



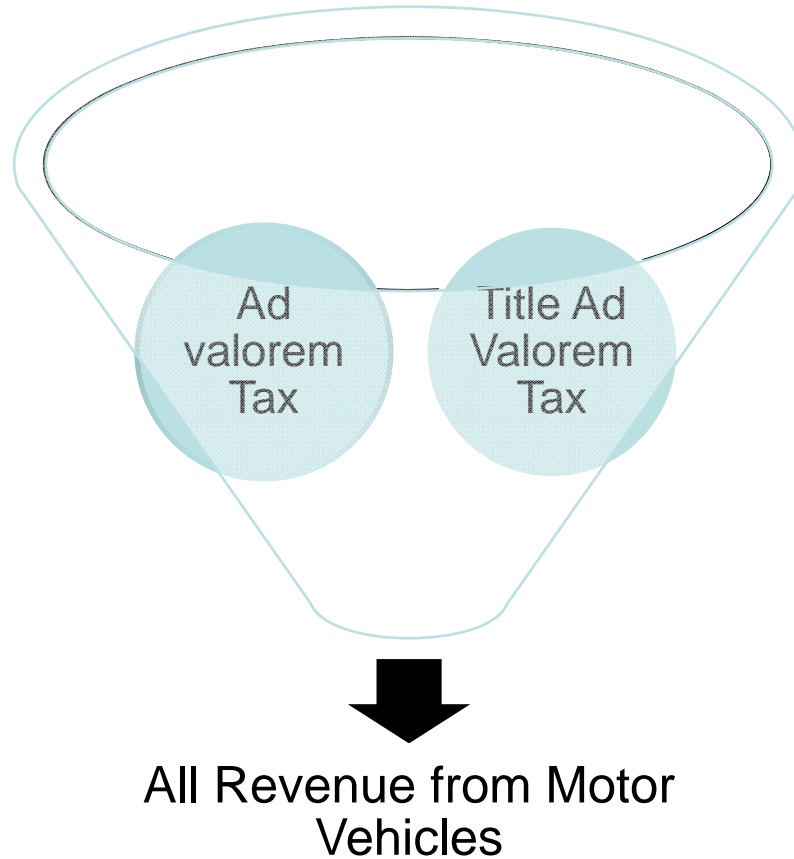
Georgia Department of Revenue

House Bill 386

State & Local Ad Valorem Title Tax



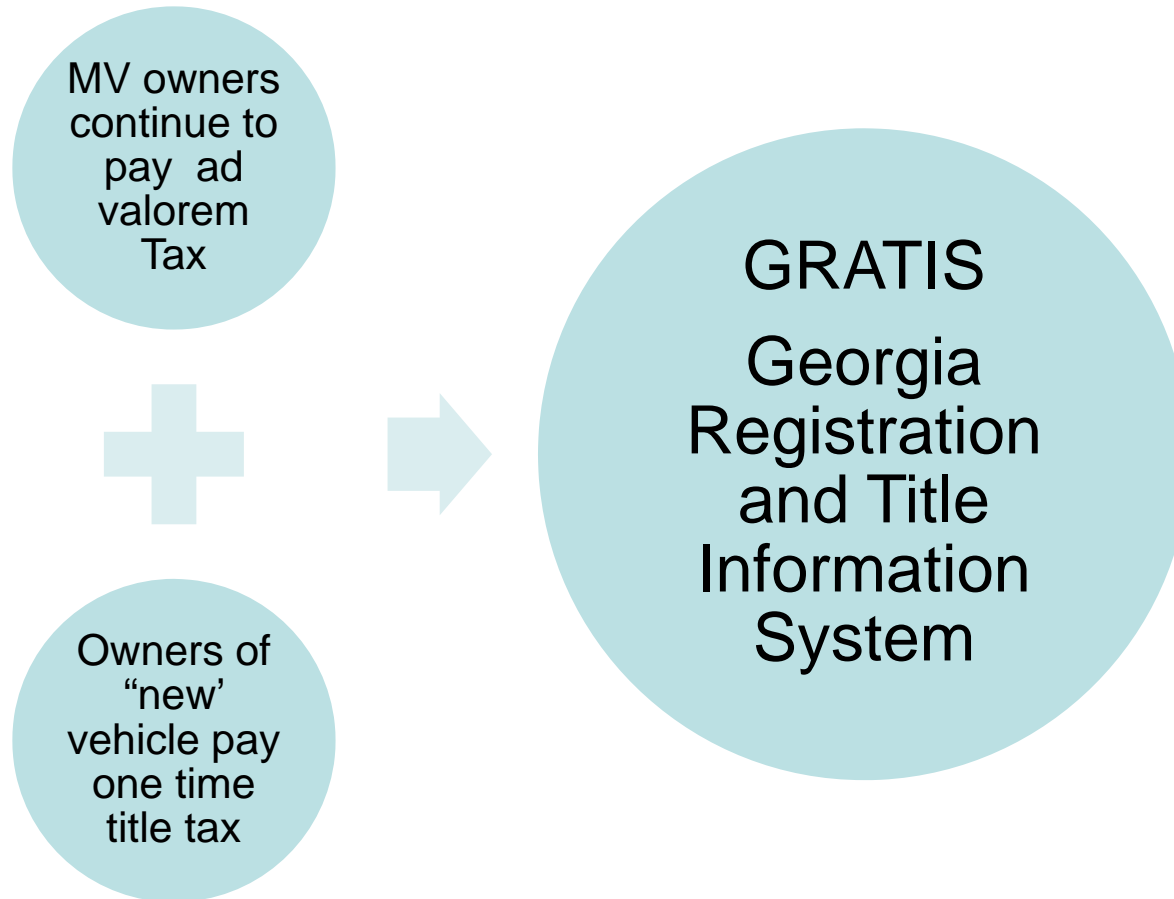
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State & Local Ad Valorem Title Tax





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New Class of Motor Vehicles

- Separate & distinct class of tangible property for purposes of ad valorem taxation
- Separate accounting and disbursement functions in GRATIS





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What happens March 1, 2013?

- What changes when motor vehicle titled on or after 3/1/2013?
 - Exempt from sales and use tax
 - Not subject to ad valorem tax in Chapter 5 of Title 48
 - Titled as required in Title 40
 - Subject to title & registration fees in Title 40
 - Subject to a state title tax & local title tax
 - What if vehicle is a non-titled vehicle?



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Tax Commissioner's Office (Line 287)

Purchaser goes to the county of registration to:



- Apply for Title
- Pay the state and local ad valorem title tax
- Pay title fee
- Pay registration fee

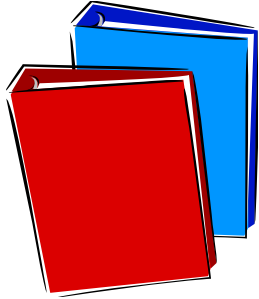


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How is State & Local Title Ad Valorem Tax Calculated?

$$\begin{array}{r} \text{FMV of vehicle} \\ - \quad \underline{\text{Trade In Value}} \\ \hline \text{Taxable Value} \end{array}$$

$$\text{Taxable Value} * \text{rate} = \text{Tax Due}$$



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Definitions

- Fair market value of the motor vehicle
 - Use the “Motor Vehicle Valuation Manual”
 - Blend of wholesale and retail value
 - Specific used car vehicle information not available use bill of sale or used car market guide, which ever one is greater
 - New vehicle – use bill of sale, less rebate and before trade-in value deducted



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Definition of Trade In Value

- **Trade in Value** (Line 136)
 - Value of the motor vehicle as stated in the bill of sale for a vehicle which has been traded in to the dealer when purchasing another vehicle from the dealer





