The City Council of Peachtree City sponsored a town hall meeting at City Hall on Tuesday, December 17, 2024, at 6:30 p.m., led by Mayor Kim Learnard and City Manager Justin Strickland. The purpose was to discuss House Bill 581 and its impact.

Learnard began the meeting by saying this new law was complicated, and City Council wanted citizens to understand it. In November, Georgia voters approved Amendment One, which provided a method of limiting increases in tax assessments. In Fayette County, the amendment passed with a 53% majority. This amendment allowed counties and cities a choice to opt out of that process. That required three public hearings and submission of a letter to the Georgia Secretary of State, all before March 1, 2025.

Officials from the County and all Fayette's municipalities had already met twice to discuss this and planned another meeting before year's end. She said she wanted to hear from citizens before that meeting. The school system was allowed to opt out, and Learnard said she believed that was the intent of the Fayette County Board of Education.

HB 581 capped increases in assessments of homesteaded properties at the rate of inflation, using the consumer price index (CPI) that was set annually by the Georgia Revenue Commissioner. This would not apply to rental, commercial or industrial properties.

The bill also allowed communities to decide whether to put a one penny flexible local option sales tax (FLOST) before voters to offset or replace the lost revenues. The FLOST would not be allowed to bring in extra revenue. The intent was to replace a certain amount of property tax with a sales tax. FLOST dollars that exceeded the budgeted amount must be compensated for with a commensurate rollback in the millage rate. That rollback would apply to all properties, not just primary residences. The referendum would be countywide and, if passed, the FLOST would be valid for five years.

If they opted in, but voters rejected the FLOST, Learnard said cities and the County would have to make some tough decisions regarding reduction in services or increases in millage rates. Over time, she continued, that shortfall could become more and more impactful.

Learnard again said Council wanted citizens to know what they did about this bill. The County and municipalities would make a decision together about whether to opt out or stay in. Learnard said Council was not taking a stand right now; they wanted feedback from citizens.

Learnard said she appreciated the good relationships between the County and its municipalities. Topics discussed during the countywide meetings included the fact that Fayette's voters were in favor of this amendment. Another consideration was what would happen if voters did not approve the FLOST. That could result in a higher millage rate.

If FLOST revenues exceeded projections, the required millage rate rollback would apply to all properties, Learnard stated. Peachtree City was dedicated to increasing its industrial tax base and taking the burden off homeowners, and the rollback provision could be seen to run counter to that policy. Also, over time, the FLOST revenues might not keep up with the amount lost due to the capped assessments, requiring millage rate increases. That meant commercial property owners would be paying more taxes and probably passing those costs on to tenants, who would than send them through to customers.

The Mayor said she brought up the possibility of voter fatigue. People would be asked to vote on this in 2025, then again in 2030. Voters passed a SPLOST in 2023 and would be asked to vote for another in 2029. They might begin to wonder how many times they would be asked to vote on another sales tax. She also mentioned that she wanted to learn more about possible disparities in the real estate market between counties. What would it mean to the market if Fayette opted in and Coweta opted out?

To summarize, there would be property tax relief in the short term. In the long term, it might mean finding alternative funding mechanisms. Peachtree City had lowered its millage rate over the past 12 years, she noted. If they opted in, that was not likely to continue in future years.

Strickland thanked everyone for attending, saying Council discussed HB 581 at their December 5 work session and asked staff to put this town hall together. He recognized Council members Suzanne Brown and Laura Johnson in the audience and said other members were probably watching.

Strickland explained that the State Senate entered their 2024 session with concerns over higher property taxes resulting from rising property values, while House leaders were looking for a way to promote sales taxes. HB 581 offered a way to control rising property assessments while incentivizing sales tax as a way to stabilize property taxes. The bill was approved statewide by voters in November. Its major components were a floating homestead exemption, a new local option sales tax, which was the FLOST, and property tax procedural changes, reflected in the language of the tax bills.

The floating homestead exemption was unique because the base year value would be adjusted and would increase by the rate of inflation. He noted that the base year would first be set at 2024’s assessed value. As an example, if the assessment increased by 7%, but inflation was 2%, the tax bill could go up by only 2%. The exemption would be the difference between the assessed value and the taxable value. Like other homestead exemptions, the value would reset if the home was sold. Homeowners could not transfer their exemption to a new property. This would apply to all Georgia counties, cities, and school boards.

The value of a home could only increase by the rate of inflation each year and that was usually lower than what the real market could increase it by.

Property owners with a homestead exemption would receive this floating exemption automatically each year. Non-homesteaded residential property, commercial and industrial properties would be valued each year under the current process. This would slow the rate at which the tax digest increased, thereby stunting growth in revenue.

