

## Ad Valorem Tax Duties of the State and the County Board of Tax Assessors

Ad valorem (according to value) or property tax is the primary source of revenue for local counties and schools in Georgia and a major source of revenue for cities. Each of the 159 Georgia counties has tax offices that assess and collect property tax.

The Local Government Services Division is an operative arm of the Georgia Department of Revenue, the state agency that is responsible for overseeing certain aspects of the local process to see that property taxes are assessed uniformly and otherwise administered properly by county tax officials. We accomplish this goal by providing training, guidance, and technical assistance to county tax officials and issuing, when necessary, orders to counties to correct errors in their tax rolls (digests) or assessment procedures.

County boards of tax assessors have designated as the responsible party to assess all properties within a county uniformly and equally at 40% of fair market value, unless another level of assessment or value is authorized in the Constitution.

- Uniformity of assessments is required in the Constitution of the State of Georgia by this statement: "...all taxation shall be uniform upon the same class of subjects within the territorial limits of the authority levying the tax."
- 48-5-2 defines "Fair market value of property" as the amount a knowledgeable buyer would pay for the property and willing seller would accept for the property at an arm's length, bona fide sale.
- "Arm's length, bona fide sale" is defined (as of January 1, 2011) as a transaction which has occurred in good faith without fraud or deceit carried out by unrelated or unaffiliated parties, as by a willing buyer and a willing seller, each acting in his or her own self-interest, including but not limited to a distress sale, short sale, bank sale, or sale at public auction.

The State's role in the ad valorem tax process is to equalize county property tax digests between and within counties and provide guidance to county boards of tax assessors in making adjustments in property valuations so as to ensure uniformity and equalization of assessments for all property owners. The county tax digests are reviewed by the Revenue Commissioner, through the Local Government Services Division.

The statistical review is based on an annual audit, Sales Ratio Study, performed by the Sales Ratio Division of the Department of Audits. The sales ratio study compares the county's assessed values on the tax digest to recent sales data that has occurred in the county.

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- For example, the sales to assessment ratio is 30.83% for a property in a county that sold for \$120,000 (a qualified arm's length sale) that is assessed at \$37,000. This ratio falls significantly below the statutorily required 40%

DOR uses the results of the Sales Ratio Study for each county for our annual review of tax digests and also to determine the equalized ratio for the assessment of public utility properties.

- Annually a digest is reviewed to determine if the level of assessment is at least 36% of fair market value (sales prices are compared to the 40% assessment for the property on the tax digest). If the overall level of assessment is below 36% the county is assessed for the amount of state tax that would have been produced if the digest had been at the proper assessment level, and the amount that the digest actually produced for collection purposes.
  - o For the 2008 tax digest year the statewide ratios ranged from a low of 24.53% to a high of 40.28%.
  - o 33 counties were assessed for additional state tax in the amount of \$1.35M.
- Every third year a county tax digest is subject to extensive statistical testing to determine if the level of assessment, uniformity, and assessment bias within the classes of property (residential, commercial, agricultural, industrial, etc.) meet the minimum standards. If deficiencies are found, the county is notified of the findings and has until the next 3-year review cycle to correct cites. In the event a digest fails in the subsequent review for the same deficiency, a \$5/parcel penalty is assessed.
  - o Of the 53 counties in the 3-year review cycle for the 2008 tax digests, 23 of the counties were deficient.
  - o 3 counties were subject to the \$5/parcel penalty.

If the state's role in reviewing county tax digest did not exist, a greater lack of uniformity between and within a county would likely exist.

When counties conduct revaluations, they often use the phrase "The State made us do it," to divert attention rather than acknowledge that it is their Constitutional duty to assess property fairly and uniformly at 40% of fair market value. They also refer to the 3-year review cycle as being the reason for value changes. Many taxpayers are also under the impression that values can only increase a mandated percentage from one year to the next or from one reassessment to the next. However, since fair market value is the target every year there is no mandated cycle for property values to be reviewed and changed – up or down -- if necessary. Counties that update values annually have less taxpayer complaints regarding the amount of increase in property values. The opposite is true when a county does not frequently update values. When the increases are substantial, the "sticker shock" typically results in large number of appeal filed and taxpayer complaints.

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The Revenue Commissioner has been given the responsibility for the annual assessments of properties belonging to public utilities, railroad and airlines to ensure that these properties are assessed at the same overall average assessment level as other property in each county. Each utility company is required to annually return their properties indicating location, description, type of property and the company's estimate of value. The Commissioner's staff inspects these returns to ensure accuracy of each utility company's declarations and the State Board of Equalization must approve the digest of public utility values and equalization ratios prior to notification to the counties the public utility companies. In determining each county's proposed assessed public utility values, the Commissioner utilizes the equalization ratios developed by the State auditor based on the results of the sales ratio study performed for the prior year digest. This method ensures that proposed public utility values are set at the same overall average assessment level as other properties.

The Revenue Commissioner also has the duty to provide the table of current use values for use in all counties for properties in the Conservation Use Covenant and the Forest Land Protection Act Covenant. These values are based upon a legislated formula which takes into account the amount of income the land is capable of producing when growing certain crops or timber and factors found in market data using only sales when the property is continued in the same or comparable agricultural or timber production use. All other property values are the responsibility of the county board of tax assessors.