

MEMORANDUM

To: Mayor and City Council

From: Chris Pike, Finance Director

Date: July 13, 2015

Subject: **Discussion of HOST-like Homestead Exemption**

ITEM DESCRIPTION

Discussion of HOST-like Homestead Exemption

BACKGROUND

When the Charter was drafted, a Homestead exemption was inserted to provide a tax break equivalent to what was given up by leaving the unincorporated [police] service district. In short, the HOST applies only to county taxes. When the police costs shifted from the county to the City, Dunwoody citizens no longer enjoyed the HOST credit for police service district taxes. The Dunwoody HOST-like exemption provides 1 mill of property tax reduction to qualified homeowners.

At the County level, the HOST credit is a set percentage of taxes owed after all other exemption credits are provided. Other credits include the assessment freeze credit, senior and disable credits, basic homestead credits, etc. In 2014, the HOST was 57.7% of these taxes. As a percentage of the Gross Tax Amount, the fewer non-HOST credits received, the more the HOST credit benefits a taxpayer because the 57.7% only applies to what isn't already credited. For example, looking at the actual tax bill labeled "Taxpayer A", the Gross Tax Amount is \$2,604.75. From that, the Frozen Exemption is subtracted and the Homestead Exemption is subtracted. That net amount (\$1,569.36) was then multiplied by the 57.7% to give a HOST credit of \$905.52. In this example, the HOST is 34.8% of the Gross Tax Amount ($\$905.52/\2604.75). For "Taxpayer B", there is no Frozen Exemption. The formula is the same though. The Gross Tax Amount of \$1091.29 minus the one Homestead Exemption of \$82.20 is then multiplied to give a HOST credit of \$582.25. In this second example, HOST is 53.4% of the Gross Tax ($\$582.25/\1091.29). To restate, the HOST credit percentage is applied after all other credits are given. That was the intent of the Dunwoody HOST-like credit.

As a process of verifying the information from the County for the refunds due to our Tax Assessment Freeze Exemption (aka Frozen Exemption), I recalculated the amount that should be refunded for a few of the homeowners. If you look at Taxpayer A, the value of their home has increased from the 2008 Base Year. The Frozen Exemption is showing on the County Operations line (top line) but not on the City Taxes line. This is the root of the problem being corrected. The "Net Frozen Exemption" of \$115,960 is applied at the County rate of 8.222 mills to get the County Exemption for that line of \$953.19 (\$115.96 mills at \$8.222 tax per mill). You should see a similar computation for the City Taxes line of

\$317.73 which is the 115.96 exemption at the \$2.74 per mill Dunwoody tax rate. That's the issue being corrected for 2012 through 2014 ... also to be correctly printed on the 2015 bills.

If you apply the same formula for the City's HOST-like credit that you apply for the County HOST credit, the formula for Taxpayer A would be \$868.25 Gross Tax Amount less \$317.73 Frozen Exemption Amount minus \$27.40 for the basic \$10,000 Homestead Exemption to arrive at an amount of \$523.12 before the HOST credit. The issue at hand now is what amount receives the HOST-like credit. Using the formula that's in place at the County level, the HOST-like credit would factor the Frozen valuation. Taxpayer A would be \$200.92 in HOST-like credit. They would then owe \$322.20 in City Taxes for the \$792,200 owed. (\$868.25 minus 27.40 basic homestead minus 317.73 frozen exemption minus \$200.92 HOST-like). However, if you compute the HOST-like credit on the full valuation of the home, the HOST-like credit of one mill becomes \$316.88 (\$316,800 assessment at 1 mill) instead of the \$200.92 using the Frozen valuation.

The intent was to apply the exemption just as HOST was done. The language in the charter isn't as clear though. After speaking with the City Attorney and the City Manager, the charter is open to interpretation. The charter reads for the HOST-like credit,

"Each resident of the City of Dunwoody is granted an exemption on that person's homestead from City of Dunwoody ad valorem taxes for municipal purposes in an amount that provides the dollar equivalent of a one mill reduction of the millage rate applicable to the homestead property with respect to ad valorem taxes for municipal purposes for the taxable year. The value of that property in excess of such exempted amount shall remain subject to taxation."

