



MEMORANDUM

TO: Mayor and Council

FROM: Kristen Gorham, City Manager

DATE: February 7, 2025

SUBJECT: Resolution to Opt-Out of Statewide Floating Homestead Exemption (HB581)

Executive Summary

The purpose of this memorandum is to recommend adopting a resolution to opt-out from the statewide floating homestead exemption pursuant to O.C.G.A. 48-5-44.2 or House Bill 581 (HB581). HB581 was passed by the Georgia General Assembly and signed into law by Governor Kemp in 2024. It took effect on January 1, 2025.

Background

The bill created a homestead exemption that limits the annual increase in taxable property values for residential, homestead properties to the rate of inflation, which is determined by the Georgia Department of Revenue. The statewide legislation includes a provision that allows cities, counties, and school districts to opt-out, but must do so no later than March 1, 2025, or else the floating homestead exemption will automatically apply and will be in place permanently.

Analysis

HB581 presents several challenges to municipalities, including:

1. Tax burden redistribution to commercial and non-homesteaded properties
2. Tax disparities amongst similar residential properties. The property value resets when a property is sold or when there is an ownership change, therefore new homeowners will pay more in taxes for a similar home owned by a longer-term resident.
3. Millage rate cap – Chamblee already has a millage rate cap of 8 mills in its Charter. Currently, the city's millage rate is 6.25 mills. Imposing an additional floating homestead exemption on top of the existing base homestead exemption of \$50,000 may create a need to increase the millage rate over time. This may negatively impact the city's financial health and bond ratings as it limits the ability for revenue growth over time.
4. Home rule – the bill diminishes the home rule of local governments to determine the appropriate property tax structure for their community. Many local governments, including Chamblee, already have property relief through locally imposed homestead exemptions. The statewide exemption hinders municipalities from managing their long-term fiscal growth by preempting tax laws that do not consider the needs of the community.



CITY OF CHAMBLEE

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Recommendation

The permanent nature of this homestead exemption does not provide local municipalities with the flexibility needed to accurately and systematically consider tax reform that is appropriate for their own individual community and does not further consider the impact on local government services in a growing metropolitan area. Staff recommends opting-out of the floating statewide homestead exemption in accordance with O.C.G.A. 48-5-44.2 or HB581.