
Tybee Island Neighborhood Association

December 2006



TYBEE PROPERTY TAXES



Tybee Island Neighborhood Association
December 7, 2006

Property tax is . . .

- authorized by the State of Georgia
 - (in the state constitution)
 - and largely administered by the counties
- traditionally one of most stable & reliable sources of revenue for government

Property Tax – *ad valorem*

- Ad valorem = “*based on value*”
 - as values rise, so do taxes,
 - so do revenues to the government
 - unless the tax rate (millage) is reduced.

Problems with Property Tax

- Only taxes a certain class of citizens
 - (property owners)
- tied to a speculative real estate market,
 - thus unpredictable.
- based on a value that **could** be realized
 - in an arms-length sale
 - in the appraisers opinion.
- payable annually
 - even though a property owner has not realized any gain in a sale.
- Ironically, once a property owner does realize gain by the sale of the property, he is not taxed by the county on that property.

Property Tax is Under Attack

- by taxpayer groups throughout the country due to these problems.
- 36 states have enacted property tax reform statues
 - capping assessments,
 - other reforms
 - including our neighbors Florida and South Carolina.

Tybee Neighbors – Seeking Relief

- Efforts began in September
 - Following August Town Hall Meeting
 - a committee of Tybee Neighbors has looked into the property tax and property tax relief for Tybee
 - here's a summary of what we've found out:

THE SYSTEM

- Tax rates
 - (millage, or dollars per thousand of assessed value)
 - are set by the County Commission and the School Board.

City of Tybee Sets Millage

The City of Tybee sets its own millage.
2006 Chatham County tax rates for Tybee:

State Tax-----	.25
County M&O (maintenance & operations)-----	11.91
County School M&O-----	14.511
County School Bond-----	1.306
Tybee Island-----	<u>3.80</u>
TOTAL-----	30.704 mills (includes-1.075 mill sal

Tybee Example

- Tybee property valued at \$800,000 by the county appraiser
 - the tax would about \$30.00 per thousand of assessed value
 - (Chatham County assesses most property at 40% of market value)
- Do the math ...
 - $\$800,000 \times .40 = \$320,000 \times .0307 = \$9,824$ tax).
 - The same value property in Pooler would be taxed roughly the same,
 - Savannah slightly more,
 - Bryan County about \$7,300,
 - Atlanta or Macon would pay almost \$13,000 in tax. (excluding exemptions)



TYBEE'S PROBLEM

Tybee's Problem

- Rapid increases in property values
 - (and thus assessments)
 - every year since the mid 1990's,
 - exploded since 1997
 - Result = valuation increases of nearly **800%** for some properties over a 10-year period.
 - Unfortunately, incomes have not kept up.

Millage Rates Not Reduced

- Since *county* millage rates have not been substantially reduced
 - (City of Tybee has reduced its millage several times)
 - property tax now takes a much greater percentage of income.

Results of Tax Increases

- This is reflected in the amount of Tybee property under appeal (10%) each year, and has several results:
 - As values & taxes rise, people are forced to sell and move, if they can.
 - As property is worth more per sq. ft., economics dictate that it be subdivided to the smallest legal parcels to fill market needs, resulting in smaller lots (or no lots - condos)

Results of Tax Increases

- Land can no longer be left vacant or undeveloped due to rising taxes
- Seasonal business owners, with a short season, yet year-round taxes, must sell or move
- Stable neighborhoods of long-term residents are replaced by short term real-estate speculators and renters.
- Community planning plays “catch-up” as real estate values and taxes dictate community development.

There are currently over 330 realtor-listed properties for sale on Tybee.

