



GEORGIA ASSOCIATION OF PROPERTY TAX PROFESSIONALS (GAPTP)

VOL. I

NOVEMBER 30, 2008

WELCOME FROM THE PRESIDENT:

As the newly elected President of the Georgia Association of Property Tax Professionals (GAPTP) I am proud to bring you our first newsletter. We are extremely excited about the creation of our new organization, and I encourage you to learn more about our activities for the next several months. As the 2009 Session of the Georgia General Assembly approaches we will be working closely with our lobbying team to monitor and affect the legislation next year. As you know our top issue continues to be maintaining equity in the tax digest. We have spent the past several months educating key policy makers on the effects of caps on assessments and potential alternatives that will not have the same unintended consequences. We feel that one of the primary missions of the association is to educate all of the stakeholders, and this newsletter is a small part of that effort. I would encourage every member to participate in the legislative process, and if you are not already a member, to consider joining our association.

In this newsletter and all future publications we will be exploring and delivering information related to property taxes and the Georgia tax code. We hope to use this as a forum to communicate information about how other states handle these important tax policy questions and we will seek input from our readers. I would encourage each of you to share information about tax policy and also the effects of those policies. Please feel free to send us any articles or studies

that are related to our issue. We will expose each of you to how these policies have affected the ability to conduct real estate transactions and how they affect the overall real estate market and the ability for communities to develop in a meaningful way.

We have developed a mission statement which will be published in each issue. Our industry can thrive only when communities and developers find a win-win position in developing a tax policy that promotes healthy managed growth while protecting the taxpayer. Our association is dedicated to the principle that information is the key tool in developing a fair and equitable tax policy, and we look forward to engaging in this important debate. Please feel free to send your e-mails directly to me if you have any comments. To our members, thank you for joining and taking part in this important issue. I would encourage you to send this e-mail out to your distribution list so that we can further educate the stakeholders on these issues. To other readers, I hope you will find our association helpful in delivering information and serving as a forum to debate important tax issues.

Jeff Margarite -jmargarite@stallingsgroup.com



GEORGIA ASSOCIATION OF PROPERTY TAX PROFESSIONALS (GAPTP)

VOLUME 1

NOVEMBER 30, 2008

Property Tax Relief in Georgia... Assessment Limits or Government Spending Limits?

The intent of legislation proposed by the Georgia Association of Property Tax Professionals (GAPTP) is to promote tax relief that will be fair and equitable to all classes of property owners, provide some level of cost certainty to the taxpayer and prevent local governments from reaping windfalls due to a rising tax base. In addition we want to empower voters at the local level by giving them a voice in revenue and spending decisions ultimately insuring that local officials are held accountable to their constituents.

To achieve these goals, we believe local government spending must be restricted while allowing each community the flexibility to override these restrictions only when approved by the voters at the ballot box. We do not believe that assessment limiting legislation achieves these goals or provides meaningful tax relief. Significant evidence exists showing assessment limits are a deeply flawed response to rising property taxes.

GAPTP member firms employ property tax professionals with an understanding of the entire chain of the property tax system. Collectively having worked in virtually every state few can match our exposure to different property tax systems throughout the country. Many of the employees of our member firms have experienced both sides of the property tax debate having worked in local assessor's offices and now sitting across the table in the private sector representing property owners. Because all we do every day is work with property taxes we bring a rare perspective and unequaled experience to any debate regarding property tax relief. We're confident that GAPTP is highly and uniquely qualified to have a voice in crafting any statewide property tax reform legislation.

The political solution to voter discontent with rising property taxes has taken many forms since the late 1970's but two of most the prominent have been assessment limiting and/or revenue limiting legislation. By their nature, property taxes are different than sales or income taxes because they are directly linked to local government spending and are the primary source of local revenue. The most effective model to limit property taxes must control the growth of



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VOLUME 1

NOVEMBER 30, 2008

spending while allowing each community to decide what it wants to pay for and how to pay for it. We believe in home rule without a blank check. Again, we think the evidence is conclusive that the solution lies in controlling the spending side of the equation not in the assessment side of the equation.

Some form of assessment limiting legislation is in place in several states. The most well known is Prop 13 enacted in California in 1978 and more recently Article 25 in South Carolina passed in 2006. Study after study concludes that this type of perceived tax relief has created large disparities in property tax bills among owners of comparable properties, has shifted the tax burden from properties with rapidly escalating values to those not increasing in value and penalized those that purchase property. Prop 13 style legislation has been called a “tax on mobility rather than a tax on value”, “a revolt of the haves”, and “...a study in the law of unintended consequences because it benefited the well off at the expense of just about everyone else”. A 2008 study of assessment limits conducted by the Lincoln Land Institute concluded that assessment limits are “among the least effective, least equitable and least efficient strategies available for providing property tax relief.” It further concluded that “Better methods exist for addressing taxpayer discontent”. Rather than limiting assessments which does not address government spending adequately and results in systemic distortion and inequities our proposal would restrict increases in property tax revenues similar to Massachusetts’ Proposition 2 ½. It will ensure that fair and uniform taxation remains a part of the constitution of Georgia while keeping local spending decisions in the hands of the taxpayers of each community.

Prop 2 ½ was passed in 1980 and places constraints on the amount of property tax a community can levy through two methods:

1. A levy ceiling, which restricts a taxing entity’s total property tax revenue to a percentage of the total fair market value of all taxable real and personal property, and
2. A levy limit, which allows a taxing entity to increase property taxes by a certain amount from year to year based on a calculation of the prior year levy plus new construction.

The levy limit cannot exceed the levy ceiling.



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VOLUME 1

NOVEMBER 30, 2008

In addition to limiting revenue and thereby expenditures, the plan is effective because it provides flexibility and local control to the community at large, some cost certainty to the individual taxpayer and a level playing field for each class of property owner. Communities can elect to exceed their limits on a temporary or permanent basis by referendum for expenditures the citizens deem important enough for their community to pay for through higher taxes.

Massachusetts has benefited from Proposition 2 ½ in many ways, according to a policy paper issued by Americans for Tax Reform. It has lowered property taxes and made tax increases less volatile. It has also promoted a more stable political climate and more efficient local governments.

The policy paper further states, “As proven by 25 years of success in Massachusetts, giving property taxpayers an opportunity to express their opinions on spending choices made by local officials effectively restrains property tax levies.”

With property tax reform at the forefront of the Georgia Legislature’s 2009 agenda, our proposal is an effectual plan to control property taxes. It will keep the tax system fair and uniform for all classes of property owners, provide some cost certainty to the taxpayer, empower voters at the local level by making local officials accountable and keep voters in charge of local decisions.