

LOCAL HOMESTEAD OPTION SALES TAX (LHOST)

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LOCAL HOMESTEAD OPTION SALES TAX (LHOST)

A Guide for County Officials

Revised June 4, 2026.

EXECUTIVE SUMMARY

The Local Homestead Option Sales Tax (LHOST) is a new local option sales tax authorized by Senate Bill 33 (2026) that uses the sales tax proceeds to fund homestead exemptions for the county and participating municipalities.

Simplistically, the LHOST means residents are eligible for a tax break on the property taxes they pay on their "homestead" (owner-occupied residences). The amount of their tax break is tied to the annual sales tax revenue from the LHOST. The more LHOST sales tax revenue a county collects in a given year, the larger the property tax reduction for homeowners. In effect, every dollar collected through LHOST reimburses the local government for each dollar of tax reduction for homestead property, so the local government does not gain or lose property tax revenue.

The LHOST is initiated by the General Assembly through the passage of a countywide homestead exemption and its approval in a countywide referendum. County residents in incorporated areas may also receive the benefit of the exemption extending to municipal taxes, provided that the same local Act process is followed for that municipality.

If LHOST proceeds are sufficient to provide a total homestead exemption for all participating jurisdictions from all property taxes on homestead property, the extra LHOST proceeds are used to reduce or eliminate the millage rates levied on nonhomestead property.

As state law limits a jurisdiction's ability to levy an LHOST and a Floating Homestead Option Sales Tax (FLOST) simultaneously, and there are many public policy issues to consider, each local government should evaluate and discuss with their local delegation of the General Assembly, as necessary, whether they would like to:

- Pursue the LHOST;
- Pursue the FLOST; or
- Choose neither and avoid increasing the local sales tax rate to reduce property tax.

KEY TAKEAWAYS FOR COUNTY OFFICIALS

- LHOST is a local option sales tax dedicated to homestead property tax relief.
- The tax rate is equal to 1 percent and may be levied for up to ten years.
- Starting an LHOST requires the General Assembly to pass a local homestead exemption for the county, which must be approved by the voters in a local referendum.
- Cities may join the LHOST at the same time as the county or at a later date, if eligible, through the same process used for the county: the passage of a separate LHOST homestead exemption by the General Assembly for the city which passes at referendum.
- Counties and participating municipalities receive dollar-for-dollar replacement of the property tax revenue lost due to the homestead exemption funded by LHOST. In other words, the local government does not lose property tax revenue or collect a windfall from LHOST but is reimbursed for taxes that were foregone due to the LHOST exemption.
- LHOST revenues are held by the county in a trust account and distributed to the county and participating municipalities annually following the calculation of the homestead exemption amount and the mailing of the jurisdiction's property tax bills.
- The homestead exemption is granted as an assessed value reduction that is equal for all homesteads and applies to all millage rates levied on the homestead by each participating local government. This functions similarly to the state Homeowner Tax Relief Grant (HTRG) program.
- The value of the exemption is determined by the amount of LHOST proceeds available in the trust fund as of August 1, each year.
- Any tax proceeds remaining after homestead property can be exempted from all county and all participating municipal millage rates must be used to reduce millage rates applicable to all other property in such jurisdictions.

WHY WAS LHOST CREATED?

During the 2026 Session of the Georgia General Assembly, lawmakers considered numerous proposals to reduce or eliminate homestead property taxes. Rising property values following the COVID-19 pandemic, combined with inflationary pressures on local governments, increased taxpayer concern regarding property tax burdens.

The final legislation adopted through Senate Bill 33 created an optional local sales tax mechanism that allows counties and municipalities to provide additional property tax relief to homestead property owners while preserving local decision-making authority.

Prior to Senate Bill 33, only DeKalb County and Rockdale County used dedicated local sales taxes focused on homestead property tax relief, because state law limited imposition of those homestead option sales taxes to those counties that did not have a LOST. With the adoption of Senate Bill 33, almost every county and eligible municipality will have access to this type of targeted homestead property tax relief through LHOST.

HOW LHOST WORKS

LHOST provides a dollar-for-dollar reduction in county and municipal property taxes levied on homestead property. It applies to all millage rates on homestead property. In the context of LHOST, homestead property generally consists of the taxpayer's primary residence and up to five acres of the surrounding property.

The amount of the assessed value exempted by LHOST varies year-to-year and depends upon:

1. The amount of proceeds in the LHOST trust fund; and
2. The net revenue that would be raised from the county and participating cities taxing their homestead properties in the absence of the LHOST, which is comprised of:
 - a. The total taxable value of homestead property of each jurisdiction;
 - b. The net millage rates levied on homestead property in each jurisdiction; and
 - c. The number of homestead properties of each jurisdiction.

The tax commissioner is responsible for making this calculation by September 2 of each year, applying the tax relief to the property tax bill prior to mailing the tax bills, and reimbursing local governments for their foregone revenue.