(Over 200 have been on the Market for more than one year)

**FOR
SALE**



EXISTING RELIEF



Homestead Exemption- Stephens-Day

- Good fortune for Tybee homeowners
 - Tybee and county residents
 - with local legislators Ron Stephens, Burke Day and Eric Johnson
 - were able to pass landmark legislation in 1999
 - gives a floating "exemption" for homestead properties
 - any valuation increases above a base year value
 - established when a homeowner applies for a homestead exemption or 1999 whichever is later.
 - Increases in valuation may still occur with annual CPI (Consumer Price Index) addition (taxable)
 - » regular valuation increases due to market conditions are not taxable to the homeowner
 - » (except for school bond portion)
 - » will show on the tax bill.
 - Only if land is added or improvements made on the property will the homeowner pick up the tab in taxes.
- **MOST VALUABLE TOOL TYBEE RESIDENTS HAVE.**
 - But, it does not apply to any property other than those with homestead exemptions, and
 - homeowner cannot move elsewhere on the island or improve their home without incurring additional tax

Other Exemptions

- Both the state and county have other classes of exemptions.
 - include partial exemptions for senior citizens, the disabled, veterans, etc.
 - complete listing is on the State Dept of Revenue web site and Chatham County web site.

Appeal

- Every property owner should familiarize themselves with the appeal process.
 - confusing and time-consuming
 - but ... odds are on your side.
- Most legitimate appeals result in reduction of tax.
- If you do not agree with the valuation the county appraiser places on your property - **APPEAL**.
- If you miss the deadline sent by the Tax Commissioner's office, can file an amended return after Jan. 1 if you think their values are not correct.
- Property appeals heard by the Board of Equalization result in an automatic 3-year valuation freeze even if unsuccessful.

POSSIBLE ADDITIONAL RELIEF

- Three relief measures introduced in 2005 in the State Legislature
 - will be re-introduced during the 2006 legislative session if given enough support:
- **HR 162:** Proposed by Rep Lindsey,
 - would cap valuation increases on all property at 3% maximum increase per year.
 - would not apply to changes in ownership or new additions
 - *As written, could help with the “sticker shock” increases as seen on Tybee,*
 - *valuations and taxes would continue to rise, although in a more controlled manner.*
- **HR 58:** Proposed by Rep. Keen of St. Simons,
 - would remove all local school taxes except those used to retire bond debt as of 1/1/08.
 - would be replaced by a statewide 3% sales tax to be used for education funding.
 - would apply to all classes of property.
 - *would provide Georgia property owners a big cut in their tax bills (47% on Tybee), since school systems currently get the majority of their funding through property tax.*
- **SR 332** Proposed by then Sen. Cagle (now Lt. Gov. elect),
 - would cap the maximum tax that could be levied on a homesteaded primary residence at \$25,000 per year.
 - *would not provide relief except for those property owners paying more than \$25,000 per year in tax on a home)*

Other Possibilities

- Senior Citizens School Tax Exemption
 - At present, those 62 and older may receive a \$30,000 (valuation) exemption from Chatham county school taxes
 - if their combined family income is less than \$25,000 annually.
 - Several counties (Cobb, Richmond) around the state exempt senior citizens totally from any school taxes, regardless of income.
 - *This requires action by the local legislators, but could be done provided Chatham County Commission would vote for it.*
 - *Tybee alone could not do it, but if HR 58 does not get re-introduced, it should be done through a county wide effort.)*

Other Possibilities

- City of Tybee Tax Relief
 - Many seasonal resort communities along the East Coast and Canada have structured their business taxes to go with the “season”.
 - A seasonal business would typically close for a period of time (or go on reduced operations)
 - City of Tybee could reduce or eliminate its property tax for Seasonal retail and service businesses (hotels, restaurants, shops, etc.),
 - Any loss of income could be replaced with additional user-based fees such as parking, developer impact fees, real-estate transfer taxes, etc.
 - Same could apply to Historic Properties, Environmentally Sensitive areas, or other properties seen to be of community benefit.

