

What's Going on With Property Tax Assessments?

by Joel Black

In the 1990s's and early to mid 2000's, the State and Local Government industry in the United States went through a period of steady increases in the value of assessments of property for taxation purposes. This led to many jurisdictions being able to fund the rising costs of providing services with no significant increase in the millage rates for property taxes and often allowing for millage rate reductions. As we all know, the United State's economy, and in particular Georgia's economy, took a nose dive in 2008 which continued into 2009 and 2010. How has this economic downturn impacted property tax revenue for local governments in Georgia? While not a scientific study, the following article provides an analysis of data related to this subject.

Property Tax Background

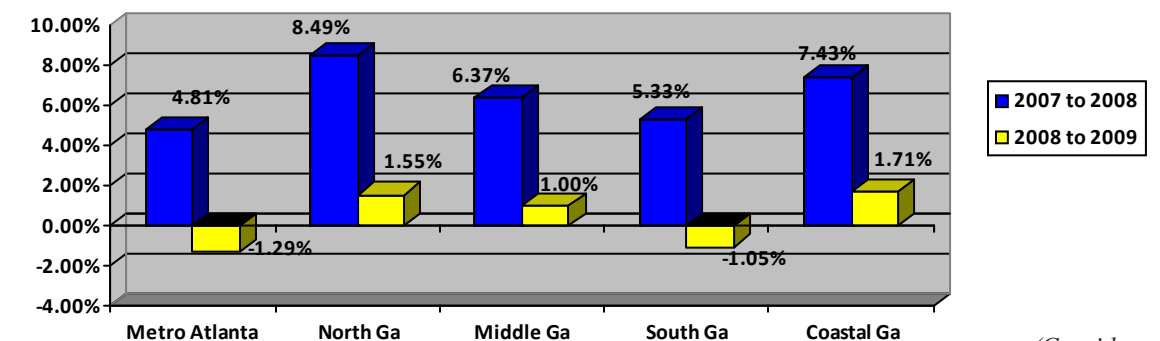
Property taxes are billed in the fall of a given year based on the assessed value of property as of January 1st of that same year. For example, a government with a June 30, 2010 fiscal year end, billed property taxes in the fall of 2009 based on the assessed value of property as of January 1, 2009. In a simplistic model, the governing body of a jurisdiction would have determined their budgeted expenditures for fiscal year 2010 and then used the January 1, 2009 assessments to determine the millage rate they needed to approve in order to have property tax revenue to cover the expenditures for the year.

Sample of What's Happening in Georgia

In order to look at the recent trend in property taxes, we took a non-statistical sample of twenty-five (25) county governments in Georgia, broken out by five (5) different regions of the state. Because the idea was to look for trends in data, and it is difficult to compare the services which may be delivered by each county and cities within them, we used standard tax digest information obtained and certified by the State of Georgia Department of Revenue. We used only the unincorporated, net M&O tax digest for each county in order to ensure we compared apples to apples. The analysis below identifies the trends in this information.

Trend in Property Tax Assessed Values

The following chart shows the percentage change in the assessed value of property between 2007 and 2008 valuations and between 2008 and 2009 valuations. For each region, we averaged the percentage that the assessed value changed from the previous year for the five counties selected from the five regions in order to show a general trend in the assessed values. The results are presented below:



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Our Resources

As always, we are available as a resource to you as questions arise related to ARRA funding. We will be in this "together" as both auditor and auditee alike will have to keep up with evolving and fluid guidance from the Federal and State governments.

Please contact any of our government partners and managers listed here, at 1-800-277-0050 if we can help.

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This shows that the increases from 2007 and 2008 (which were what the state had become accustomed to) significantly changed in 2009 when there was a drastic decrease in the change in assessed values. In only two areas, Metro Atlanta and South Georgia, did the selected jurisdictions values actually decrease, but in all areas, the change was significantly less than the change from the year before. Keep in mind two things:

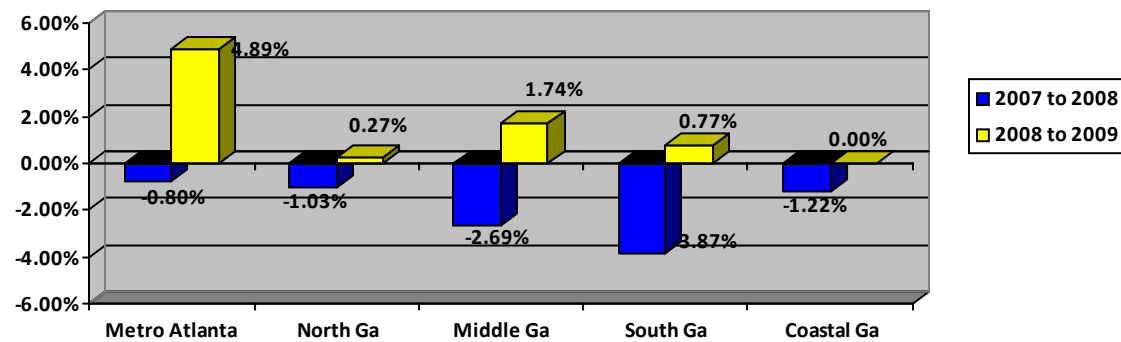
- 1) The economy really took a downturn in the latter half of calendar year 2008, and
- 2) The tax assessment process in many counties is a two or three year cycle and often times is slow to react to changes in the “real” values of property.

