



City of Tucker

MEMO

To: Honorable Mayor and City Council Members
From: John McHenry, City Manager
CC: Ted Baggett, City Manager
Date: January 13th, 2025
Re: Memo on Homestead Floating Exemption

House Bill 581 sets 2024 as the base year for determining the value of homestead residential property and controls the rate of increase in taxable value by tying the increase in value to a statewide inflationary average. Local governments have until March 1 of this year to opt out of its provisions.

Notably, Tucker's Charter already contains a residential homestead exemption provision that provides far greater tax relief by **freezing the value** of homestead residential property for city tax purposes to the base year of 2016 (or the first year of ownership after 2016).

Thus, either opting out or taking no action and remaining under the provisions of House Bill 581 would have no immediate effect on the tax liability of residential homestead property owners in the City of Tucker. (The Tax Commissioner will apply the exemption that most benefits the taxpayer.) Opting out or remaining in would have no immediate effect on the city's revenues, because the city already grants greater relief to residential homestead taxpayers than what is provided by HB 581.

Nevertheless, because House Bill 581 **only provides a one time or forever hold your peace clause allowing local governments to "opt out" of its provisions**, it is worth considering the long-term implications of these types of residential homestead exemptions. If the City does not opt out any future modifications to the local exemption will only be relevant so long as they provide more relief than the state exemption. Conversely, if the City opts out of House Bill 581 by March 1, future changes to local exemptions could theoretically offer either more or less tax relief than the state exemption. (Note that changing the local tax exemption requires the passage of a bill at the General Assembly and passage in a city-wide referendum.)

Some have argued that policies granting generous homestead property tax exemptions unfairly shift the tax burden to commercial property and new residents. Others maintain they are appropriate measures that contribute to home ownership affordability, neighborhood stability and allow long term residents on a fixed income to stay in their home.

If the City elects to opt out of this measure, we are required to complete three public hearings, advertise in the legal organ a week before each hearing, and adopt a resolution that would be delivered to the Secretary of State's office by March 1st. Please see the illustrative chart on the next page that highlights impact.

HOUSE BILL 581 IMPACT IN TUCKER

ISSUE	OPT IN	OPT OUT
Immediate impact on City revenues	NONE	NONE
Immediate impact on Homestead Residential Taxpayers	NONE	NONE
Potential long-term impact	City residential homestead taxpayers will, at a minimum, always enjoy a residential homestead exemption that provides as much relief as the state exemption, but local exemptions can provide greater relief.	Only city residential homestead exemptions will apply and assuming they are successfully modified, can offer more or less relief than that offered under the state exemption.