

Written Comments  
to  
Special Council on Tax Reform  
and  
Fairness for Georgians

How the Current Tax Code Affects  
Residents of Georgia  
and Hinders Growth

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Presented by

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Thank you for taking the time to receive input from the citizens of this state concerning the aspects of taxation that hinder growth in Georgia. The economic problems we have experienced in the last few years have been eye-opening, if not down-right scary, to many of us. But our burdens have been compounded by ever-increasing property-tax assessments on our land and our homes. If we are to see progress, as a state, in home-ownership and land use, these out-of-control assessment increases must stop.

#### 1. Uncapped Assessment Increases Restrict Property Ownership and Limit Property Improvement

Property owners, statewide, need caps on any further assessment increases. We can carefully budget for reasonable increases by setting aside an extra 3-5% every few years, but it is difficult to budget for reassessments that increase 50-100%. When the assessment of our land increases 200-250% over a ten-year period, and our homes are reassessed 77.56% during that same period, it becomes difficult to remain a homeowner. Literally taxing people out of their homes and off their lands is not a prescription for growth in Georgia.

We cannot even afford to make improvements on our property—improvements which could fuel the economy and increase both sales- and income-tax collections. Instead, without manageable caps on assessment increases, we find ourselves saving every dime to pay for the double-digit increase that we know is coming. However, even if we could afford that tax increase, and even if we could afford the improvements, those improvements would only result in an even-higher assessment and a greater tax burden, compounding our economic problems and limiting our options for growth and development.

#### 2. The Sale-Price-to-Assessed-Value Ratio Allows Counties to Arbitrarily Increase Property Assessments

Taxpayers need to be freed from the state-mandated Sale-Price-to-Assessed-Value Ratio rule, which currently justifies arbitrarily increased assessments for properties that have not necessarily increased in value. Under this rule, when the average sales price of property in an area deviates from the average assessed value, the county must reassess all the property in the area to bring the ratio between these amounts back in line. The upshot of this rule is that when one (or a few) buyers purchase land in an area at a disproportionately high price, the county is free to increase assessments on the other property owners in the area.

My own experience is a striking example of this abuse. When Ted Turner paid millions for property along 197 outside of Clarkesville, the assessors were “forced” to reassess the entire area. The assessed value of my father’s property (and also of the home I would purchase a few years later) increased 100%. But this value had nothing to do with “the market”; rather, it stemmed solely from a ratio the state forced upon the county because of one man’s desire to own a pristine piece of property. Such an artificial ratio is just that: artificial. It could have been brought into line easily—and reasonably—by assessing Mr. Turner’s property at the value he paid. Instead, the ratio allowed the county to impose an arbitrary reassessment on property owners all along 197 and Historic 441.

There is another reason the sales price of one property (or several properties) does not establish the value of any other property. In short, land is unique. Many variables affect the price a buyer will pay for a particular piece of property that have nothing to do with average market values. These include: an urgent need for a particular type of property (or even the specific piece in question); an urgent need to move to a particular area; or an urgent need for a unique characteristic, such as handicapped accessibility. I know of these needs because I had them all when I made the final offer on my current home. I was not even a "willing" buyer—I was a desperate buyer, with elderly parents, one of whom was dying, who needed me nearby quickly. But the price I paid out of necessity increased my neighbors' tax burdens.

These tax increases made it difficult for homeowners to hold on to their property. The increased value-reassessment made it difficult for home buyers to afford the property they wanted. They did help the real estate agents' bottom line—at least, until the housing bubble popped and homes couldn't be sold at their inflated prices. Discouraging home ownership and restricting the home-buying market does not lead to growth in the state.

### 3. Multiple Assessment Methods Lead to Inconsistent and Arbitrary Tax Burdens

Property owners need to be protected from the wildly divergent assessments that can arise based on the method of assessment used by the county. Currently, land values are assessed one of two ways: by front foot or by acreage. The amount of the land's front footage or total acreage is multiplied by the average value of the unit and then adjusted for the particular parcel's relationship to the "average" piece of land.

For example, my .9-acre property is assessed by front foot. In Clarkesville, the unit value is \$350 per front foot. My land has 200 front feet. Furthermore, the assessors have determined that my land is approximately 82% as good as an "average" piece of land. My assessment, therefore, is:

$$(200 \times \$350) \times .82 = \$57,400.$$

Property located behind mine on another street has been assessed by acreage. In this area, "average" land is worth \$10,000 per acre. The property in question is 1 full acre, and has been determined to be 420% as good as "average" land. Their assessment, therefore, is:

$$(1 \times \$10,000) \times 4.2 = \$42,000.$$

In other words, my property, consisting of .9 acres of below-average land, is assessed **37% higher** than 1 full acre of above-average land, simply because of the assessment method used. Such senseless unpredictability in assessed values makes it impossible for the market to fairly or accurately set a price. An unstable land market will not lead to growth in Georgia.

#### 4. Taxpayers Do Not Currently Have a Fair Process for Appeal

State laws concerning the Board of Equalization need to be changed to provide taxpayers with the assurance of a fair appeals process. Assessors should be prohibited from being involved in the decision-making process of the Board.

As a taxpayer, my appeal has been turned down flat by the Board of Assessors without a hearing or the opportunity to present evidence. When I appealed to the Board of Equalization, the Board turned to the chief assessor and asked her what to do. Their exact words were: "Miss Joan, what can we do for these folks?" Miss Joan was the one responsible for my increased assessment, the denial of my original appeal and the denial of a hearing before the assessors. And now she would be the one responsible for what the Board of Equalization would do.

