



DOAA

Georgia Department
of Audits & Accounts

Greg S. Griffin
State Auditor

March 16, 2023

Honorable Chuck Hufstetler
Chairman, Senate Finance Committee
121 State Capitol
Atlanta, GA 30334

SUBJECT: Fiscal Note
House Resolution 96 (LC 43 2595)

Dear Chairman Hufstetler:

The legislation proposes to amend the state constitution to reduce the rate of ad valorem tax assessment of timber at sale or harvest, and to require state appropriations to each county, municipality, or school district affected by the reduced assessment rate. The amendment would be effective upon ratification by voters in a statewide referendum. If ratified, the reduced rate of assessment would be effective for tax years beginning on or after January 1, 2025, and the requirement for annual state appropriations to affected local governments would be effective on and after January 1, 2026.

Impact on State Revenue

Georgia State University’s Fiscal Research Center (FRC) estimated that the bill would require annual appropriations in the amounts shown in Table 1. The appendix provides details of the analysis.

Table 1. Estimated Required State Appropriations to Local Governments

(\$ millions)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Annual appropriations	\$11.5	\$11.6	\$11.7	\$11.8	\$11.9

Impact on State Expenditures

The Department of Revenue (DOR) would be able to implement the bill’s provisions with existing resources. It would require 12 weeks to make information system changes, equating to approximately \$117,000.

Respectfully,

Greg S. Griffin
State Auditor

Kelly Farr, Director
Office of Planning and Budget

GSG/KF/mt

Analysis by the Fiscal Research Center

HR 96 LC 43 2595 proposes to reduce the rate of ad valorem tax assessment of timber at state or harvest and to partially compensate local governments whose revenue is affected by this change. Timber is currently only assessed property tax at the time it is harvested and the assessed value under current law is set at 100 percent of fair market value. Under the proposed bill, the assessment ratio will fall to the same percent of fair market value as real property, 40%, beginning January 1, 2025. Beginning January 1, 2026, the state must annually make appropriations to local governments that experienced an ad valorem revenue reduction during the preceding tax year as a result of this assessment reduction as follows:

- an amount equal to 50 percent of the revenue reduction for the first 3 percent of the jurisdictions’ total timber harvest ad valorem tax revenue for the tax year and
- an amount equal to 100 percent of revenue reductions in excess of 3% percent of the jurisdictions’ total timber harvested ad valorem tax revenue for the tax year.

To estimate the revenue effects of this provision, we project forward the 100 percent values of harvested timber and the millage rates, based on the linear trend of these data from the property tax administration annual reports for 2014-2022 published by the Department of Revenue (DOR). From these projections, we calculated the baseline and proforma revenues, and the changes in revenue resulting from the assessment rate reduction, all reported in Table 2. The required compensation to local governments is provided in Table 3. The legislation does not specify precisely when the appropriated compensation must be paid but is assumed for purposes of this note to be paid by the end of the then-current fiscal year.

Table 2. Estimated Baseline and Proforma Assessed Values and Tax Revenues

(\$ millions)	TY 2025	TY 2026	TY 2027	TY 2028	TY 2029
100% Assessment	\$675.6	\$678.6	\$681.6	\$684.5	\$687.5
Baseline Revenues	\$19.7	\$19.9	\$20.0	\$20.2	\$20.3
40% Assessment	\$270.3	\$271.4	\$272.6	\$273.8	\$275.0
Proforma Revenues	\$7.9	\$7.9	\$8.0	\$8.1	\$8.1
Change in Revenue	(\$11.8)	(\$11.9)	(\$12.0)	(\$12.1)	(\$12.2)

Table 3. Required Appropriations

(\$ millions)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
50% of 1st 3% loss vs. baseline	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3
100% of remaining loss	\$11.2	\$11.3	\$11.4	\$11.5	\$11.6
Total Appropriation	\$11.5	\$11.6	\$11.7	\$11.8	\$11.9