Realities

Realities #1

- Since property taxes are primarily used to fund county and local educational and operational expenses, any reduction of this tax revenue must be offset by revenue provided by the State government.
- This will require the State legislators to reach a consensus on tax reform that has proven difficult to achieve in the past.
 - a. State income tax has changed little since 1937.**
 - b. Sales tax has remained relatively unchanged since 1989.**
 - c. All proposed property tax reform legislation in 2006 floundered for support.**

Realities #2

- The need for property tax reduction may not be a high priority for some legislators.
 - a. Georgia has low property taxes relative to the rest of the nation (35th) and ranks in the middle of its neighbors for both property taxes per capita and as a percent of personal income.
 - b. 2007 State proposed budget is already under financial pressure.
 - According to Senator Johnson, “Georgia cannot afford to hand out new programs or tax cuts” in 2007.
 - Georgia is the 4th fastest growing state in the nation and educational, health, and criminal justice expenses are growing faster than new revenue.
 - While the proposed state budget will be somewhere in the \$19-20 billion dollar range, officials have stated that only about \$50 million will be available for new programs or tax cuts.

Realities #3

- The timeline for any major tax reform is long and difficult.
 - a. South Carolina's 2006 tax reform involved several years of unsuccessful reform attempts and an 18 month intensified effort by hundreds of dedicated citizens and committed legislators.
 - b. Florida's successful constitutional amendment was approved in 1992 and went into effect three years later.
 - c. Pennsylvania's 2006 property tax reform came after more than 30 years of debate and failed plans.

Realities #4

- Property tax reform CAN HAPPEN, but it will take time, strong commitment, patience, and hard work on the part of concerned citizens and legislators.
- It will require continuity of effort, an ongoing campaign to persuade legislators to implement this important tax reform.
- What can you do?

WHAT CAN WE DO?



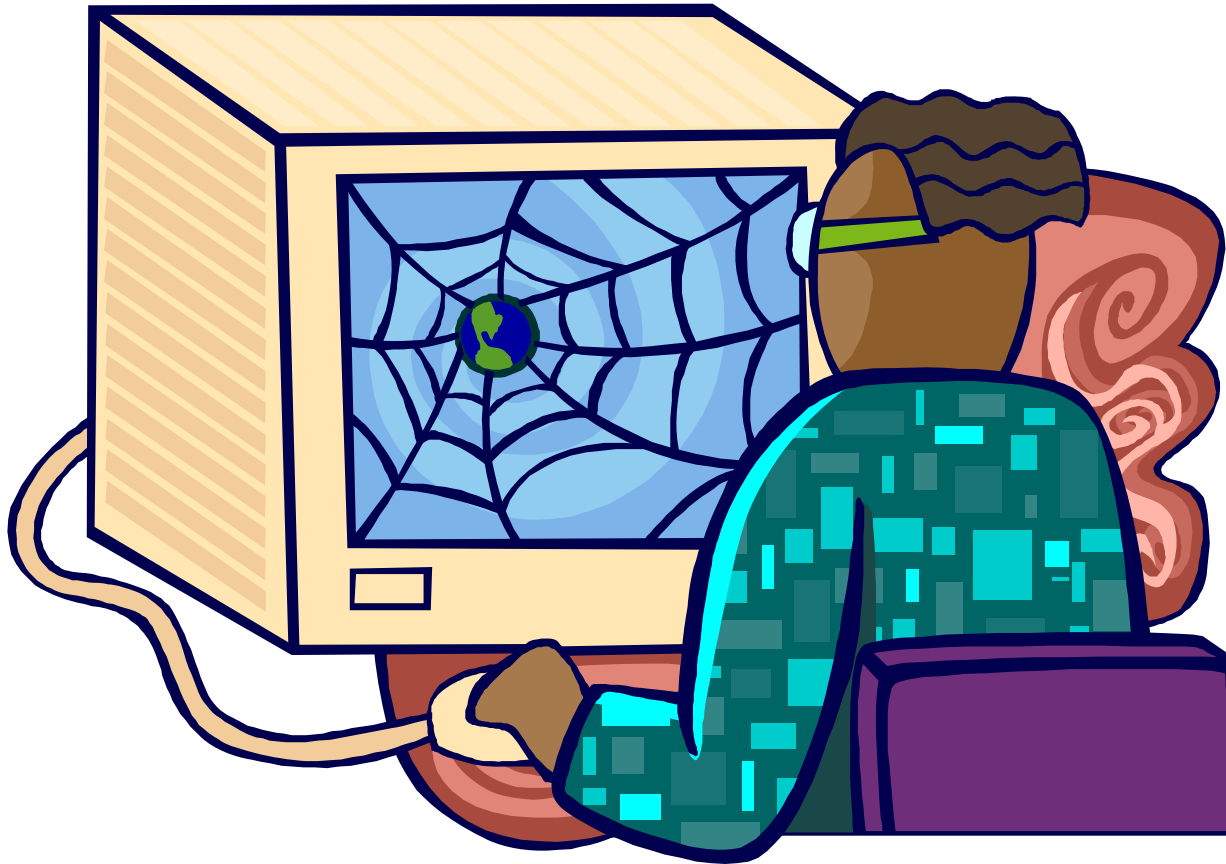
Get Informed!