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Example

35,000 price of new vehicle

15,000 amount credited for trade-in

\$20,000 taxable value

$\$20,000 * 6.5\% = \$1,300$ state & local title ad
valorem tax due





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Comparison to “Old” Method

35,000 price of new vehicle

15,000 amount credited for trade-in

\$20,000 taxable value for sales tax

At time of sale 7% sales tax due:

$$\$20,000 * 7\% = \$1,400$$

(4% State & 1% LOST, 1% SPLOST, 1% E-SPLOST)

Ad Valorem tax due on birthday:

$$\$20,000 * 40\% - 8,000 * 25 \text{ mills} = \$200.00$$



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How will difference in amount of sales tax and annual ad valorem tax be recovered?



“New” title ad valorem tax collected on casual sales



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State Title Fee & Local Title Fee

- Local Base amount = \$1 Billion
 - Average 2007 and 2008
- Local current collection amount
 - Amount of ad valorem taxes collected in prior year
- Local target collection amount
 - Local base amount added to the product of 2% of the local base amount multiplied by the number of years since 2012 with a maximum amount of \$1.2 billion



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State Title Fee & Local Title Fee

- State base amount = \$535 M
- State current collection amount
 - Total amount of ad valorem taxes collected under Chapter 5 of Title 48 for the tax year prior to the year that state and local title ad valorem tax rate is reviewed for adjustment
 - 2014 collections adjusted for 2015 to equal amount that 7% would have generated



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2 separate Target amounts

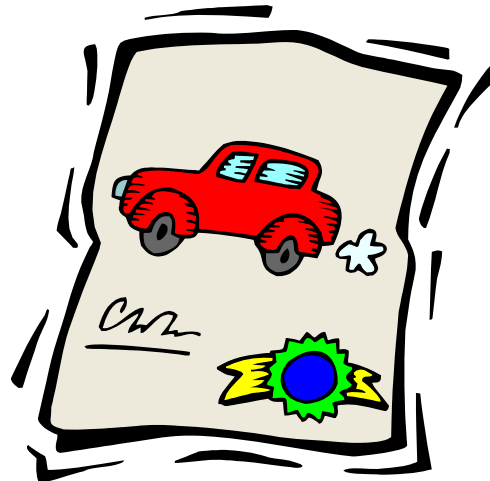
- State Target amount
 - Adjusts the amount being charged
- Local Target amount
 - Adjusts how the split is calculated



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State Title Fee & Local Title Fee

- State target collection amount
 - Amount = to the state base amount added to the product of 2% of the state base amount multiplied by the number of years since 2012





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State & Local Title Ad Valorem Tax

Tax Year	Tax Rate	State %	Local %
2013	6.5%	57%	43%
2014	6.75	55%	45%
2015	7%	55%	45%
2016*	7%	53.5%	46.5%
2017*	7%	44%	56%
2018*	7%	40%	60%
2019*	7%	36%	64%
2020*	7%	34%	66%
2021*	7%	30%	70%
2022 – forward*	7%	28%	72%



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*Except....

- For 2016
 - Annual review & rate set by Commissioner
 - No later than January 15th Commission to determine
 - local target collection amount (LTCA) and local current collection amount (LCCA)
 - » If LCCA = or within 1% of LTCA, rate as set in statute
 - » If LCCA exceeds by more than 1% the LTCA the rate is adjusted downward to generate no more than LTCA – state rate increased
 - » If LCCA is more than 1% less of the LTCA, the rate is adjusted upward – state rate decreased



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Annual Timeline

- January 15th date for commissioner to make determination
- January 31st notification due to county tax commissioners of the adjusted rates
- The effective date of such adjusted rate amounts shall be January 1 of such tax year
 - 1st distributions cannot be made until notification from DOR of the adjusted rate
 - » Schools, county governing authority and municipalities