For the Frozen exemption the charter reads,

"Each resident of the City of Dunwoody is granted an exemption on that person's homestead from City of Dunwoody ad valorem taxes for municipal purposes in an amount equal to the amount by which the current year assessed value of that homestead exceeds the base year assessed value of that homestead."

One could interpret the exemptions are calculated independent of each other. One could interpret the exemptions to calculate just as the HOST is done. In 2016, the City should request legislation to clarify exactly what we want to remove this confusion. In the meantime though, staff needs clarification as to what will be requested so we can apply that interpretation to the refunds and the 2015 bills. If applied independently, a situation is created where the tax before the HOST-like credit remains constant due to the Frozen Exemption, but the total tax due continues to drop with the HOST-like credit increasing over time. Eventually, you have a situation where two homeowners have identically valued homes where one homeowner owes property taxes and the other homeowner does not owe anything. If applied as the HOST credit is applied, the homeowner's net property taxes owed would remain constant as long as they remain in the same [unimproved] home.

RECOMMENDED ACTION

It is respectfully requested that Council provide direction to staff on how to instruct the County to apply the HOST-like homestead exemption of 1 mill either to the full assessed value of the home or to the frozen value of the home.



2014 DEKALB COUNTY REAL ESTATE TAX STATEMENT

PAY ONLINE AT www.yourdekalb.com/taxcommissioner
OR BY PHONE AT 404-298-4000

#12.

CLAUDIA G. LAWSON
TAX COMMISSIONER

OWNER
CO-OWNER
PARCEL I.D. \ PIN
PROPERTY ADDRESS
TAX DISTRICT

APPRAISAL VALUES AND EXEMPTION INFORMATION

TOTAL APPRAISAL	792,200	EXEMPTION CODE	H1F
40% ASSESSMENT	316,880	BASE ASSESSMENT FREEZE	200,920
APPEAL ASSESSMENT	0	NET FROZEN EXEMPTION	115,960

YOUR TOTAL TAX SAVINGS FOR THIS YEAR IS \$3,646.51. THIS YEAR THE STATE PORTION OF YOUR TAX BILL IS BEING REDUCED AND WILL GRADUALLY BE ELIMINATED FROM YOUR TAX BILL. THIS TAX RELIEF WAS PASSED BY THE GOVERNOR AND THE HOUSE OF REPRESENTATIVES AND THE GEORGIA STATE SENATE.

COUNTY GOVERNMENT TAXES													
Levied by the Board of Commissioners: representing 13.68% of your tax statement													
TAXING AUTHORITIES	TAXABLE ASSESSMENT	X	MILLAGE	=	GROSS TAX AMOUNT	-	FROZEN EXEMPTION	-	CONST-HMST EXEMPTION	-	HOST CREDIT	=	NET TAX DUE
COUNTY OPNS	316,880		.0082200		2,604.75		953.19		82.20		905.52		663.84
HOSPITALS	316,880		.0008000		253.50		92.77		8.00		88.13		64.60
COUNTY BONDS	316,880		.0000100		3.17		1.15		0.00		0.00		2.02
UNIC BONDS	316,880		.0016700		529.19		193.65		0.00		0.00		335.54
FIRE	316,880		.0028700		909.45		332.81		28.70		316.16		231.78
TOTAL COUNTY TAXES												\$1,297.78	
BOARD OF EDUCATION - SCHOOL TAXES													
Levied by Board of Education: representing 76.93% of your tax statement													
TAXING AUTHORITIES	TAXABLE ASSESSMENT	X	MILLAGE	=	GROSS TAX AMOUNT	-	FROZEN EXEMPTION	-	CONST-HMST EXEMPTION	-	HOST CREDIT	=	NET TAX DUE
SCHOOL OPNS	316,880		.0239800		7,598.78		0.00		299.74		0.00		7,299.04
TOTAL SCHOOL TAX												\$7,299.04	
STATE & CITY TAXES, AND OTHER CHARGES													
Levied as applicable by State, City, or County: representing 9.39% of your tax statement													
TAXING AUTHORITIES	TAXABLE ASSESSMENT	X	MILLAGE	=	GROSS TAX AMOUNT	-	FROZEN EXEMPTION	-	CONST-HMST EXEMPTION	-	HOST CREDIT	=	NET TAX DUE
STATE TAXES	316,880		.0001000		31.68		0.00		0.20		0.00		31.48
CITY TAXES	316,880		.0027400		868.25		0.00		344.29		0.00		523.96
DEKALB SANI	1 UNIT(S)		265		265.00		0.00		0.00		0.00		265.00
CITY SWTR FEE	1 UNIT(S)		70.09		70.09		0.00		0.00		0.00		70.09
TOTAL STATE, CITY AND OTHER ASSESSMENTS												\$890.53	
TOTAL PROPERTY TAXES													
			TOTAL MILLAGE		GROSS TAX AMOUNT		FROZEN EXEMPTION		CONST-HMST EXEMPTION		HOST CREDIT		NET TAX DUE
			0.040390		13,133.86		1,573.57		763.13		1,309.81		\$9,487.35
TOTAL DUE												\$9,487.35	

