



FULTON COUNTY TAXPAYERS FOUNDATION

501©(3) Non-Profit Advocate of Lower Property Taxes in Atlanta/Fulton

November 2007

A Realistic Approach To Reduce & Stabilize Property Taxes!

“During the last ten years, property reassessments in Fulton County have increased by 122%. Such mammoth increases are the primary source of property tax increases.”

John Cunningham
Former Chief Appraiser, Fulton Co. (2003)

All of us agree that Property Taxes in Fulton County and Georgia are too high, in spite of the fact that the highly respected Tax Foundation ranks the State of Georgia 37th (among the lowest third) in terms of Property Tax as a percentage of income, and toward the lowest in all other measurements of Property Tax burdens.

Two highly-respected legislators have introduced two different approaches toward reducing Property Taxes. House Speaker Glenn Richardson has sponsored House Resolution 900, a Constitutional Amendment which, if passed by 2/3 of the State Legislature and a majority of the voters, would completely eliminate the current Property Taxes throughout the State of Georgia, replacing the lost revenue with an Income Tax of 4% plus a State Sales Tax of 4% on food, clothes and basic services. A second plan, sponsored by Representative Edward Lindsey, District 54, proposes to follow the lead of 42 other states by capping the annual property reassessments by 3% or the rate of inflation, whichever is lower.

Although, much to his credit, Speaker Richardson is trying to alleviate the burden of Property Taxes, there are some serious problems associated with HR 900:

Local Governments' Power & Authority Would Be Curtailed:

Local governments – schools, cities and counties – are more responsive to their citizens than state government. Professor David Brunori, Professor of Public Policy at George Washington University, has recently written:

“Relying on political leaders in the State Capital to fund local services, such as schools, police, fire, etc. almost guarantees those and other essential public services will be inadequately funded. When your street light is out, your potholes are unfilled, and no one is answering 911, who will you call?”

HR 900 Lacks Any Feasibility Study:

On October 2nd, I called Speaker Richardson's office to request a copy of the Feasibility Study on HR 900. I was told by Ms. Charlotte Shockley, Administrative Assistant to Speaker Richardson,

“There is no Feasibility Study at this time.”

How can the taxpayers consider such a drastic change without any specificity on projected annual revenues to cover city, county and school services. Is 4% income tax and 4% state sales tax sufficient? What happens in time of recession when income and sales taxes are significantly reduced? If a city, county or school district is in need of additional

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funding, it would be completely dependent on the State or would have to raise additional sales tax through a referendum. Here are the words of Dr. Don Rooks of the Georgia School Boards Association:

“The Georgia School Boards Association believes that it would be a mistake to abolish property taxes. Loss of all local funding means reliance on the State for full funding. Local school systems could not generate funds beyond those provided by the State, unless a local school system raises additional Sales Taxes through a referendum. Under the proposed funding mechanism, how would local school systems overcome existing under-funding and austerity cuts? How would they provide stability of education in times of economic downturn? Overcome the challenges of population growth?”

Speaker Richardson States That “ Citizens Can Control What They Spend.”

Food, clothes and basic services are life’s necessities. The typical middle-class family of four spends \$12,384 annually on food alone. At 4% Sales Tax, the food alone will cost an additional \$495.36 per year! Clothing and basic services are also necessities that cannot be controlled. In the event of a recession the Sales Tax is bound to increase to 5%, 6%, 7 % or higher. Under these circumstances, any reasonable person could visualize inner-city poor and moderate income families rioting against such oppressive taxation.

To compound the possible shortage of State Revenue, on October 2nd, addressing the Association of County Commissioners of Georgia, Speaker Richardson stated that his plan to eliminate property taxes is just a first step – he also plans to eliminate the State Income Taxes. The anomaly is that the Speaker’s Resolution 900 includes a provision of 4% State Income Tax in addition to the 4% State Sales Tax. The Speaker said:

“I would like to have one tax in Georgia based on what you spend.”

Unfortunately, a State Sales Tax will fluctuate with the economy, affecting the poor and the middle-class harder because these groups spend a higher percentage of their income on necessities.

What States Have Passed The Elimination of Property Taxes?

