr>
<td>Total Cost of Services per OCGA 33-8-8.3</td>
<td>$600,000 From Budget</td>
</tr>
<tr>
<td>Premiums Tax Less Cost of Services</td>
<td>$650,000</td>
</tr>
<tr>
<td>Rollback Calculation Amount:</td>
<td>0.00054 0.54 of a mill</td>
</tr>
<tr>
<td>(Premiums Tax less Cost of Services/Property Tax Digest)</td>
<td>($1,250,000-$600,000)/$1.2B</td>
</tr>
<tr>
<td>Rollback Calculation for Unincorporated Property Owners:</td>
<td></td>
</tr>
<tr>
<td>Millage Rate Before Rollback</td>
<td>9.00 mills</td>
</tr>
<tr>
<td>Rollback Amount</td>
<td>0.54 mills</td>
</tr>
<tr>
<td>Millage Rate After Rollback</td>
<td>8.46 mills</td>
</tr>
</tbody>
</table>

The cost of services information for the premiums tax rollback calculation is developed from the total budget for the each of the specific services provided by the County for unincorporated residents.
Final Step for the Insurance Premiums Tax Rollback

- The amount of the premiums tax rollback is reported to the Department of Revenue in column 6 of the PT - 35 form signed by the Chair of the Board of Commissioners.
- See Appendix 5.

The Taxpayer Bill of Rights Reduction

- Beginning in 2000 Georgia Cities, Counties, and School Districts were required to reduce their millage rate to “prevent indirect tax increases resulting from increases to existing property values in a county due to inflation”.
- Georgia law requires newspaper ads, a public notice, and public hearings if the millage rate is not reduced.
The Taxpayer Bill of Rights Reduction

- The Tax Commissioner is responsible for calculating the projected reduction of the millage rate.
- The form used to calculate this reduction is the PT32.1 which is included in Appendix 6 of the class materials.
- Let’s review an example calculation Appendix 7.

Concluding Thoughts on the Taxpayer Bill of Rights Reduction

- An initial calculation with estimates is needed to determine the impact on the Budget.
- Often the decision to place the required ads and hold the hearings will be made based on estimated or preliminary Digest data.
- For most governments, compliance with the Taxpayer Bill of Rights reduction will occur during June through August.
FINDING MORE INFORMATION ABOUT PROPERTY TAXES

Georgia Department of Revenue

http://dor.georgia.gov/local-government-services

• The unit of the Department of Revenue that approves the Digest and monitors compliance with the property tax requirements is the Local Government Services Division.
<table>
<thead>
<tr>
<th>Georgia Department of Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>• County Digest Submission Package</td>
</tr>
<tr>
<td>• Compliance Guide for Advertising Digest History and Public Hearings of Increase in Taxes.....</td>
</tr>
<tr>
<td>• Insurance Premium and LOST Rollbacks</td>
</tr>
<tr>
<td>• Forms for Rollbacks and Five Year History Ad</td>
</tr>
</tbody>
</table>

**PROPERTY TAXES AND CASH FLOW**
Property Taxes and Cash Flow

• Property Tax revenue is typically the largest single source of revenue for local governments in Georgia.

• Property Taxes can be 40% to 70% of total General Fund revenue

• The timing of the levy and collection of Property Taxes can have a significant impact on cash flow during the government’s operating year

Options to Improve Cash Flow

• Change the local government’s fiscal year

• Change the due date for payment of property taxes
  • Per ACCG, OCGA 48-5-150 allows a County to change the collection date to Nov 15 or Dec 1 with the consent of the Tax Commissioner
  • Installment payment system for payment of Property Taxes (OCGA 48-5-23)
Some Final Thoughts on Cash Flow and Property Taxes

• Check with the Department of Revenue to confirm options
• Be prepared for the Politics of Property Taxes to be part of the decision making process
• Improving the cash flow of property taxes will benefit a government each year if successfully implemented
Property Tax Forms

• There are a number of forms that are submitted to the Department of Revenue as part of the submission of the Digest on September 1.

• The PT35 form is used to submit the County, School Board, and other millage rates from each of the taxing authorities.

• The PT38 is used by Cities to submit the adopted millage rates for the upcoming year.

Property Tax Forms

• A copy of the PT35 for Vinson County is included in the Appendix 5.

