

# Policy Memorandum

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**SUBJECT:** “Residential Property Assessment Freeze” in Fulton County

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This memorandum presents some simple calculations of the effect of introducing a homestead exemption in Fulton County that would essentially freeze the assessed value of homestead property until the property is sold.

The following table presents some summary data on the gross property tax digest for Fulton County.

**TABLE 1. PROPERTY TAX DIGEST FOR FULTON COUNTY**

<b>Year</b>	<b>Number of Residential Parcels</b>	<b>Residential Value</b>	<b>Gross Digest</b>	<b>Residential as a Share of Total</b>
2003	223,243	\$14,813,486,400	\$40,677,695,329	36.4%
2000	201,859	9,305,279,050	31,002,553,235	30.0%
1997	187,427	6,571,788,800	23,984,981,601	27.4%
1994	176,801	5,666,159,350	20,867,544,312	27.2%

Note that residential property includes homes that are rented, i.e., residential value is greater than just the value of homesteaded property. Note also that the values are gross of any exemptions, including homestead exemptions; these exemptions differ by jurisdiction.

The increase in the number of residential parcels was 26.2%, while the increase in residential value was 126.1%. The increase in non-residential value was 70.1%.

We have tried to estimate the effect on the property tax digest if the proposed “freeze” went into effect in 1994. If there was no change in residential value, i.e., the 2003 value equaled the 1994 value of \$5.6 billion, the total gross digest in 2003 would have been \$31,530,368,279. This represents a decrease of 22.5% in taxable values. But this calculation does not allow for new construction and assumes no property sales during the period.

To adjust for those two factors, we assumed that 10% of the parcels sell each year and that the value of parcel that sell and of new construction equals the average value of parcels for that year. Base on these assumptions, the estimated value of residential property in 2003 is \$9,053,508,043, and thus the total gross digest is estimated to be \$34,917,716,972. This represents an estimated decrease in taxable value of 14.2%. In 2003, rather than residential property representing 36.4% of the total digest, with the freeze we estimate that residential would represent 25.9% of the total digest.

Given our estimate of the increase in residential property with the freeze, to maintain the same total property tax revenue, millage rates would have to increase by 14.2%, i.e., a tax of 10 mills would have had to increase to 11.42 mills. Assuming that total property tax revenue remained the same, then for every dollar of property tax that non-residential property would have paid in 2003 without the freeze, non-residential property would have to pay \$1.17 if the freeze had been imposed in 1994.

Again, these calculations are based on gross digest, not net digest, and are based on crude assumptions about the frequency of sales and the value of new construction.