



# Senior Homestead Exemption Questions & Answers

The following are answers to questions regarding the Senior Homestead Exemption offered by the City Schools of Decatur. This document will be updated periodically as additional questions come up and/or more information for answers becomes available.

## 1. Objectives and Limits

### 1.1. What is the purpose of the senior exemption?

The Board's primary objective is to provide tax relief to seniors and help them afford to age in place. We also want to promote age, income, and racial diversity in Decatur.

### 1.2. The original purpose of the senior exemption was two-fold: (1) to help seniors retire in place, and (2) to reduce growth in enrollment. Are these still the objectives?

Not necessarily. The GSU study concluded the exemption had no effect on either objective. We intend to keep the exemption, but at this point we do not expect it to have any impact on student enrollment. We are now focused solely on providing tax relief to seniors within the limits of our budget.

### 1.3. Does the Board intend to continue the senior homestead exemption?

Yes (see 1.2).

## 2. The GSU Study

### 2.1. The GSU study is not perfect. Why rely on it?

The GSU study was conducted by experts at the Center for State and Local Finance (CSLF) after they were awarded the contract through a competitive RFP process. CSLF "is a collaborative effort of the Andrew Young School's nationally ranked faculty to provide research on issues affecting the future of state and local public finance and to educate the next generation of leaders in public financial management." The authors of the study included experts in state and local fiscal policy, who have done extensive work in property values, property taxes, and homestead exemptions, among other things.

There were two major parts of the GSU study. The first part studied the effect of the exemption in achieving its original objectives of suppressing the growth in student enrollment and helping seniors age in place. The second is a tool that can be used to project the cost of future exemptions.

The decision to limit the exemption was based on its cost.. If we had relied solely on GSU's conclusion in the first part of the study that the exemption had no effect on its original objectives, we might have allowed it to expire. Instead, we want to continue the exemption with appropriate limits to keep it within our budget. Therefore, we're focused on the second part of the study which provides a tool to help quantify the impact of possible changes to the exemption criteria.

The Tableau tool is provided as a tool to help us project the budgetary impact of the next exemption.

**2.2. Why has the Board limited the Committee to variables that can be plugged into the Tableau tool provided by GSU?**

Other variables were considered, such as the length of time a senior has lived in a home. As shared in the report, that was not a viable alternative for several reasons. The variables included in the tool are the most commonly used parameters in homestead exemptions.

Based on past experience, it is important for us to be able to predict the cost of any homestead exemption. We engaged GSU to develop the Tableau tool for this purpose and intend to use it.

As noted in the resolution establishing the committee, the committee can also recommend options beyond those based on the Tableau tool.

**2.3. What if we find errors or limitations in the Tableau tool? Can we ask GSU to fix them or change the tool?**

Because we *do* intend to renew the exemption within the limits of our budget, we plan to rely on the Tableau tool for an estimate of what it will cost. Therefore we will work with GSU to correct any errors the Committee identifies, or even to make any improvements that can be made within the limited time available. In the end, we will be limited by what GSU can provide in time for this Committee to make a recommendation before September 2020.

**2.4. Why are commercial and industrial zoned properties included in the GSU report receiving this exemption?**

There are situations where zoning changes and parcels are grandfathered in.

**2.5. Why don't the data in the report match information available for other sources such as the Georgia Department of Revenue (DOR) and the City's Comprehensive Annual Financial Reports (CAFR)?**

The values reported by the DOR and on the CAFR are the state 40% assessed values, not the City of Decatur 50% assessed values (this is confusing as the lookup on the website lists it as Decatur 50%). Therefore, Table 2.1 in the report does not match the other sources.

There are many values for the DOR tax digest data that depend on the category value looked up, and the categories are a bit confusing. For instance, the Tax District:DECATUR 50% category returns values that do not dip in 2013, while the Tax District:IND SCHOOL DECATUR 50% category returns values that *do* show a dip in 2013. Thus, it is possible to choose the wrong value to look up in the consolidation sheets. In addition, the DOR takes the county data (upon which the study was based) and aggregate it to create their consolidation sheets. The DOR process is not very clear, and in the study authors' experience, they often find discrepancies in the original data and that on the consolidation sheets. In Table 2.1, they total the City of Decatur zoning/land use codes categories that the school district requested. There is no clear mapping of City of Decatur zoning/land use codes to the codes used by DOR, and it was not an expectation for the study that they should match. The DOR consolidation sheets include exemptions and utility and motor vehicle property that are not included in Table 2.1.