Get Informed!

- increase in on-line information from governmental agencies, taxpayer groups and concerned citizens is astonishing.
- Virtually every department in The State of Georgia has a web page,
 - informative links to counties, cities, even private groups.
 - The property owner who does not take advantage of this is missing all the pieces of the puzzle.
 - Read, ask questions, make some phone calls.
 - How many folks knew that the House Education Funding Committee, led by Rep. Keen was holding public meetings this past Fall to determine feasibility of HR58?.
 - Almost none of the taxpaying public.
 - meetings were largely attended by lobbyists for the school boards and educational systems
 - not the people paying the bills.
 - not one person or legislator mentioned this or HR 58 at Tybee Neighbors August Town meeting on taxes.
 - Just yesterday, Sen. Eric Johnson announced that the state added a new web site for citizen input and ideas -www.georgiaspeaks.com.
 - Write and let them know how you feel about HR 58 and 162.

These websites will be listed on
www.tybeeneighbors.com



www.etax.dor.ga.gov: tax statistics and digests by county

www.legis.ga.gov: state legislature web site, with calendars, schedules,, etc.

www.chathamcounty.org: Chatham county's site with links to Tax Assessors and Commissioner

===www.cityoftybee.org: Agendas, budgets, etc.

www.dca.stat.ga.us: Georgia Dept. Of Community affairs site

www.ethics.ga.gov: State ethics commission-interesting lobbyist information

www.sos.state.ga.us: Ga. Secretary of State site with campaign disclosure reports, etc.

www.savannah.chatham.k12.ga.us: info on Savannah school statistics

www.gppf.org: Georgia Public Policy Foundation-lobbyist info

www.gbpi.org: Georgia Budget & Policy Institute, independent non-profit research agency

www.lowerhometaxes.com: Site for the Georgia Homeowners Coalition (Atlanta)

www.taxfoundation.org: Articles and papers on taxes and public policy

www.followthemoney.org: tracks contributions to public officials

www.realestatejournal.com: E-publication of the Wall St. Journal-several property tax articles

www.lincolnst.edu: The Lincoln Institute of Land Policy-articles on prop. tax and valuation

www.itepnet.org: the Institute on Taxation and Economic Policy-Washington tax think tank

Get Involved!

- Tybee Neighbors will support our legislators in their efforts to provide property tax equity and relief.
- When it is time to let them hear from the taxpayers in support of the above legislative efforts (HR 58, 162 or others) concerned property owners should e-mail, phone call, and otherwise lobby for their passage.
- This may be a long process, and the property tax committee of Tybee Neighbors hopes to coordinate the first of these efforts in January.

Stay tuned!