OUR RECORDS INDICATE THAT A MORTGAGE COMPANY IS RESPONSIBLE FOR PAYMENT OF TAXES. IF A MORTGAGE COMPANY IS NOT RESPONSIBLE, PLEASE SUBMIT PAYMENT AS FOLLOWS:

MAKE YOUR CHECK PAYABLE TO:

DEKALB COUNTY TAX COMMISSIONER
P.O. BOX 100004
DECATUR, GA 30031-7004
PAY BY PHONE - (404)298-4000 or
online at www.yourdekalb.com/taxcommissioner

DUE DATE

NOVEMBER 15, 2014

**5% PENALTY FOR LATE PAYMENT
RETURN COUPON WITH PAYMENT**

PARCEL I.D.	
TOTAL ANNUAL TAX	\$9,487.35
INSTALLMENT AMOUNT DUE	\$4,743.67
ENTER AMOUNT PAID	

SECOND INSTALLMENT

1 of 1
152644/47/680/1



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IF MAKING FULL PAYMENT, TAXES MUST BE PAID ON OR BEFORE September 30, 2014

MAKE YOUR CHECK PAYABLE TO:

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PAY BY PHONE - (404)298-4000 or
online at www.yourdekalb.com/taxcommissioner

DUE DATE

SEPTEMBER 30, 2014

**5% PENALTY FOR LATE PAYMENT
RETURN COUPON WITH PAYMENT**

PARCEL I.D.	
TOTAL ANNUAL TAX	\$9,487.35
INSTALLMENT AMOUNT DUE	\$4,743.68
ENTER AMOUNT PAID	

FIRST INSTALLMENT



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2014 DEKALB COUNTY REAL ESTATE TAX STATEMENT

PAY ONLINE AT www.yourdekalb.com/taxcommissioner
OR BY PHONE AT 404-298-4000

#12.

CLAUDIA G. LAWSON
TAX COMMISSIONER

OWNER
CO-OWNER
PARCEL I.D. \ PIN
PROPERTY ADDRESS
TAX DISTRICT 50 DUNWOODY

APPRAISAL VALUES AND EXEMPTION INFORMATION

TOTAL APPRAISAL 331,900 **EXEMPTION CODE** H1F
40% ASSESSMENT 132,760 **BASE ASSESSMENT FREEZE** 152,840
APPEAL ASSESSMENT **NET FROZEN EXEMPTION** 0

YOUR TOTAL TAX SAVINGS FOR THIS YEAR IS \$1,421.24. THIS YEAR THE STATE PORTION OF YOUR TAX BILL IS BEING REDUCED AND WILL GRADUALLY BE ELIMINATED FROM YOUR TAX BILL. THIS TAX RELIEF WAS PASSED BY THE GOVERNOR AND THE HOUSE OF REPRESENTATIVES AND THE GEORGIA STATE SENATE.