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Other Adjustments

- 2015, 2018, 2022
 - July 1 the Revenue Commissioner determines state target collection amount (STCA) and the state current collection amount (SCCA)
 - If the SCCA is within 1% of the STCA – no change in rate (Line 257)
 - If the SCCA is more than 1% less of the STCA tax rate may be increased to equal STCA & the LTCA that should have been collected and the increase is given to the state
 - Notification to county no later than August 31 to be effective January 1 of next calendar/tax year
 - Rate cannot exceed 9%



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Dealers

- Used or new car dealer may accept such application for title and state and local title ad valorem tax fees on behalf of the purchaser of a new or used motor vehicle



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Dealers

- Dealer's fails to transmit documents & fees within 10 days of date of purchase
- 5% of the amount of state and local title ad valorem fees
 - 5% for each subsequent month
- If guilty of converting fees for own use shall be guilty of theft by conversation & if convicted punished as provided in O.C.G.A. 16-8-12



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Penalties

- Falsifying bill of sale:
 - Up to \$2500 state penalty & \$2500 local penalty.
 - Commissioner makes determination within 60 days of notification





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Distributions

- Proceeds collected from:
 - State and local title ad valorem taxes
 - State salvage title ad valorem tax fees
 - Administrative fees
 - Penalties
 - Interest
 - Disbursed within 30 days following the end of each calendar month



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Distribution to State

Ad valorem tax & fees	Distributed to:	Deductions	Penalty
State title ad valorem tax, fees, salvage, penalties, interest, administrative fees	State (deposited in General Treasury)	1% Administrative Fee (to be remitted to the collecting county's general fund)	Failure to remit within the 30 day period results in forfeiture of administration fee plus interest at the rate of 1% per month



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Distribution of Local Title Ad Valorem Tax

- Within 30 days following the end of each calendar month allocate and distribute in an amount to offset any reduction in ad valorem tax on motor vehicles collected under Chapter 5 of Title 48:
 - County governing authority
 - Municipal governing authorities
 - Board of education of county schools
 - Board of education of municipal schools



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How to Calculate



- Subtract the amount of ad valorem tax on motor vehicles (old method) collected in the same month of 2012
 - Net amount after refunds, penalty & commissions
 - Will include prior years



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Example

Entity	Amount collected same month/prior year	Ad valorem collected current month	Difference	Revenue from Local Title Ad Valorem Tax	Adjusted Total
County	\$ 60,000	\$ 55,000	(\$ 5,000)	\$ 5,000	\$ 60,000
Fire District	\$ 10,000	\$ 9,000	(\$ 1,000)	\$ 1,000	\$ 10,000
School	\$110,000	\$100,100	(\$ 9,900)	\$ 9,900	\$110,000
City 1	\$ 40,000	\$ 36,000	(\$ 4,000)	\$ 4,000	\$ 40,000
City 2	\$ 30,000	\$ 27,000	(\$ 3,000)	\$ 3,000	\$ 30,000



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How to Calculate

	Year	Amount Collected
1.	2012 – Ad valorem Tax (old)	\$250,000
2.	2013 – Ad valorem Tax (old)	\$227,100
3.	Difference	\$ 22,900
4.	2013 – Collected Local title ad valorem tax	\$100,000
5.	Amount required in #3 above	\$ 22,900
6.	2013 – Distribution of Local title ad valorem tax	\$ 77,100



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Issues

- 2012 is base year
- True-up based on each taxing jurisdiction?
 - School
 - County
 - City
 - Special districts
- Commissions – business same as usual for the “old” ad valorem distribution



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Shortfall

- What happens when there is insufficient funds to make up the difference in ad valorem tax?
 - Allocate a proportionate amount of available proceeds to each governing authority & school boards
 - Any remaining funds to be paid will be paid from next month's proceeds



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Distribution of Local Title Ad Valorem Tax





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Distribution Local Title Ad Valorem Tax Proceeds

Allocation of Remaining LTAVT	Distributed to:	Amount of Distribution:
1/3	County School Board & if applicable Independent School Board (line 370)	100% if only county school; Based on % of distribution of ESLOST % No ELOST do you use student population?



