

Title Ad Valorem Tax Revenue Distribution

Every month, the tax commissioner will distribute the TAVT revenues to the state, county, school system and cities based upon a specific formula defined in the law. To compensate the county for the administration of the TAVT, it will receive an administrative fee of 1% of the TAVT revenues distributed to the state and a fee equal to the fee withheld for property tax collections from all other local governments. Initially, the state will receive 57% of the monthly TAVT collections in 2013, but this percentage will decline each year until it reaches 28% in 2022. Further adjustments may be made to the state's percentage share if the guaranteed local revenue targets defined in the law are not met.

The remaining monthly TAVT revenues are distributed to the local governments based upon two formulas. The first formula is calculated by taking the difference between the amounts of the vehicle property tax collected that month compared to the vehicle property tax collected during that same calendar month of 2012. After the amount of TVAT revenues necessary to compensate all local governments under the first formula is satisfied, all remaining TAVT revenues are distributed to the local governments based upon the second formula. The second formula uses the pro rata share of local sales tax distributions with a few exceptions for counties that have a combined local sales tax rate higher or lower than 3%. The second formula is the most complex calculation in the distribution formula and will be different in every county. It is important that the county finance officer work closely with the county tax commissioner to accurately compute the second formula.

County managers, administrators and elected officials should monitor the TAVT revenues closely in 2013 to determine the potential impact on the budget. To evaluate the financial impact, the sales tax and ad valorem tax collected on vehicles in each month of 2012 must be compared to the TAVT, sales tax and ad valorem tax collected on vehicles for the same calendar month in 2013. The vehicle ad valorem tax revenues and TAVT revenues can easily be obtained from the county tax commissioner. The vehicle sales tax revenues can be obtained by asking the Local Government Services Division of the Department of Revenue for a sales tax commodity code report. On this report, there is a category titled "auto." This category represents the portion of monthly sales taxes resulting from vehicle sales for the county, including auto parts used in repairs. Since sales tax will continue to apply to auto parts which make up about 15% of this category, this category will continue to show revenue, but the number will drop significantly after vehicle sales are removed. By the end of 2013, each county should know if the new system of taxing vehicles is producing more or less revenue than the old system. For each following year, an additional evaluation will be needed to determine if the increasing local percentage of TAVT is enough to offset the declining vehicle ad valorem taxes.