The study's authors are not as familiar with the CAFR data, but as it appears to be similar to the DOR data, the above reasoning would also apply to it.

## 2.6. Why are some of the square footage values in the report so extreme?

The authors of the report reviewed their notes as well as the data from the regressions. That data is from Core Logic and is only used in the regression models (that is, in the first part of the study, as distinguished from the second part that will be used to estimate the cost of the exemption going forward.). At the time they were running the models, they had concerns that some of the extreme values may be errors in coding by Core logic. However, they were reluctant to drop them as they did not have a clear criteria or another data source that could be used as a guideline. Note that outliers were present in both the APS control data as well as the City of Decatur, so they would need reasonable guidelines that they could apply to both areas. As such, they felt that it was most defensible empirically to leave these observations in the data and let the power of their statistical model control for them. Ultimately, dropping the outliers has no effect on the results of interest: the square footage of the lot is not statistically significant in their model regardless of whether the outliers are included or dropped.

## 3. Alternatives within the Committees' Purview

### 3.1. What is an "indexed" exemption, and is it something the Committee can consider?

Rather than setting fixed income or value limits, some members of the Committee proposed using an index ensure that such limits adjust over time. For example, the index could be based on the Consumer Price Index or some other benchmark such as the poverty rate or median income.

Yes, the board is happy to consider proposals of this type. The main constraint is our ability to predict costs. If the Tableau tool can be modified to accommodate this type of option, the Board will consider it.

### 3.2. Is income a good measure of wealth?

The Committee will want to discuss this matter.

### 3.3. What is meant by "income" and how can income be verified?

The short answer, not surprisingly, is "it's complicated." One reason it is complicated is because each exemption has been implemented differently based on the wording of the enacting legislation. The following are examples specific to the City of Decatur:

- GH-3 uses "household Georgia taxable income under \$50,000"
- GS-1 uses "household income (of you, your spouse, and resident family members) of any type cannot exceed \$25,000"
- S-1 uses "income (including salary, wages, rental income, interest, and dividends) of you and your spouse cannot exceed \$10,000, excluding retirement income (such as retirement benefits, pensions, and Social Security)"
- S-2 uses "federal adjusted gross income of you and your spouse cannot exceed \$40,000"

If the income definition refers to "household" then it includes all residents who earn income, including older children who have jobs, for instance.

"Georgia taxable income" pretty much excludes retirement income sources, so even though it doesn't say that retirement income isn't included, it's inherent in the choice. This one gets complicated because if you move in from out of state you don't have a Georgia taxable income your first year because you haven't filed a Georgia tax return.

Where it just says "income" that is generally understood to be their federal adjusted gross income on their 1040.

If residents have filed separately, the income from each of their tax forms is combined.

Where it has "excluding retirement income" they look at the overall income and then subtract any income for which they received a 1099R form.

It was also pointed out that before housing prices jumped, the combination of GS-1, S-1, and S-3 provided \$220,000 of home value that wasn't taxed for those 70 or over who had non-retirement income under \$10,000, thereby resulting in most of those folks paying no school tax. Obviously there are no houses left that have a value under \$220,000.

As explained in the GSU report, the Tableau tool uses federal income. "Note the income data used in this tool is based on city of Decatur residents Georgia state individual income tax filings. These filings are only available to researchers, deidentified and thus cannot be linked to individual parcels. As such, the level of confidence in these age-adjusted estimates is lower than the estimates without an income cut off. The chosen level of income is federal adjusted gross income (AGI). (Federal AGI is currently used by the city of Decatur for the 80 and over homestead exemption, which is currently not tracked due to the 65 and over full exemption with no income limit.)

"Federal AGI is the preferred income measure as it can be best tailored to meet the goals of the CSD, in helping lower- and middle-income seniors stay in their homes. ( In contrast, many counties use Georgia AGI as an income limit for homestead exemptions, which excludes roughly \$68,000 per couple of retirement income, a limit set by the Social Security Administration.)"

3.4. Is home value a better measure of wealth than income?

This is precisely the type of question the Board will look to the Committee to answer. Note that we seniors whose property value might have increased through appreciation despite having limited income and little ability to pay taxes.

3.5. Do better measures exist (other than income and wealth)?

Maybe, but remember that we are limited by the variables that can be assessed using the Tableau tool.

## 4. Authority

4.1. What is the committee charge

See [the resolution](#)

4.2. Will the Board accept whatever the committee recommends?

Not necessarily, but the Board anticipates accepting any recommendation consistent with the limits in the Committee's charge.