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Distribution of Local Title Ad Valorem Tax

Allocation of Second 1/3 of Remaining LTAVT

County Currently has LOST TAX

County Governing
Authority &
Each qualified
municipality

Distribution based on LOST Certificate of Distribution
filed with the Commissioner

No LOST

County Governing
Authority &
Each qualified
municipality

Distribution based on pro rata basis according to the
ratio of the population that each municipality bears to
the population of the whole county



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Distribution of Local Title Ad Valorem Tax

Allocation of Second 1/3 of Remaining LTAVT

County Currently has LOST & ELOST TAX

County Governing Authority &
Each qualified municipality

1/3 of proceeds distributed based on LOST
Certificate of Distribution filed with the
Commissioner

School board

1/3 of 1/3?





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Issue if LOST & ELOST

- @ line 387
 - 2/3 of 1/3 divided between cities & counties
 - 1/3 to school system?
- Agree??
- Or is this 2nd 1/3 all going to school?



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Distribution of Local Title Ad Valorem Tax

Allocation of Second 1/3 of Remaining LTAVT

County Currently has ELOST TAX – No LOST

County School Board
And if applicable
Independent School
System

Distributed as required under the local constitutional amendment (Line 393)

HOST Tax

County Governing
Authority &
Each qualified
municipality

Distribution based on O.C.G.A. 48-8-104



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Distribution of Local Title Ad Valorem Tax

Allocation of Last 1/3 of Remaining LTAVT

If SPLOST in effect

County governing authority & Each qualified municipality

Distributed in same manner as specified under an intergovernmental agreement or as otherwise required under the SPLOST in effect .
(DOR does not currently collect this information)

If SPLOST has expired

County Governing Authority & Each qualified municipality

Distributed in same manner as specified under an intergovernmental agreement or as otherwise required under the SPLOST in effect for 12 months after expiration –
If not if no LOST then population



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Distribution of Local Title Ad Valorem Tax

Allocation of Last 1/3 of Remaining LTAVT

If no SPLOST but a tax to support a metropolitan area system of public transportation has been enacted

MARTA

Distributed to governing body of the authority created by local Act to operation the public transportation system

No SPLOST

County Governing Authority & Each qualified municipality

Distributed same as the LOST proceeds or if no LOST then distributed on pro-rata population basis



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Exceptions and Exemptions

- Immediate Family Member

- Transfer of title to a spouse, parent, child, sibling, grandparent, or grandchild
 - What evidence will be required?
 - Affidavit

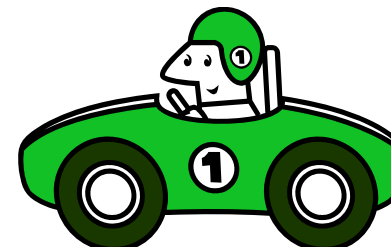




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Transfer from one immediate family member to another

- Vehicle has not paid “new” title ad valorem tax the new owner has the option to continue to pay “old” ad valorem tax or in writing elect to be subject to “new” title ad valorem tax





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Exceptions

- Transfer to immediate family member on a vehicle that has paid the “new” title ad valorem tax
 - New owner pays state ad valorem title fee of $\frac{1}{4}$ of 1% of the FMV of the vehicle, and
 - New owner pays local ad valorem title fee of $\frac{1}{4}$ of 1% of the FMV of the vehicle



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Exceptions

- Inherited vehicle that was not subject to “new” title ad valorem tax, new owner
 - Must be immediate family member
 - Inherit through will or rules of inheritance
 - Continues to pay “old” ad valorem tax
 - » OR
 - Elects in writing to become subject to “new” title ad valorem tax -- pay tax as applicable rate





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Inherited vehicle subject to “new” title ad valorem