These factors cause us to have concern that the January 1, 2010 (which were unavailable from the Department of Revenue as of this article being written) assessed values will be significantly lower than 2009 and that even then, we still probably haven’t seen the full impact of the economic recession on property tax assessed values in Georgia. These decreases could continue to the January 1, 2011 and 2012 assessed valuations.

The irony of a government’s situation is that when economic times become tough and the resources it has to spend on services to its citizens decrease, the demand for its services often increases. This increased demand for services and the types of costs governments typically have (often 70% or more are personnel costs) have made it hard for governments to reduce budgeted expenditures – although many have. However, if budgeted expenditures are not reduced, or not decreased, then the only part of the budget equation that can move is to increase the millage rate charged to taxpayers on the lower assessed values.

Trend in Property Tax Millage Rates

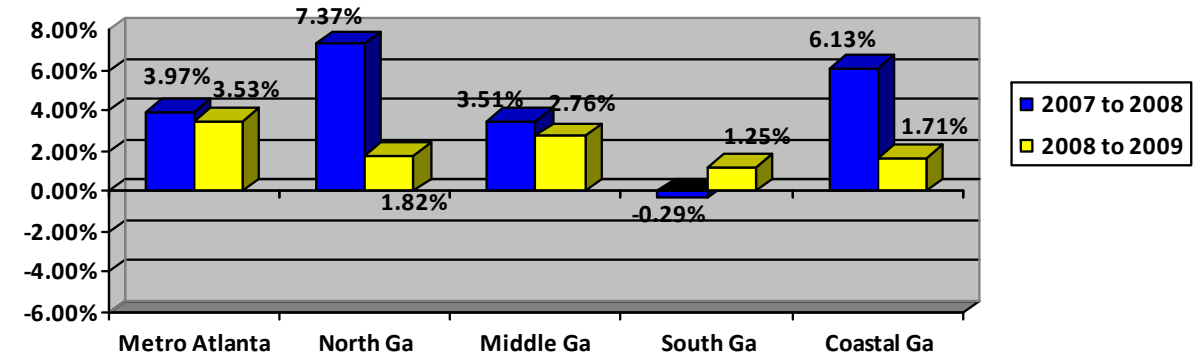
The following chart shows the percentage change in the millage rates charged on property between 2007 and 2008 and between 2008 and 2009. For each region, we averaged the percentage by which the millage rate changed for the five counties selected from the five (5) regions in order to show a general trend in these rates. The results are presented below:



This shows that the aforementioned impact of changes in assessed values on millage rates did, in fact, occur. In response to increases in assessed values from 2007 to 2008, these counties were able to reduce millage rates; however in 2009, when assessed values decreased (or only increased slightly), then millage rates were increased. In only one area, Coastal Georgia, did the selected jurisdiction’s millage rate stay even, and this region showed the highest increase in assessed value over that same period. When the assessed values of property are combined with the millage rates charged, you get the total amounts taxed. The next section shows that end result.

Trend in Property Taxes Levied

The following chart shows the percentage change in the taxes levied on property between 2007 and 2008 and between 2008 and 2009. For each region, we averaged the percentage by which property taxes levied changed for the five (5) counties selected from the five (5) regions in order to show a general trend in the taxes. The results are presented below:



This shows that when the change in assessed value and the change in millage rates are combined, the total taxes charged continue to increase at similar rates.

Bottom Line

The end result of this analysis is that local governments appear to have compensated for the lower assessed values with higher millage rates so that taxes have not been significantly impacted in a negative way. However, as previously noted, the lag in the reduction in assessed values has not yet fully hit the tax rolls of Georgia governments, and you should be prepared to continue to have difficult choices ahead of you regarding millage rate increases or expenditure reductions.

OMB Issues Updated Guidance on ARRA

The Office of Management and Budget published additional guidance to federal agencies and American Recovery and Reinvestment Act (ARRA) recipients covering the following areas:

- Guidance on the applicability of ARRA reporting requirements to the Education jobs Fund
- Updated guidance on reporting procedures
- Changes for federal contractors

Improving transparency of narrative descriptions in recipient reporting

The guidance is available at <http://www.whitehouse.gov/sites/default/files/omb/memoranda/2010/m10-34.pdf>

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