This denial of any meaningful process is extremely disheartening. It is little wonder many taxpayers believe it is a waste of time to appeal their assessments in the first place. My own experience with multiple appeals has led me to the same conclusion. Some of my appeals have been successful, others were not. But there was no logic behind the decisions. As the saying goes: "they're just going to do what they want to anyway."

My successful appeal did lower my overall increase in assessment over the last 10 years. It lowered from 85% to 77.56%. My father was also successful. As a result, his 10-year increase was only 175%, instead of 203%.

But those increases are still too high. And they came without a fair process or a chance at meaningful appeal to an impartial Board. When the system lacks integrity and a level playing field, taxpayers feel they have no effective means for stopping abuse. Discouraging property owners from participating in the process is not a pathway to growth.

#### 5. Taxpayers Do Not Currently Have Sufficient Protections Following an Appeal

Taxpayers need to be protected by a state law prohibiting punitive assessments. Many taxpayers are afraid of appealing high assessments because they fear that an appeal can actually make things worse. Even though the assessors set the original assessment, under current law, they can *increase* the assessment on appeal. The danger, of course, is that the Assessors would use "new information" to disguise a punitive increase. Because this increase would come from the same assessors who were responsible for the challenged assessment, the taxpayer is in the impossible position of facing punishment for asserting his or her right to appeal. Stripping this significant citizen-check on the assessors from the taxpayers will not encourage growth in property ownership.

## 6. Examples of the Problems

### a. Limits on Improvement, Inconsistent Tax Burdens, and Unfair Process

A friend of mine recently received notice that the assessment on her home was being increased \$4,000 because she had re-roofed the house with "architectural" shingles. She paid less than \$4,000 on materials and labor for the improvements. She has filed an appeal, but worries it will simply result in another increased assessment.

She has another building that also needs a new roof. She would love for it to match the main house. This would improve the appearance of the property greatly. However, she is reluctant to make any more improvements because she cannot predict the increased assessment that it would trigger.

Not only is she left with a building in need of a new roof and mismatched property, but the local economy has suffered. She would have purchased the shingles from a supplier, increasing his receipts and resulting in sales-tax revenue. She would have hired a roofer to install the shingles, helping his income and generating more tax revenue. Instead, the business and roofer have less work, the state has less tax revenue, and my friend has lost valuable use of her property.

### b. Restricted Ownership, and Arbitrary Tax Burdens

In 1998 the land my Dad's house sits on was assessed by front foot at \$100 per front foot. In 2005, that assessment had doubled to \$200 per front foot. His Social Security check barely increased in that time. His spending had to be significantly curtailed just to keep his home.

### c. Inconsistent and Arbitrary Tax Burdens

In 1998, the land on my street was assessed at \$100 per front foot. In 2005, the assessment had doubled to \$200 per front foot. In 2008, *one end* of the street had increased to \$300 per front foot while *the other end* (my end) was assessed at \$350. On my end of the street, in other words, the assessment has increased 250% in 10 years. Within a five-minute walk from my home, land values are assessed at \$200, \$300, and \$350 per front foot.

## 7. The Solution

**The state should permanently freeze, statewide, all assessments, except when property is sold or significantly changed.** A re-roofing job should not be considered a significant change, no matter what type of shingles are used.

The purpose of stopping double- and triple-digit reassessments is to allow homeowners to stay in their homes, to make the tax burden fair on all property owners, and to eliminate the arbitrary and inconsistent application of the rules on those least able to bear the burden. Especially in a time of economic hardship, taxpayers should be able to keep their hard-earned money and spend it on necessary improvements, to our property, and in our lives. We, the citizens of the state, know what we need, day in and day out, and we are capable of spending our own money to get it. In doing so, we will fuel the economy and create jobs. In other words, when we are freed from tax burdens brought on by a system of out of control tax assessments, we will create growth in this state.

I ask that you relieve property owners from unreasonable increases generated by these out-of-control assessments. They are simply "back-door" tax increases that leave us with the worry that every little improvement will increase our burdens. Let us fuel the economic fire that is so badly needed in our State. We will spend and sales tax revenues will increase. We will spend, and that will lead to jobs. We will spend, and produce growth.

We, the taxpayers and property owners of Georgia, can grow this state, but only when we are relieved of the burdens imposed by the current tax system. Help us. Then we can help our fellow citizens. Together, we can make Georgia grow.

### **10 year history of Gladden Property**

|      |   |         |         |
|------|---|---------|---------|
| 1998 | 19,200  | 109,490 | 128,690 |
| 1999 | 19,200  | 127,060 | 146,260 |
| 2002 | 24,000  | 134,160 | 158,160 |
| 2004 | 24,000  | 165,380 | 189,380 |
| 2005 | 38,400  | 165,560 | 203,960 |
| 2008 | 67,200  | 171,110 | 238,310 |
|      | Successfully Appealed and assessment lowered to |         |         |
|      | 57,400  | 171,110 | 228,510 |

From 1998 to 2008 Land assessment increased 199% (250% prior to appeal)  
Total assessment increased 77.56% (85% prior to appeal)

### **10 year history for McCollum Pasture land**

|      |         |   |
|------|---------|---|
| 1998 | 64,450  |   |
| 1999 | 82,860  |   |
| 2002 | 118,520 | Successfully Appealed but correction not made         |
| 2004 | 118,520 | Successfully Appealed again and assessment lowered to |
|      | 117,320 |   |
| 2005 | 166,200 |   |
| 2008 | 195,530 | Successfully Appealed and assessment lowered to       |
|      | 177,300 |   |

From 1998 to 2008 Assessment increased 175% ( 203% prior to appeal)