- New owner that inherits motor vehicle must pay
 - state title ad valorem tax in an amount equal to $\frac{1}{4}$ of 1% of the FMV of the motor vehicle, plus
 - Local title ad valorem tax in an amount equal to $\frac{1}{4}$ of 1% of the FMV of the motor vehicle



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Example

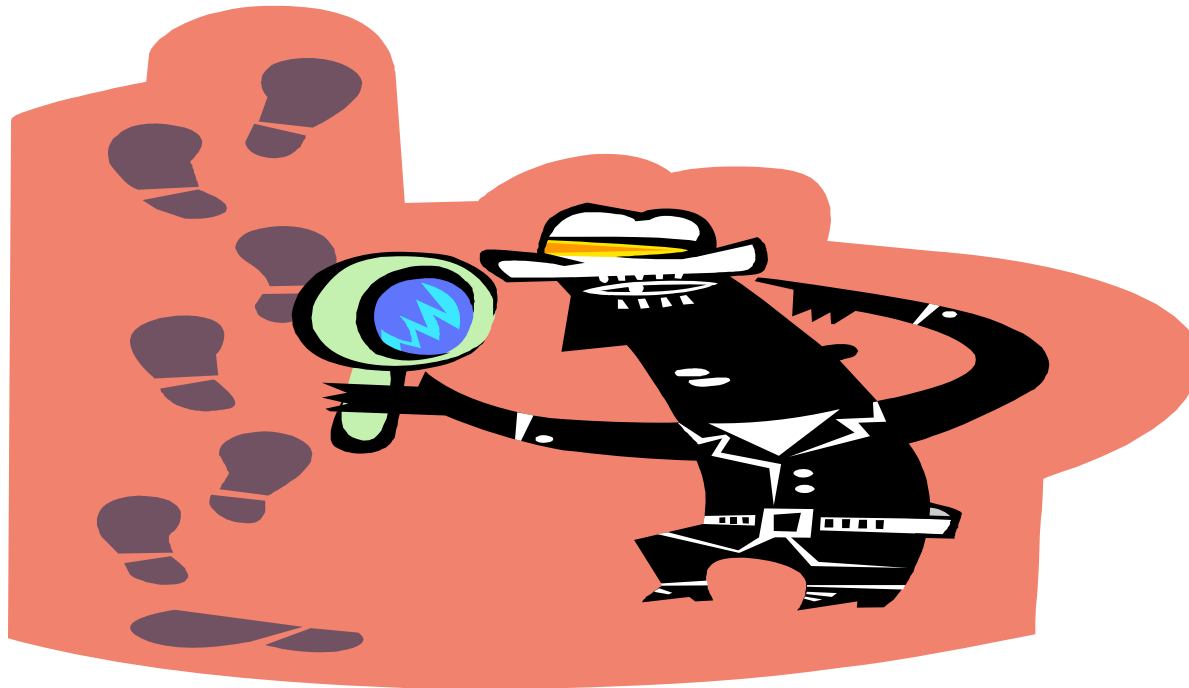
- $FMV = \$5000$
- $\$5000 * .0025 = \12.50 State
- $\$5000 * .0025 = \12.50 Local



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Issue

- What evidence/proof will be required?





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Issues

- Proof
 - Affidavit of the transferor and transferee that such persons are immediate family members to one another
 - Penalty
 - Penalty not to exceed \$2,500 as a state penalty and another penalty not to exceed \$2,500 as a local penalty for falsifying any material information in the affidavit



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Exemptions

- Vehicles donated to Non-profits
 - Organization must be a 501(c)(3) (line 582)
 - Subject to same rate as salvage vehicles
 - State title ad valorem tax of 1% of the FMV





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Exemptions

- State and local title ad valorem tax does not apply to:
 - Corrected titles
 - Replacement titles
 - Titles issued to the same owner



