

**2012 Tax Reform Legislation  
HB 386 (LC 34 34845S)**

**PART I: Replaces Property and Sales Tax on Automobiles with New Title Fee**

On or after March 1, 2013, motor vehicles titled in Georgia are exempt from sales and use tax as well as traditional ad valorem tax. Instead they are subject to an alternative ad valorem tax in the form of a state title fee and a local title fee. For the initial 9 month period of March 1, 2013, through December 31, 2013, the combined state and local title ad valorem tax equals a combined rate of 6.5 % of the fair market value (FMV) of the motor vehicle less any trade in value. In 2014, this rate increases to 6.75% and in 2015 and beyond it is set at 7%. For the initial 9 month period, the state title ad valorem tax is 57% of the overall 6.5% rate and the local title ad valorem is 43% of the overall 6.5% rate.

The rates for the state title ad valorem tax and the local title ad valorem change each year through 2021. The rates for 2022 and beyond are set at a state title ad valorem tax of 28% of the overall 7% rate and the local title ad valorem is 72% of the overall 7% rate.

Beginning in 2016 and continuing through 2022, the state revenue commissioner will calculate the local target collection amount (an amount calculated annually but capped at \$1.2 billion) and the local current collection amount (the preceding years' total of both old system & new system ad valorem tax on motor vehicles). If the local collection amount is equal to or within 1% of the local target collection amount, then rates remain unchanged. If the local collection amount exceeds 1% of the local target collection amount, then the local title ad valorem tax rate is reduced to a rate equivalent to the local target collection amount. In that event, the state rate increases by whatever amount is necessary so that the correct combined rate stays the same for that year. If the local collection amount is MORE than 1% less than the local target collection amount, then the local title ad valorem tax rate is increased to a rate equivalent to the local target collection amount. In that event, the state rate decreases by whatever amount is necessary so that the correct combined rate stays the same for that year.

Further look-backs and adjustments take place in 2015, 2018, & 2022. These mirror the local adjustment calculations except they are made regarding state collection amounts and state target collection amounts. Regardless of the actual result of these calculations, the combined rate of state and local ad valorem tax is capped at 9%.

The remainder of this part deals with the actual mechanics of collection and disbursement of the ad valorem tax. The tax is paid to the tag agent in the county in which the purchaser registers the vehicle and is paid at the time the purchaser applies for title and registers the motor vehicle.

## **PART II: Provides for Changes to Income Tax**

### **PART III: Income Tax Credits for Qualified Donation of Conservation Real Property**

This part provides for a comprehensive revision of the income tax credit for the qualified donation of conservation real property. It further amends conservation easements requirements by prohibiting a county, municipality, or consolidated government from holding a conservation easement unless the encumbered real property is located at least partly within the boundary of the holding local government. Effective January 1, 2013.

**PART IV:** Repeals the state and local sales and use tax exemption for film equipment and production Effective July 1, 2012.

### **PART V: Revises State and Local Sales and Use Tax Provisions**

Fifteen current state and local sales and use tax exemptions relating to agriculture and manufacturing are repealed.

This part provides for a comprehensive state and local sales and use tax exemption for machinery or equipment which is necessary or integral to the manufacturing of tangible personal property and to energy which is necessary or integral to the manufacturing of tangible personal property. The energy component of the exemption is subject to a 4 year phase in of 25% per year until fully phased in in 2016. The equipment component of this exemption is not subject to the phase in. It should be noted that the energy component of the exemption does not apply to ESPLOST. That tax will continue to apply to energy. It should further be noted that projects of regional significance (described later) are not subject to the phase in but will be fully exempt immediately.

This part further provides for a comprehensive state and local sales and use tax exemption for agricultural machinery and equipment, agricultural operations or products, agricultural inputs, and agricultural energy.

Additionally, this part authorizes but does not require a new local excise tax on energy equivalent to that energy which became subject to the new sales and use tax energy exemption.

A new state and local sales and use tax exemption allows the Commissioner of Economic Development, from January 1, 2012 through June 30, 2014 to decide that if a project constitutes one of "competitive regional significance", in which case the property used in its construction is exempt.

A comprehensive revision of the sales and use tax exemption for jet fuel is provided.

**Part VI: E-Fairness**

This part seeks to create an 'affiliate nexus' and thereby require the collection of state and local sales and use tax for transactions over the Internet. Effective October 1, 2012.

This part further provides for a return of the Sales Tax Holiday for school supplies and energy or water efficient products. Effective on Governor's signature.