LHOST VERSUS FLOST

Feature	LHOST	FLOST
Primary Purpose	Homestead tax relief	Property tax relief for all property classes
Tax Rate	1 percent	Up to 1 percent
Maximum Collection Period	10 years	5 years
Intergovernmental Agreement with Cities Required	No	Yes
Revenue Distribution	Annual	Monthly or based upon IGA
Included in the millage rate Rollback calculation	No	Yes
Requires Local Act	Yes	Not initially but upon renewal
Referendum Required	Yes	Yes

ELIGIBILITY REQUIREMENTS

To participate in LHOST, a local government must:

- Be a county, municipality, or consolidated government.
- Levy a millage rate greater than zero.
- Derive ad valorem tax revenue from homestead property during the preceding year.
- Obtain the passage of the required local homestead exemption.
- Obtain voter approval through referendum.

Participating municipalities must separately authorize and approve their homestead exemptions. Municipalities cannot participate without the county.

IMPLEMENTING LHOST

Implementation requires three major steps:

Step 1 – Local Legislation

To initiate the LHOST within a county, the General Assembly must pass a local Act authorizing the required homestead exemption for the county. This Act (after approval by the voters – Step 2 (below)) triggers the levy of the LHOST within the county. For the residents of the county to receive the benefit of the LHOST on their municipal tax bills, the General Assembly must adopt a separate local Act authorizing the homestead exemption for the municipality.

The local legislative delegation does not need authorization from the county or municipalities to introduce the local Act, but they often ask the local governments for a resolution supporting the local Act. Advertisement in the local newspaper and other processes for passing a local Act must be followed. See O.C.G.A § 28-1-14.

Step 2 – Referendum

The county should work with its election supervisor to make sure they check available election dates that meet the deadlines to advertise for the call. See O.C.G.A § 21-2-540(c).

Voters must approve the county homestead exemption through referendum to enact the LHOST.

Voters of eligible municipalities must separately approve their municipal homestead exemptions through referendum. If a given municipal homestead exemption fails, the county and any other municipalities that passed their homestead exemption can move forward with LHOST.

A homestead exemption for an eligible city can be adopted (using the same process above) after the LHOST begins; such an eligible city can participate in the LHOST in the year after its homestead exemption is passed and approved by the voters.

Step 3 – Tax Collection Begins

LHOST collections begin on the first day of the calendar quarter that starts more than 50 days after certification of the election.

DISTRIBUTION OF PROCEEDS

The Georgia Department of Revenue distributes all LHOST revenues to the county, which must maintain the funds in a separate interest-bearing trust account. The funds may not be commingled with other county revenues. Interest earned on these funds should remain in the trust account and is considered part of the proceeds of the tax.

There is no intergovernmental agreement related to the tax. Each participating jurisdiction receives—paid by the county tax commissioner from the trust fund—only the amount needed to reimburse the property taxes it lost due to the LHOST exemption.

The assessed value to be exempted is the same for all participating jurisdictions. So, as an example, a resident in a county unincorporated area would receive a \$10,000 homestead exemption from all county millage rates while a resident in a participating municipality within the same county would receive a \$10,000 homestead exemption from all county millage rates *and* all municipal millage rates.

Within 30 days after property tax bills are mailed, participating governments are reimbursed from the trust account for:

- Lost homestead property tax revenues; and
- Lost revenues resulting from millage rate reductions, if any, funded by excess LHOST collections.

CALCULATING THE PROPERTY TAX RELIEF

The Tax Commissioner follows the process established in law and deadlines below to determine annual tax relief.

August 1 Trust Balance

The Tax Commissioner uses available LHOST funds in the trust account in the calculation of the tax relief.

September 1

County and municipal millage rates must be received by the tax commissioner. For any millage rates that have not been adopted and submitted to the tax commissioner, a rate that is 90% of the previous year's millage rate will be used.

September 2

The Tax Commissioner calculates the maximum homestead exemption using the LHOST funds available, the millage rates and the homestead tax digest.

QUESTIONS LOCAL OFFICIALS SHOULD CONSIDER

Before pursuing LHOST, local officials should evaluate:

1. How much revenue would a 1 percent LHOST generate?
2. What percentage of homestead property taxes could be eliminated?
3. Should tax relief target homestead property or all property?
4. How would local businesses be impacted?
5. How would a 1% increase in local sales tax impact the economy?
6. How will this tax impact economic development initiatives and the ability to attract commercial and industrial development?
7. How would the elimination or reduction in homestead property tax incentivize homeownership and affordability?
8. How would reducing or eliminating homestead taxes affect long-term revenue stability?
9. What impact will this tax have on the tax digest?
10. How will homestead exemption eligibility be monitored to prevent ineligible homestead exemptions?
11. How would participating municipalities be impacted?
12. What administrative changes would be required?
13. How should the proposal be explained to voters?
14. How would the timing of this new tax align with other local option sales taxes for your jurisdiction? (e.g. TSPLOST, SPLOST, ESPLOST, etc.)

STATUTORY REFERENCES

- Ga. Const. Art. VII, Sec. II, Para. II.
- O.C.G.A. § 48-8-109.52
- O.C.G.A. § 48-8-109.53
- O.C.G.A. § 48-8-109.54
- O.C.G.A. § 48-8-109.56
- O.C.G.A. § 48-8-109.57
- O.C.G.A. § 48-8-109.58
- Senate Bill 33 (2026)