

Property Tax: It Starts with Value

By Clint Mueller – Sage Real Estate Advisors

Property tax bills were delivered to metro-Atlanta homeowners in late summer. Many of us escrow property taxes, simply leaving payment of the bill up to our mortgage lender. Consequently, few of us ever review our tax bill or even understand how it is calculated. Because your taxes are based primarily on your property's value, making sure that your home is not over-valued is the key to managing your property tax liability.

The Property Tax Formula:

Value of Land + Value of Building = Fair Market Value

Fair Market Value x Assessment Rate = Assessed Value

Assessed Value - Exemptions = Taxable Value

Taxable Value x Millage Rate = Property Tax

It Starts With Valuation

The property tax calculation starts with *Fair Market Value*, as determined by the county Tax Assessor's appraisal of your home. Typically, land value and the value of improvements (buildings) are broken out. If the combined value is higher than what you believe someone would pay for your home, you should consider challenging the Assessor's valuation (see below). If you purchased a lender-owned (foreclosed) home or other distressed property, you will certainly want to look at the property value indicated in your tax bill, as reappraisal is not automatic. For guidance in determining your home's market value, contact a **Sage Real Estate Advisors** Associate.

Calculating Taxable Value

In all Georgia counties, the *Assessment Rate* is 40%. Therefore, a property's *Assessed Value* is calculated by multiplying the Fair Market Value by 40%. *Exemptions* are then deducted from the Assessed Value to determine *Taxable Value*. Each county offers several property tax exemptions and those available to you will depend on your unique circumstances. By far, the most commonly-available exemption is the *Homestead Exemption*, which is generally available on a homeowner's primary residence. The amount of any specific exemption and its impact on your tax bill will depend on the county that your property is in. [Learn More](#) about Homestead and other property tax Exemptions in your county.

Your Property Tax Bill

Taxable Value is multiplied by the *Millage Rate* (also known as the *tax levy*) of each applicable taxing entity – the county, public schools, city, state, special service district and bond. The

results are added to get the gross tax due. Note that one *mill* is equal to .001 or \$1 per thousand. Thus, a mill rate of 10 applied to a taxable value of 100,000 would equal \$1,000 in tax.

If your property has qualified for a Homestead Exemption, you will automatically receive a credit against your gross tax. This credit is commonly referred to as the *Homestead Tax Relief Grant* credit (HTRG) and is in addition to the Homestead Exemption discussed above. The HTRG is calculated by multiplying the mill rate for each tax levy by 8,000. This credit is subtracted from the gross tax in calculating the net tax for each levy. The sum of all net taxes (per levy / taxing entity) gives you the total tax you owe. If you live in a city, your city taxes may be included on the county tax bill or they may be billed separately by the city.

[Click](#) for a 10-minute video on property tax calculation in Georgia.

Challenging Valuation

You will not be able to challenge your property valuation for the current year. You can, however, challenge the value going forward by filing a Property Tax Return with the county Assessor's Office stating what you believe to be the correct value of your property. In most counties, the return must be filed by April 1. If the Assessor disagrees with your proposed value, you will be notified and have an opportunity to appeal. **Look for a follow-up article on challenging value and the appeals process in next quarter's issue of *The Sage Advisor*.**

Clint Mueller serves as an in-house advisor to Sage on land-use and planning, property taxes and other local government issues. Contact Clint at mueller@sage-rea.com