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Exemptions

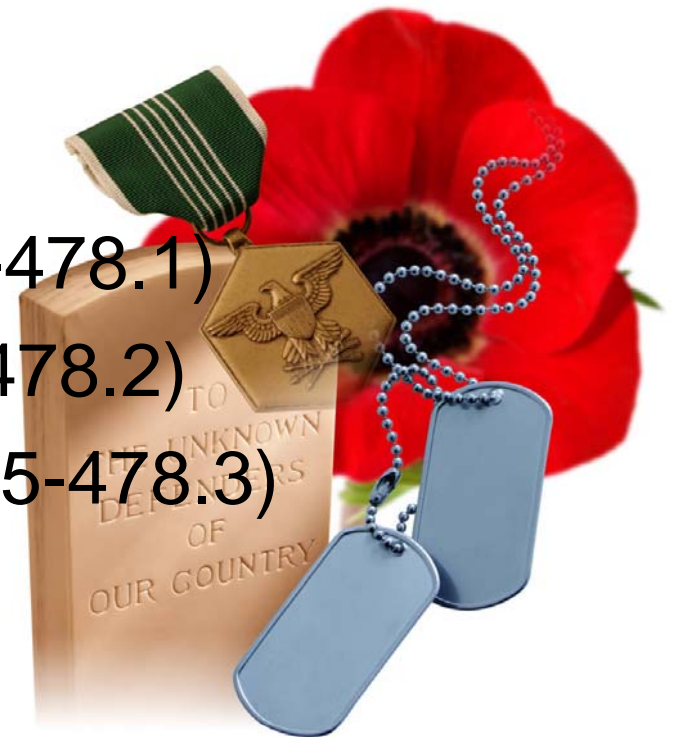
- Motor vehicles owned or leased by state, county, city, school district, or other governmental entity is exempt from the state and local title ad valorem tax
- Motor vehicle exempt from sales tax is exempt from the state and local title ad valorem tax (Disabled veteran)



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Exemptions

- Motor vehicles exempt from ad valorem tax for certain veterans: (line 512)
 - Disabled Veterans (48-5-478)
 - Former Prisoners of War (48-5-478.1)
 - Purple Heart Recipients (48-5-478.2)
 - Medal of Honor Recipients (48-5-478.3)





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Definitions

- **Loaner Vehicle** (Line 120)
 - Dealer owned vehicle (in dealer inventory) used for less than 30 days within the calendar year to any one customer
 - Issue a temporary operating permit?
 - Use dealer tag?



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Definitions



- **Rental Charge** (Line 124)
 - Value received from the rental or lease of a rental motor vehicle less than 31 consecutive days
- **Rental Motor Vehicle** (Line 130)
 - Motor vehicle designed to carry ten or fewer passengers that is rented or leased without a driver
- **Rental motor vehicle concern** (Line 133)
 - Owns or leases five or more rental motor vehicles