During the past ten years, seven State Legislatures have considered the proposal, but not a single State has passed this type of legislation! In contrast, 42 states have passed the capping or the freezing of their property reassessments. How effective has capping been? On the 10th anniversary of Illinois Tax Caps, Professor Richard F. Dye wrote a paper for the University of Illinois Institute of Government and Public Affairs, titled “Ten Years of Tax Caps in Illinois.” The conclusion:

“Illinois’s tax cap is not a panacea for all that ails the property tax and the system of government finance, but it appears to have been successful at constraining the growth of property taxes.”

Proposed Alternative To Reducing Property Taxes

According to the National Conference of State Legislatures, forty-two states and the District of Columbia alleviate or shift property tax burdens through freezing or limiting assessed property values, property tax rates or property taxes. Of the 42 states with property tax limits, 31 have tax rate limits, 20 and the District of Columbia have caps on increases in assessed property values, and 23 have limits on property taxes.

Out-of-control increases in property reassessments are driving property taxes to an unaffordable level for a growing number of Georgia homeowners. In 2005, when inflation was 3.4%, 68.9% of all homeowners in Fulton County had increased reassessments up to 20%, while 30.5% of all homeowners had increases over 20%, including 7.9% of homeowners with increases of over 50%. Since 1992, increased reassessments have been the primary driver of increased property taxes. The present out-of-control increases are forcing many elderly homeowners on fixed income and many moderate-income homeowners to become delinquent in the payment of their property taxes, causing more home liens and forced sales. Many young first time home buyers are having serious problems meeting their unexpected tax increases.

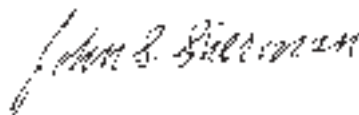
Representative Edward Lindsey of the 54th District has sponsored House Resolution 3 to cap property reassessments – residential, commercial and farm - by a maximum of 3% annually or the cost-of-living index, whichever is lower. This Resolution meets the current revenue needs for Georgia's schools, cities and counties and offers taxpayers a predictable and steady property tax. Equally important, it maintains the local authority of the school districts, the cities and counties.

With each annual reassessment, cities, counties and school districts have shared an annual revenue “bonanza” which has been characterized by the Atlanta Journal & Constitution as “a back-door tax.” With the capping of reassessments, cities, counties and school districts will still be able to increase revenue through the 3% cap or the cost-of-living provision. Moreover, if any city, county or school district needs additional tax revenue, increasing the tax millage will still be an alternative. This will require public discussion and a vote by elected officials, with voters having the opportunity to hold these elected officials accountable.

The Capping Resolution is co-sponsored by House Majority Leader Jerry Keen, Majority Caucus Chair Sharon Cooper, Ethics Chairman Joe Wilkinson, and many other Senators and Representatives. Last year, the Resolution passed the Senate and was approved by the House Ways & Means Committee. Unfortunately, the House was not given the opportunity to vote on the Capping Resolution HR3.

It is in the best interest of the Georgia taxpayers for the Georgia Legislature to pass the Capping Resolution in the 2008 General Assembly and for the taxpayers of Georgia to approve of such capping on the November 2008 ballot.

Kind regards,



John S. Sherman
President

Summary Comparison Table

	Status Quo	Capping Tax Reassessments	House Resolution 900
Description	Maintaining existing real estate property tax structure	Capping reassessments at a maximum of 3% annual increase or the cost of living, whichever is lower.	Replace current property taxes with a 4% personal income tax and a 4% state sales tax.
Projected Revenues for Georgia	* \$9.7 Billion	* \$9.7 Billion	**Indeterminate
Who Benefits	No one	All income groups	***Special Interest Groups
Who Manages	Local Counties, Cities, and School Districts	Local Counties, Cities, and School Districts	State
#States Which Have Adopted	8 states	****42 states	0 states

- * **Source: Ga. Dept. of Revenue** – Total of property taxes on land, buildings, and vehicles on which governments in Georgia collected property taxes in 2006 .
- ** **Source: Ga. Dept. of Revenue** – Income and sales taxes are affected by economic conditions and will vary from year to year.
- *****Source: Ga. Dept. of Revenue** – Owners of commercial, industrial, utilities, timber and agricultural properties in Georgia paid \$3.7 billion in property taxes last year to local governments. Under House Resolution 900 these taxes would be eliminated.
- **** **Source: National Conference of State Legislatures** – “42 States and D.C. have property tax limitations, 31 states have tax rate limits, 20 states and D.C. have caps on increases in assessed value, 23 have limits on property taxes.”

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