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THE VALUE OF HOMESTEAD EXEMPTIONS IN GEORGIA

The State of Georgia offers an array of homestead exemptions to qualifying homeowners. The principal requirement is that the owner occupies the house as his or her primary residence. Other qualification factors include age, income and disability. Many counties, school districts, and cities add additional homestead exemptions; local exemptions are approved through local legislation in the general assembly.

This policy brief presents estimates of the property tax savings from homestead exemptions. Using the property tax consolidation sheets and the reported millage rates for every jurisdiction, we calculated the property tax saving for Georgia homeowners. This analysis assumes that property tax rates would be the same if homestead exemptions were eliminated, which is unlikely to be the case. Thus, our estimates overstate the savings from homestead exemptions.

In 2007, property tax reductions for state and local governments combined was over \$750 million due to homestead exemptions, an amount equal to about 7.4 percent of total property tax levies in the state and 12.2 percent of the tax on homesteaded property. Table I shows the property tax reduction due to state and local exemptions for five classes of government.

The Effect of Homestead Exemptions on Property Tax Levies

Depending on the market value of a house and the type and amount of exemption, homestead exemptions have varying effects on property tax bills. For example, let's say there are two renter occupied houses and four owner-occupied houses, the first house is worth \$100,000 and is renter occupied, the second is also worth \$100,000, but is owner occupied and the third is also worth \$100,000, but is owned and occupied by a low-income elderly couple. The fourth house is renter occupied and worth \$300,000, the fifth is also worth \$300,000, but is owner occupied, the sixth house, like the third, owned and occupied by a low-income elderly couple¹ and is worth \$300,000. The standard exemption is \$10,000 and the elderly low-income exemption is an additional \$20,000. Houses are assessed at 40 percent of market value and the tax rate is 10 mills.

Example 1 shows that homestead exemptions have a measureable effect on the final property tax bills, especially for the elderly homeowners in the lower valued home.

TABLE 1. PROPERTY TAX SAVINGS DUE TO HOMESTEAD EXEMPTIONS

Jurisdiction	State Homestead Exemptions 2007	Local Homestead Exemptions 2007	Total Homestead Exemptions 2007
State	\$2,136,878		\$2,136,878
Schools	78,396,350	345,212,803	423,609,153
Counties	42,264,696	210,999,919	253,264,615
Cities	495,121	7,472,920	7,968,041
Districts	7,847,708	61,212,800	69,060,508
All Jurisdictions	\$131,140,753	\$624,898,442	\$756,039,195

EXAMPLE 1. EXAMPLE OF THE EFFECT OF HOMESTEAD EXEMPTIONS

	House #1	House #2	House #3	House #4	House #5	House #6
Market Value	\$100,000	\$100,000	\$100,000	\$300,000	\$300,000	\$300,000
Assessed (40% of value)	40,000	40,000	40,000	120,000	120,000	120,000
Basic Homestead Exemption		(10,000)	(10,000)		(10,000)	(10,000)
Elderly Homestead Exemption			(20,000)			(20,000)
Taxable value	40,000	30,000	10,000	120,000	110,000	90,000
Levy at 10 mills	\$400	\$300	\$100	\$1,200	\$1,100	\$900

Examples of Local Homestead Exemptions

In addition to the state's homestead exemptions – most of which apply uniformly to local governments as well as the state - county, city, and school board levies may also provide for homestead exemptions. Local exemptions are not uniformly provided; local government must seek state authority for the type and amount of local homestead exemptions through the Georgia General Assembly. The use and amount of local homestead exemptions vary widely across the state. For example:

- *Fulton County* has a package of 11 homestead exemptions. There is a basic homestead exemption of \$15,000 applied to county ad valorem taxes and \$2,000 for Fulton County school taxes. Ten other exemptions, ranging from \$15,000 to \$50,000 to 100 percent of property value for county and school taxes are available to homesteaders qualifying on the basis of age, veteran status, disability, and/or income. Also, the county has a “freeze exemption” which keeps tax valuation from increasing for as long as the homeowner owns and resides in the property.
- *The City of Atlanta and the Atlanta Board of Education* also provide a wide array of homestead exemptions. Both provide a \$15,000 basic exemption available to any homesteader regardless of any type of qualifier such as age or income. In addition, there are eight other homestead exemptions – most at \$15,000 – available on the basis of age, income, disability, or veteran status. Also, the city has a “freeze exemption” which keeps tax valuation from increasing for as long as the homeowner owns and resides in the property.
- *DeKalb County* provides a basic homestead exemption of \$10,000 for county taxes and \$12,500 for school taxes. In addition, there are 11 homestead exemptions ranging from \$10,000 to \$50,000 available to homesteaders on who qualify on the basis of age, disability, veteran status, and/or age. Also, the county has a “freeze exemption” which keeps tax valuation from increasing for as long as the homeowner owns and resides in the property.
- *Lowndes County* provides a basic local homestead exemption of \$6,000 for county general taxes and \$2,000 for school property taxes. In addition, three other homestead exemptions providing \$10,000 against school taxes and either \$6,000 or \$10,000 on county general property taxes for age qualified homesteaders.
- *Greene County* provides a local homestead exemption of \$10,000 against county and school taxes for homesteaders over 65. Also, the county has a “freeze exemption” which keeps tax valuation from increasing for as long as the homeowner owns and resides in the property.

- *Bibb County* provides a basic local homestead exemption of \$5,000 for county and school property taxes and an additional \$5,000 county and school exemption for elderly owner-occupants with incomes under \$10,000.
- *Taliaferro and Union Counties* are among several that have no local homestead exemptions
- In addition to those already mentioned, 32 more counties have implemented “freeze” exemptions.”

NOTE

¹Income from retirement sources, pensions, and disability income is excluded.

ABOUT THE AUTHOR

John Matthews is a Senior Research Associate in the Fiscal Research Center in the Andrew Young School of Policy Studies at Georgia State University and a visiting professor in both GSU's Public Administration and Urban Studies and The Graduate School of City Planning at the Georgia Institute of Technology. Dr. Matthews' main research interest is in urban growth policy.

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