• The PT35 is prepared by the Tax Commissioner.

• A copy of the PT35 is also sent to the County Clerk of Superior Court to allocate the revenue for Intangible and Real Estate Transfer Taxes among the taxing districts.
Property Tax Forms

- Remember the PT32.1 form is used to calculate the Millage Rate Rollback under the provisions of the Taxpayer Bill of Rights (Appendix 6)

MEETING PROPERTY TAX REQUIREMENTS – ARE WE LEGAL
Georgia law has two disclosure requirements for Cities and Counties prior to the annual establishment of the property tax millage rate.

(1) Publish a five year history of levy ad along with the current year proposed levy. This ad should include a notice of the date, time, and place where the taxing authority will meet to set its millage rate. This notice should also be posted on the government’s website if available. (OCGA 48-5-32)

Based on HB 202 passed in 2015, this ad must appear at least one week before the Governing Authority approves the millage.

(2) Comply with the Taxpayer Bill of Rights requirements if the taxing authority does not reduce the millage rate to offset any inflationary increases to existing property values in the Digest. (OCGA 48-5-32.1)
Meeting the Property Tax Requirements—Are We Legal?

Information about these requirements is in the 2017 Compliance Guide for Advertising Digest History and Public Hearings of Increase in from the Georgia Department of Revenue

• See Appendix 8

An Example of the Current Tax Digest and Five Year History of Levy

• Review Appendix 9 for an example of the Current Tax Digest and Five Year History of Levy from 2015 (Class Review)
Meeting the Property Tax Requirements- Are We Legal?

The Taxpayer Bill of Rights Rollback requires Cities and Counties to:

First, determine the rollback millage rate using the Department of Revenue PT32.1 form.

If the proposed millage rate for the upcoming year exceeds the rollback rate, the following public disclosures are required:

• Hold three public hearings allowing public input. A public notice for each hearing must appear in the paper and on the government’s website at least one week before each hearing.

• Public Hearings- At least one of the public hearings must begin between 6 pm and 7 pm in the evening. Two of the three public hearings must be at least five business days apart. The hearings must be at times and places that are convenient to the public. One of the three hearings may be held at the same meeting as the public hearing for adoption of the annual budget required by OCGA 36-81-5.
Meeting the Property Tax Requirements
Are We Legal?

- In addition, the three advertisements for the “Notice of Property Tax Increase” hearings must appear in the newspaper at least five business days apart from each other.
- Department of Revenue regulations allow an exception when two hearings are on the same day.
- See DOR Section 560-11-2-.58 Frequency of Advertisement for more information.

Meeting the Property Tax Requirements- Are We Legal?

- **Public Notices** – The notice for each meeting must not be less than 30 square inches and not be placed in the section of the paper where legal notices appear. The form and content of each notice shall comply with the requirements. In addition, the public notice shall be posted on the government’s website at least one week prior to each hearing.
Meeting the Property Tax Requirements—Are We Legal?

- **Press Release** – At the same time as the *first public notice* appears, the government shall also issue a press release to the local media that announces the government’s intent to seek an increase in property taxes. The press release shall include the *dates, times, and locations* for the public hearings.

Meeting the Property Tax Requirements—Are We Legal?

- If a government *fails to comply* with the requirements of the Taxpayer Bill of Rights, the government will be required to *begin* the procedures and hearings “*anew*”. The Department of Revenue is not authorized to approve the Digest unless the government has fully complied with the requirements of the Taxpayer Bill of Rights.
Meeting the Property Tax Requirements-Are We Legal?

- A copy of the ad used as the Notice of Property Tax Increase for the Taxpayer Bill of Rights is included in the class materials as Appendix 10

Some Concluding Thoughts

- The staff of the Department of Revenue should be consulted in advance if there is any doubt about the these requirements.
- Information on the requirements for the Taxpayer Bill of Rights is included in Appendix 8....Compliance Guide for Advertising Digest History and Public Hearings of Increase in Taxes
- Plan ahead, unpleasant surprises can happen.
Class Exercise 2

• Using the blank calendars provided, each group shall develop a written plan that notes the dates and actions needed to meet the requirements to levy property taxes. Each group’s plan should comply with the requirements of the five year history ad (OCGA 48-5-32) and the Taxpayer Bill of Rights (OCGA 48-5-32.1). A checklist is provided to insure that the requirements for both Georgia laws are scheduled.

