## **Questions & Answers on the New Georgia Title Ad Valorem Tax**

### Why is the system for paying my annual vehicle ad valorem taxes changing?

Legislation enacted by the Georgia General Assembly in 2012 created a new system for taxing motor vehicles registered in Georgia. As a result, the annual vehicle ad valorem tax (sometimes called the "birthday tax") is being changed to a state and local title ad valorem tax, or TAVT.

#### How does it work?

Beginning March 1, 2013, state and local sales tax will no longer apply to the purchase of a motor vehicle (except for the 1% transportation tax on the first \$5,000 of any vehicle sale in regions that have this tax). All vehicles purchased or transferred into ownership after this date will no longer be subject to the annual ad valorem tax. Instead, these vehicles will be subject to a new, one-time state and local title ad valorem tax (TAVT) that is paid at the time the owner registers the vehicle and applies for the title with the county.

The new system for taxing vehicles will only apply to a vehicle when the ownership of the vehicle is transferred through a title exchange. All other vehicle owners will continue to operate under the current system and pay the annual ad valorem taxes until they no longer own the vehicle.

# Does the title ad valorem tax (TAVT) apply to all vehicles or just vehicles purchased through new car dealers?

All vehicles that are purchased on or after March 1, 2013, are subject to the TAVT, regardless of where the vehicle is purchased. Vehicles purchased through a private sale (non-dealer sale) that were previously exempt from sales tax will now be subject to the TAVT.

#### Are there any exceptions?

There is one exception for any vehicles purchased between January 1, 2012, and March 1, 2013. Owners of these vehicles are eligible to opt-in to the new system. To convert to the new system for free, the owner must prove that the taxes (sales and property) already paid exceed what the owner would have paid through the TAVT. If the amount of taxes paid is less than the TAVT owed, the owner can pay the remaining difference and convert to the new system. This one time option to convert must be exercised by the vehicle owner before December 31, 2013, at their county tax commissioner's office. Vehicles purchased out of state are not eligible to opt-in.

#### What about tag renewal fees, decals and emission tests?

The law requiring tag renewal fees, decals and emission tests did not change. Therefore, vehicle owners are still responsible for meeting these annual requirements.

# Do vehicle owners have to pay the title ad valorem tax when a vehicle title is transferred to a family member?

Vehicle titles transferred between family members, including spouses, parents, children, siblings, grandparents or grandchildren, will be handled as follows:

- Vehicles owned prior to March 1, 2013: The family member who is titling the vehicle has
  the option to pay the full title ad valorem tax or continue to pay the annual ad valorem
  tax under the old system.
- <u>Vehicles purchased on or after March 1, 2013:</u> The family member who is titling the vehicle is subject to a 0.5% title ad valorem tax.

### How does this new system impact vehicles that are leased?

Leased vehicles will still be subject to a sales tax on the monthly lease payment. The dealership is responsible for paying the title ad valorem tax and may include this cost in the term of the lease.

#### How does this new system apply to veterans?

Certain veterans who were exempt from annual motor vehicle ad valorem tax will also be exempt from the TAVT.

#### What about vehicles that are older than 1985?

Vehicles that are older than 1985 and are not required to have titles are only affected by the new system if the owner decides to get at title after March 1, 2013.

# Since this tax applies when the vehicle is titled, how does it apply to people who move in to Georgia from another state?

Vehicles transferred from another state to Georgia will be subject to the TAVT in two installment payments. In addition, the owners will still have to pay the title and registration fees that they were responsible for in the past.

### Where will vehicle title applications be processed?

Title applications must be processed in the county where the vehicle is to be registered.

#### Who collects the title ad valorem tax (TAVT)?

The TAVT is collected by the county tax commissioner before a new title is issued and the vehicle is registered. The new TAVT is calculated at a rate of 6.5% of the vehicle's value, not the sales price, as defined by the Department of Revenue's motor vehicle ad valorem assessment manual. When there is no value available in the assessment manual, the bill of sale or a reputable used car market guide determines the value. The trade-in value of another motor vehicle will be deducted from the value to get the taxable value.

### What if I think that the title ad valorem tax assigned to my vehicle is too high?

If an owner believes the value is too high for the condition of their vehicle, they may appeal the value to the County Board of Tax Assessors.

#### Will the title ad valorem tax always be set at 6.5%?

No. Beginning January 1, 2014, the tax rate will increase to 6.75%. It will increase to 7% on January 1, 2015. It will remain at that rate unless defined revenue targets in the law are not met, at which time the rate could adjust up to a maximum of 9%.

#### Will the title ad valorem tax apply when a vehicle is salvaged or donated to charity?

Salvage vehicles and vehicles donated to charities will pay a reduced TAVT rate of 1%.

The Georgia Department of Revenue (DOR) provides answers to additional questions on the title ad valorem tax on its website: <a href="http://onlinemvd.dor.ga.gov/Tap/fags.aspx">http://onlinemvd.dor.ga.gov/Tap/fags.aspx</a>. In addition, DOR has developed a calculator to estimate the amount of title ad valorem tax due on a vehicle which is available here: <a href="http://onlinemvd.dor.ga.gov/TAP/Welcome.aspx">http://onlinemvd.dor.ga.gov/TAP/Welcome.aspx</a>.