



DEPARTMENT OF AUDITS AND ACCOUNTS

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Greg S. Griffin
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February 1, 2018

Honorable Jay Powell
Chairman, House Ways and Means
133 Capitol
Atlanta, Georgia 30334

SUBJECT: Fiscal Note
House Bill 677 (LC 44 0593)

Dear Chairman Powell:

The bill would create an additional homestead property tax exemption from ad valorem taxes for active duty military personnel deployed outside of the United States. The exemption applies to state, county, municipal, and school ad valorem taxes and would be proportional to the period of time the individual was deployed during the preceding calendar year. The bill's effective date is January 1, 2019, contingent upon approval by voters in November 2018.

Impact on Local Revenue

State revenue would not be impacted by the bill, because there is no state homestead ad valorem tax. However, the Carl Vinson Institute of Government (CVIOG) estimated that local governments would experience a reduction of \$2.8 million annually as a result of the bill. CVIOG noted that, over time, the revenue impact would be affected by changes in military deployment rates, the volatility of home prices, and changes in property tax millage rates; however, those changes cannot be estimated at this time. Details of the analysis are in the attached appendix.

Table 1. Estimated State and Local Revenue Loss

(\$ millions)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
State Revenue Loss	\$0	\$0	\$0	\$0	\$0
Local Revenue Loss	\$2.8	\$2.8	\$2.8	\$2.8	\$2.8

Impact on Expenditures

The bill would not result in significant new expenditures by the Department of Revenue.

Sincerely,

A handwritten signature in blue ink that reads "Greg S. Griffin".

Greg S. Griffin
State Auditor

A handwritten signature in black ink that reads "Teresa A. MacCartney".

Teresa A. MacCartney, Director
Office of Planning and Budget

GSG/TAM/mt

Analysis by the Carl Vinson Institute of Government

U.S. Census data indicate that there are approximately 9,711 residential properties in Georgia with at least one owner in active military service. These properties were allocated across the five service branches (Army, Navy, Marine Corps, Air Force and Coast Guard) in proportion to the total number of service members in each branch in Georgia. The overall U.S. deployment rate for each branch of service, as published by the Department of Defense (DoD), produced an estimate of the number of deployed Georgia homeowners.

U.S. Census data also included the estimated value of the 9,711 properties owned by those active duty military personnel. These values were allocated across the estimated number of deployed personnel by branch of service. Deployment rates indicate that an estimated 1,527 Georgia homeowners will likely be deployed in a given year.

There are also 12,000 members of the Georgia National Guard and 3,000 members of the Georgia Air National Guard subject to deployment or temporary duty that would qualify those owning homes for the tax exemption. During 2015 and 2016, 758 of these personnel were deployed. The American Community Survey indicates that homeownership for members of the National Guard or military reserves is 83%, 629 of the 758 deployments. The DoD reports that deployment periods are slightly shorter for members of the reserves and National Guard units.

Including members of the Georgia National Guard and Georgia Air National Guard brings the estimate of deployed homeowners to 2,156. The average length of deployment by branch and for reserves was used to estimate the homestead exemption for the period of deployment for these 2,156 homeowners. This calculation yielded a total property value of \$373,565,390 and a total homestead exemption based on deployment periods of \$260,901,487. Estimates of the average effective tax rate in Georgia are between 0.94 and 0.96 percent of the fair market value or total assessed value indicating local governments across the state in total may see a loss of \$2,478,564. If the average, unweighted total millage rate of 30 mills, is used, the estimated total revenue loss for all local governments is \$3,130,818. The midpoint between these two estimates, \$2,804,691, was used for the estimated revenue loss if the homestead exemption was currently in place. The revenue impact over time will be affected by changes in military deployment rates, the volatility of home values, and changes in property tax millage rates, which are unknown; therefore, it is not possible at this time to project changes from the baseline estimate of the revenue impact going forward.