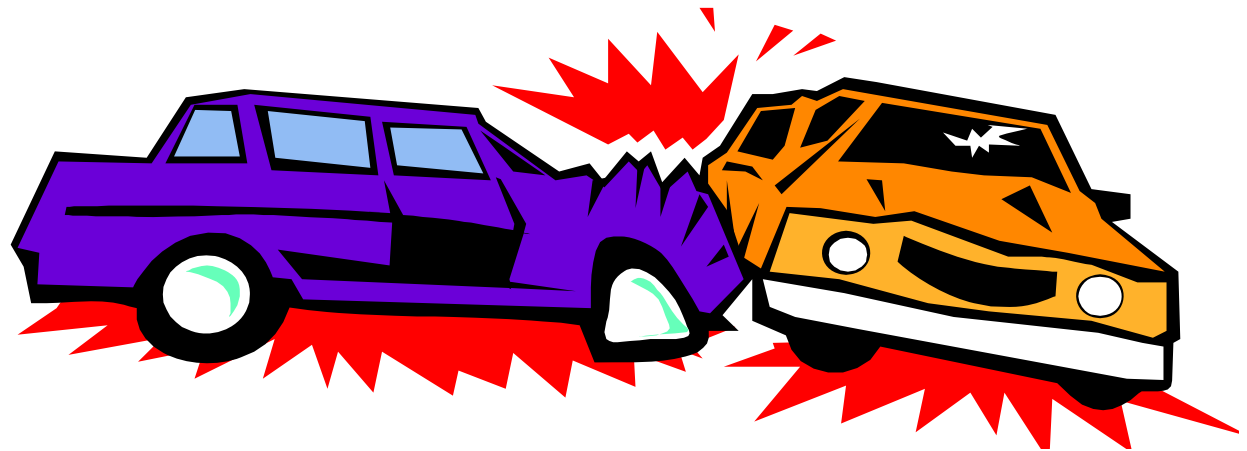


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Exceptions

- Salvage Titles

- Subject to state title ad valorem tax fee in an amount equal to 1% of the FMV
- No local title ad valorem tax collected





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Welcome Newcomer!

- New residents to Georgia at time of titling vehicle in Georgia and registering are required:
 - To pay the state and local title ad valorem tax
 - 50% at time of initial registration
 - 50% paid within 12 months





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Issues

- Compliance
 - Who is going to police?
- Who is eligible for fund if taxpayer moves from county where initially registered?
- What if taxpayer moves out of state and does not pay second 50%?
- What if they sell the vehicle?
- What about a business?



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Compliance

- Hold Title
 - Send letter to lien holder



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What else?

- Motor vehicles subject to state and local title ad valorem tax (new) still subject to:
 - Title
 - License plate
 - Revalidation decal
 - Registration requirements
 - And applicable fees as provided in Title 40



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Business Entity

- Penalty imposed on transfer of a business interest when done to evade the payment of state and local title ad valorem taxes
 - Up to \$2,500 state penalty and \$2,500 local penalty



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Time & Penalties

- Penalty for failure to submit within 30 days of the date required to register and file an application for a first certificate of title will be:
 - 10% of the state title ad valorem tax
 - 10% of the local title ad valorem tax
 - + interest of 1% per month unless TOP issued by TC
 - Portion to State and then distributed
 - Allowed to issue a TOP if delay is due to lien holder



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Opt In Provisions

- Vehicles purchased between January 1, 2012 and February 28, 2013 may opt in prior to January 1, 2014 and after compliance with:
 - (1) Calculate the amount of state and local title ad valorem tax that would be due if bought after March 1, 2013 and
 - (2) Add the amount of sales tax paid plus the amount of ad valorem taxes paid in 2012 (old) and if applicable ad valorem taxes paid in 2013 (old) and
 - If (1) is greater than (2) the owner shall remit difference to tag agent or
 - If 2 is greater than (1) no additional amount is due



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Rental Vehicles

- Rental vehicles owned by a rental motor vehicle concern pay: (line 564)
 - state title ad valorem tax = .75% of FMV
 - local title ad valorem tax = .75% of FMV
 - If the average amount of sales and use tax attributable to the rental charge for each motor vehicle was at least \$400 as certified by the state revenue commissioner



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Issues-Questions

- How do the counties calculate the \$400?
 - Rentals across multiple counties?
 - Registrations of those vehicles?





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Loaner Vehicles

- Not subject to title ad valorem tax for a period of time up to 6 months
 - If at the end of 6 months car is not returned to inventory for resale, vehicle is subject to state and local title ad valorem tax
 - How do you determine length of time?



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Appeals

- Vehicle values are appealable
 - Filing affidavit of illegality
 - Requires filing a bond
 - Trial in superior court
 - Appeal to Board of Tax Assessors as provided in 48-5-311
 - Taxpayer must pay 85%



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Rules & Regulations (Line 281)

- Administration
- Public Notification of rate changes & effective dates
- Enforcement & compliance procedures & methods

