EXPLANATION OF NOTICE OF PROPERTY TAX INCREASE

After the annual digest is prepared, if the county estimates it will collect more in property taxes than the year before because of increased assessment values, there is an option to either rollback the millage rate, or leave it unchanged.

The Taxpayer Bill of Rights (TABOR) law, adopted by the Georgia General Assembly in 1999, distinguishes inflationary from real assessment growth during the course of preparing the tax digest. The TABOR law intended to prevent "backdoor" tax increases resulting from inflated assessment growth in the tax digest, versus increases resulting from physical growth generated from the addition of new or improved properties. The circumstances that have generated this particular notice are not the kind of "backdoor" or indirect tax increase that the TABOR law originally contemplated.

The inflationary growth in reassessed properties that occurred during the past year is caused by three factors: 1) from properties such as apartments, offices and stores, that are assessed according to net income earned in proportion to their property values, which has grown faster than the inflation rate - a frequent occurrence in a recovering economy; 2) from increased sales prices for normal housing transactions; and, 3) from distressed properties which are sold and assessed at the discounted sales price for the first year, and then reassessed at fair market value thereafter, by mechanism of a state law passed in 2010. The $285,000 +/- in additional ad valorem property tax generated represents approximately one percent in revenue growth. This is well below most accepted and well known measures of inflation.

Pursuant to state law, for Bulloch County to legally claim it isn't raising taxes for 2017, it would have to reduce the current millage rate of 12.34 mills to a rollback rate of 12.191 mills. The requirement to notify taxpayers that the decision not to rollback the millage rate must be represented as a tax increase is a distortionary statement. State law requires the tax increase notice to state that the 12.34 millage rate would cost an additional $7.15 for a taxpayer, whose home was worth $125,000 in 2017, depending on their use of a homestead exemption. If the millage rate remains the same, it will not impact individual homeowners as long as their assessment value does not change. If a homeowner has done nothing to raise the value of their property since last year they will see no increase in their tax bill. This is reflected by a notice of assessment that property owners recently received in the mail from the Tax Assessor's office. It is more accurate to state that the millage rollback would save homeowners these amounts, rather than implying that they would pay more.

Yet another distortion required by state law is that the Board of Commissioners has not tentatively adopted a millage rate. Use of the phase "tentatively adopted" applies only to the legal notice since no action has been taken, tentatively or otherwise, to adopt a millage rate. While the County Manager has made a recommendation not to roll back the millage, no action will be taken until August 22.

In 2015, the Board of Commissioners increased the millage rate from 10.44 mills to

12.34 mills. This millage rate increase was needed to meet specific goals of a five-year financial plan to remediate the county's declining financial condition, and to provide additional resources that were immediately needed for law enforcement, judicial support and first response emergency personnel. If the financial plan is not negatively affected by outside events, it is possible that more substantial tax relief in the form of future rollbacks can be achieved, when the county's financial position is restored and if there are no critical service demands.

The current financial plan and service demands of the county would be compromised with the loss of revenue generated by a millage rollback, particularly until fund reserves are restored. Unlike private business, the success of the county's financial model is not determined by profit and loss, or returns on investment in the form of shareholder dividends. Instead, it is governed by working within its means, and by setting a reasonable rate of taxation to provide services to protect and enhance the health, safety and welfare of the entire community, as expressed by its citizens, and the by requirements dictated from higher levels of government. The county cannot further resort to using additional reserves to fund operations at the risks of lowering the county's credit ratings, and affecting cash flows by creating the need to borrow in anticipation of property tax receipts.

Bulloch County's population growth will continue. Therefore, the need to address service demands at an appropriate level, now and in future is an on-going challenge. The costs for law enforcement, court and social services, infrastructure maintenance, and solid waste management have risen disproportionately to the amount of property tax, and other revenues generated. Increases in criminal activity, fire incidents, traffic congestion and other factors have placed demands on the county to adequately staff and equip additional personnel, and to upgrade and maintain capital resources.

As they always have, the Board of Commissioners must meet the on-going challenges for balancing competing and increasing demands for services into cost outputs, and to properly measure and generate the inputs needed from taxes and other revenues. In considering the County Manager's fiduciary recommendation not to rollback the millage rate, the Board of Commissioners is being asked to weigh prudence in the form of financial responsibility, versus popularity in the form of tax relief.

As such, the county will welcome the opportunity to discuss this issue through the advertised hearings and other available means.