A Recent Change

• The 2016 Ga Legislature revised the provisions for penalties and interest on delinquent taxes and other taxes (HB 960)
• Changes effective July 1, 2016
• The interest rate for delinquent taxes will be based on the Federal Prime Rate established annually by the Federal Reserve System
• The penalty amount was also reduced
how is the exercise 2 checklist used for this exercise? You don't reference it on this slide.

Tracy Arner, 8/14/2015
More about a Recent Change

• Before HB 960, Counties that collected property taxes for Cities kept the revenue from penalties and interest.
• With HB 960, penalty and interest revenue will be distributed by the Tax Commissioner to the County and Cities on a pro rata basis.
• HB 960 also establishes the requirements for Sales Tax Refunds for vendors.

More about a Recent Change

• GMA provides a good review of these changes at their website.....
ESTIMATING PROPERTY TAX REVENUE – TRICKS AND TRAPS

Estimating Property Tax Revenue-Tricks and Traps

- Estimating the revenue from Property Taxes begins in January and ends in September when the Millage Rate is established for the tax year.
- Estimating Property Tax revenue is done at the same time as the development of the annual budget.
Estimating Property Tax Revenue-Tricks

- Develop an estimate for each of the major components of the Digest
- Update the estimate for each component as new information is available
- Recheck the estimates at least monthly

Estimating Property Tax Revenue-Tricks

- Use historical collection rates provided by the Tax Commissioner for each component of the Digest
- Collection rates for Public Utilities and "non-TAVT" Motor Vehicles will be close to 100%
- Collection rates for Real and Personal Property and Mobile Homes will likely be 93% to 98% depending on the local economy and collection efforts
Estimating Property Tax Revenue - Additional Tricks

- Include an estimate on the reduction in the total Digest from appeals
  - The Chief Tax Assessor can provide data on the amount under appeal and updated information on decisions by the Board of Equalization
- Estimate collections of Prior Years Taxes and Penalties and Interest separately from the current year’s estimates

Estimating Property Tax Revenue - Traps

- Property Tax legislation passed by the General Assembly during their Spring session can significantly impact Property Tax Revenue
- Don’t expect a perfect estimate. If the amount of revenue that is received is within 2% of the total budget for property taxes, it was a good estimate
- Updated information from the Tax Commissioner and Chief Tax Appraiser is critical
PRESENTING PROPERTY TAX INFORMATION IN PUBLIC MEETINGS

Presentation Tips

1. Anticipate the questions and prepare responses and practice calculations
2. Use round numbers and show the math when possible
3. Remember the three different views of Property Taxes and provide responses for each view Total Digest, Average Homeowner & Budget
Presentation Tips

4. Use the Equivalent Units Concept (how much revenue will 1 mill generate and how will the proposed mill rate impact the average homeowner)

5. Prepare historical information about Property Taxes:
   - Millage Rates for the last 10 years
   - Average Homeowner tax bill for the last 10 years
   - Digest by Class and total for the last 10 years

Presentation Tips

6. It’s OK to say “I don’t know” and provide the requested information the next day

7. Have other staff at the meeting to help check calculations (use calculators and computers)

8. When possible do calculations in an adjoining room away from the meeting

9. Talk with the Tax Commissioner and Chief Tax Appraiser to gather information and determine their perspectives

10. Share property tax information with the media after providing to the governing authority; direct all questions for “quotation” to your elected officials
Presentation Tips

11. When possible, emphasize the positive aspects of Property Taxes as an important source of revenue for critical operations such as Public Safety.

12. Property Taxes provide the following:
   - Stability
   - Predictability
   - Collectability

Class Exercise 3

• How to Read a Sample Property Tax Bill
  Based on the Sample Tax Bill answer the following questions.
Class Exercise 3

1. What is the total Fair Market Value (FMV) for this parcel? Has the FMV increased or decreased since last year?
2. How much are School Taxes in 2016?
3. How much is the Homestead Exemption for this parcel? How much does the Homestead Exemption reduce School Taxes?

4. What is the LOST Credit in 2016 both in millage rate and tax reduction?
5. What is the net millage rate for County M&O services?
6. What is the net tax bill for County M&O services for 2016?
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