COUNTY GOVERNMENT TAXES											
Levied by the Board of Commissioners: representing 19.58% of your tax statement											
TAXING AUTHORITIES	TAXABLE ASSESSMENT	X	MILLAGE	=	GROSS TAX AMOUNT	-	FROZEN EXEMPTION	-	CONST-HMST EXEMPTION	=	NET TAX DUE
COUNTY OPNS	132,760		.0082200		1,091.29		0.00		82.20		426.84
HOSPITALS	132,760		.0008000		106.21		0.00		8.00		41.54
COUNTY BONDS	132,760		.0000100		1.34		0.00		0.00		1.34
UNIC BONDS	132,760		.0016700		221.72		0.00		0.00		221.72
FIRE	132,760		.0028700		381.02		0.00		28.70		149.02
TOTAL COUNTY TAXES											\$840.46
BOARD OF EDUCATION - SCHOOL TAXES											
Levied by Board of Education: representing 67.18% of your tax statement											
TAXING AUTHORITIES	TAXABLE ASSESSMENT	X	MILLAGE	=	GROSS TAX AMOUNT	-	FROZEN EXEMPTION	-	CONST-HMST EXEMPTION	=	NET TAX DUE
SCHOOL OPNS	132,760		.0239800		3,183.58		0.00		299.76		2,883.82
TOTAL SCHOOL TAX											\$2,883.82
STATE & CITY TAXES, AND OTHER CHARGES											
Levied as applicable by State, City, or County: representing 13.24% of your tax statement											
TAXING AUTHORITIES	TAXABLE ASSESSMENT	X	MILLAGE	=	GROSS TAX AMOUNT	-	FROZEN EXEMPTION	-	CONST-HMST EXEMPTION	=	NET TAX DUE
STATE TAXES	132,760		.0001000		13.28		0.00		0.20		13.08
CITY TAXES	132,760		.0027400		363.76		0.00		160.16		203.60
DEKALB SANI	1 UNIT(S)		265		265.00		0.00		0.00		265.00
CITY SWTR FEE	1 UNIT(S)		70.09		70.09		0.00		0.00		70.09
CITY STLIGHT	50 UNIT(S)		.33		16.50		0.00		0.00		16.50
TOTAL STATE, CITY AND OTHER ASSESSMENTS											\$568.27
TOTAL PROPERTY TAXES											
TOTAL MILLAGE	GROSS TAX AMOUNT	-	FROZEN EXEMPTION	-	CONST-HMST EXEMPTION	-	HOST CREDIT	=	NET TAX DUE		
TOTAL DUE	0.040390		5,713.79		0.00		579.02		842.22		\$4,292.55

MAKE YOUR CHECK PAYABLE TO:

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online at www.yourdekalb.com/taxcommissioner

DUE DATE

NOVEMBER 15, 2014

**5% PENALTY FOR LATE PAYMENT
RETURN COUPON WITH PAYMENT**

PARCEL I.D.	
TOTAL ANNUAL TAX	\$4,292.55
INSTALLMENT AMOUNT DUE	\$2,146.27
ENTER AMOUNT PAID	

SECOND INSTALLMENT

1 of 1
148891/47/664/1



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IF MAKING FULL PAYMENT, TAXES MUST BE PAID ON OR BEFORE September 30, 2014

MAKE YOUR CHECK PAYABLE TO:

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DUE DATE

SEPTEMBER 30, 2014

**5% PENALTY FOR LATE PAYMENT
RETURN COUPON WITH PAYMENT**

PARCEL I.D.	
TOTAL ANNUAL TAX	\$4,292.55
INSTALLMENT AMOUNT DUE	\$2,146.28
ENTER AMOUNT PAID	

FIRST INSTALLMENT



021608571500000214628200000429-103-