4.3. Can the committee recommend changes to senior homestead exemptions for the City of Decatur, similar to the City's Affordable Housing Taskforce recommended changes to the school district's exemptions?

The Board is looking to the Committee to recommend a senior exemption for school taxes only. While the Committee is encouraged to take a holistic view of the challenges and opportunities being discussed, and potentially even recommend topics of discussion for the City Commission or others, we should be careful not to overstep boundaries.

## 5. Process

### 5.1. Can the September 2020 deadline be extended?

No. The deadline is driven by the legislative calendar and the need to renew the exemption before it expires on January 1, 2022.

To extend the exemption, we will need the General Assembly to authorize a new resolution during the 2021 session, which begins January 2021. To become law, any new exemption will need to be approved by referendum before 2022. To meet these deadlines, we will need to begin working with the DeKalb County delegation on legislation for the new exemption by October 2020 at the latest, which is why we have asked the Committee to provide its final recommendation by September 2020.

### 5.2. How can the public be involved?

The Committee charge includes developing a public involvement plan. This might consist of one or several public meetings, a survey instrument, formation of a larger advisory committee, or other measures the committee might provide. CSD will provide resources, staff, facilitation, and expertise to implement the public involvement plan. If the committee would prefer, we can suggest a plan for the committee's approval.

### 5.3. Who will make the final decision whether to continue the exemption and with what parameters?

The Board will make their final decision based on the recommendations of the committee and any other information available to them. The Board will then work with a local legislator to request that they introduce local legislation to get the exemption on the next available ballot (see 5.1).

## 6. Budget

### 6.1. What is the budget for the exemption?

The committee's charge is to design an exemption that is projected to cost no more than \$1.2 million/year in the final year of the next 5-year exemption, as determined by the Tableau tool developed by GSU.

## 6.2. Why is that the budget?

Our budget was tight, even before the pandemic. Each year during budget development there are millions of dollars of needs that are not funded due to insufficient funding to do so. The majority of our expenses pay for teachers and other staff and it has been difficult to maintain salaries that are competitive with surrounding districts. Over the last year we have carefully studied salaries throughout the region and are working hard to ensure we are as competitive as possible. This alone requires significant amounts of funding. These and other priorities were considered by the Board in determining where to allocate resources and, likewise, what we could budget for the exemption.

## 6.3. Can this be reconsidered?

The \$1.2 million limitation is the end result of an extended discussion at multiple Board meetings over the last six months, and eventually a final vote. We can discuss the reasons for our decision with the committee, but it is not something we intend to reconsider.

## 6.4. How is the committee supposed to determine how much any exemption will cost in the final year of the next 5-year exemption?

Using the Tableau tool developed by GSU for CSD for this purpose.

## 6.5. What will happen if we pass an exemption that costs more than anticipated?

We'll live with it. We cannot predict the future, but we have a responsibility to do the best we can and to plan accordingly. This is why we insist on using the Tableau tool.

## 7. History

### 7.1. How did the current S-4 exemption come to be?

At their February 2016 regular meeting, the Board approved a resolution compelling the creation of local legislation for submittal to the DeKalb Delegation of the Georgia General Assembly (see [https://simbli.eboardsolutions.com/SB\\_Meetings/ViewMeeting.aspx?S=4052&MIID=49254&IID=1091471](https://simbli.eboardsolutions.com/SB_Meetings/ViewMeeting.aspx?S=4052&MIID=49254&IID=1091471)).

[The statement](#) from the Board from the February 2016 meeting gives an overview of the Board's position regarding the exemption. The Board's statement says that the anticipated cost of this exemption was projected to be 0.65 of a mil or approximately \$1,000,000 and benefits of slowing enrollment growth were expected to exceed the projected cost. But, because it was also anticipated that the actual cost could be higher than the projected cost, a "sunset" was added to

allow adjustments to be made at the end of a five year period. The Board felt this was a reasonable and responsible solution to providing tax relief to seniors while protecting the school system and the taxpayers who fund it.

In the 2015-16 legislative session, Senator Elena Parent introduced Senate Bill 343 (SB 343). See

<http://www.legis.ga.gov/Legislation/en-US/display/20152016/SB/343> for details on passage through the Senate, House, and Governor's Office.

The exemption was brought to voters in November 2016 and passed with 75.33% voting yes (see

<https://www.dekalbcountyga.gov/sites/default/files/user306/2016%20GE%20Summary%20110616.pdf>).

---

## Changelog

Items that are revised will be listed here with a timestamp.