What were some considerations? Strickland noted that this bill was designed to reward homeowners, particularly those who stayed in the same home for a long time. Property tax reliance would shift from homesteaded properties to all other property types. The loss in assessed value could create pressure to raise the millage rate in order to maintain services. The effects would be larger over time.

Strickland pointed out that raising the millage rate was an option for the County and cities, but not for the Board of Education, which was limited by the 20-mill cap. That was why he felt the school board would opt out; they needed as much growth in the assessments as possible.

Strickland showed how this would work on $100,000 and $500,000 homes, explaining the value of the exemption each year and what taxes would be without it. The longer you owned the house, the value of the exemption would increase exponentially. He showed the value of the exemption if the house sold in five years or in ten years.

As Learnard had said, any governing authority could opt out by holding three public hearings and filing a resolution with the Secretary of State by March 1. If they did not meet these procedures, they would be considered as opted in. The decision to opt out was independent among local jurisdictions.

HB 851 created FLOST as a sales tax for local jurisdictions to consider. It raised the threshold cap on sales tax by one penny. The FLOST must be used exclusively for property tax relief. The School Board could not share in it, so revenues would be divided between the County and its municipalities. If any local government opted out of the floating homestead exemption, none could run a FLOST.

Strickland then asked the citizens if they had any questions. One resident asked if this was a one-time only decision, and Strickland said it was. Another said he thought the bill said the FLOST could be either a penny or half a penny, and Strickland said that was correct, but he believed they were discussing a penny in Fayette County.

Another person asked how much the assessments exceeded CPI each year? This year, Strickland said, CPI was about 2.5% and the digest growth was 6%. However, every year was different, he noted. Someone else asked why they were going straight to the 1% FLOST? Strickland replied that full penny would reduce property taxes more because they had to offset collections.

Would senior or disability exemption be affected? Strickland said they would remain the same. A resident commented that even though the voters passed this, it did include an option to participate or not. In response to another question, Strickland explained that 60% of Peachtree City's tax digest was homesteaded residential. Tyrone would really suffer, because residential was about 90% of their tax revenue. Right now, Strickland said, Peachtree City collected about $24 million in property taxes a year, and they thought about $12 million would be affected. If they did not have the exemption, in 10 years the City would be getting about $3 million or $4 million more in taxes.

Another citizen noted that FLOST could not be revenue positive. Strickland said that whatever amount the FLOST generated would be the amount that property taxes were reduced by. The millage would have to be adjusted every year.

The citizen noted that Peachtree City was a thriving commercial area, so a sales tax should benefit them, but Strickland pointed out that just because money was spent in Peachtree City did not mean all of the sales tax stayed in Peachtree City. It was a countywide collection that was distributed based on a formula agreed on by the other jurisdictions.

The citizen went on to say that citizens had made it clear that they did not want tax increases. Council should not be afraid to trim the budget. Another person asked if they had discussed what could be cut? Strickland noted that the exemption did not freeze revenue, it just slowed its growth. He said it could slow growth in City services. Again, the citizen said there must be another solution rather than raising taxes. She noted that voters voted it in as a way to lower taxes. This was a policy decision that must be made by Council, Strickland remarked.

Others were concerned that the extra penny would not cover expenses over the years, and someone else said they believed the millage rate would just be increased more than if they had opted out.

Fayette County Chief Appraiser Lee Ann Bartlett pointed out that the School Board already had a floating homestead exemption similar to this. The value on the assessment notice would still show as the fair market value of the property. The difference between the fair market value and the adjusted base rate would be the amount of the exemption.

The loss of revenue would incentivize trying to attract more commercial development and was that what they wanted to do? someone else said. Increasing the percentage of industrial and commercial would lessen the impact because they would pay more in taxes, Strickland agreed.

Learnard said anyone with follow-up questions or concerns should email them. She said she was confident that the County and other city leaders could come up with a good decision. Someone else said Peachtree City would not be as impacted by the shift in revenue as other cities, so maybe they should not state their position until the last minute. Learnard explained the process of how County and municipal officials renegotiated a formula for divvying up sales tax money every 10 years. Strickland said the FLOST would require a separate intergovernmental agreement every five years, and he expected it would be a similar distribution to LOST.

Resident Paul Schultz asked about the total budget of the City and what was covered by property tax? Strickland said SPLOST was restricted and not in the budget, but LOST was $12 million and property taxes were $24 million. The amount of property taxes almost covered the budget for Police and Fire. Schultz said cuts in Fire service, for instance, could result in higher insurance rates on his house. He also mentioned that Peachtree City's portion of his property taxes was about $1,000 a year.

Strickland added that if inflation was higher than the fair market value increase, they would use the lower number. Bartlett said that was correct, but it would be unusual. She also said the floating homestead the BOE had was better for the taxpayer than the one in HB 581 because it took the base year farther back.

The meeting then ended at 7:34 p.m.