

REVENUE AND FINANCE PLATFORM

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Adequate and equitable revenue sources for Georgia's counties are essential to ensuring counties' ability to fund essential services mandated by the state or desired by their residents. Counties urge the state to work with ACCG to provide more diverse revenue options to remove pressure from property taxes. Additionally, ACCG requests that state officials pay special attention to burdensome mandates and requirements, which increase local taxes and impede the county service delivery mission. We ask that decision-makers pay close attention to property tax, sales tax, and other local tax issues.

AD VALOREM TAXATION

1. Property Tax Reform – The property tax is an important component of the overall local revenue structure and should be reformed but not eliminated. The current property tax laws have not been updated to function appropriately within today's economy. Local governments and schools have also relied too heavily on property tax without sufficient revenue alternatives available to them.

(a) ACCG asks that new state sales taxes generated from an expanded sales tax base should be partially used to shift the burden away from property owners by implementing a refundable income tax credit for taxpayers that have a homestead property tax liability that exceeds a reasonable percentage of their income. These changes will ensure that no one is forced to sell their property because of the tax burden.

2. Exemptions/Tax Shifting – ACCG opposes state legislation to give local property tax exemptions to special interests, particularly when the proposals threaten home rule authority and shift the tax burden to hardworking homeowners and local businesses. However, where the state legislature grants a statewide ad valorem tax exemption for a special interest, the state should finance that tax break.

(a) ACCG asks the legislature to give the county commissioners more authority over local property tax exemptions. Currently the only local exemption that commissioners can implement through a call and passage of a local referendum is the Freeport Exemption. All other local exemptions must first be approved by the General Assembly. ACCG asks the General Assembly to require the consent of the county commission before the local legislative delegation calls for a local referendum to exempt property from all or any portion of county property taxes.

(b) ACCG asks the General Assembly to authorize local implementation of statewide property tax exemptions and special assessments. Once an exemption or special assessment is authorized in a statewide referendum, the local elected officials should determine whether and when it is enacted in their jurisdictions and should have the flexibility to tailor the exemption or special assessment to fit the needs and desires of their county residents.

(c) ACCG asks the General Assembly to clarify in statute that any portion of a property owned by a charity and rented to a for-profit business through a contract or agreement granting the business exclusive, full-time use of the property is not exempt from ad valorem tax. ACCG believes that limiting the exemption in the manner proposed will prevent charitable organizations from unfairly competing in the market for commercial real estate while still allowing them to generate rental or other income from the part-time use of their property by outside groups.

(d) To prevent future exemptions and mandates that unfairly shift more tax burden down to the local property taxpayer, the state should require legislation introduced in the General Assembly that financially

impacts local governments to layover one year and be extensively evaluated for its impact. ACCG asks the General Assembly to implement this layover to protect the counties from harm and unintended consequences in the same manner that the House and Senate Retirement Committees use actuarial studies to protect retirees from harm and unintended consequences. Any exemptions requiring approval by referendum should notify the voter of the likely shift in tax burden that will result from passage.

3. Tax Administration Issues - ACCG supports changes to existing laws that create confusion as well as fairness issues for property taxpayers.

(a) Public Notification of Tax Increase– The tax increase notice required under the Taxpayer Bill of Rights has created great confusion about tax increases for the public. To promote public notification of tax increases, ACCG requests that the notification required by the Taxpayer Bill of Rights and the five-year history be replaced with one annual notification that is simple for the taxpayer to understand. ACCG also urges the General Assembly to adjust the formula for the rollback rate to allow counties to capture inflation. Additionally, the General Assembly should consider exempting those local governments with “floating” homestead exemptions from compliance with these additional notification steps, in the same manner as the General Assembly has exempted the City of Atlanta.

(b) Taxes Exceeding Fair Market Value - When property taxes are not paid for several years, the property taxes owed can exceed the market value of the property making it impossible to sell and recover the owed taxes. County commissioners should be granted the authority to waive taxes that exceed the fair market value of a property to recover a portion of the taxes owed and place the property back in private ownership that will pay future taxes. ACCG asks the General Assembly to call for a constitutional amendment that would grant the authority for county commissioners to waive taxes that exceed a property’s fair market value.

(c) Tax Commissioners Contracting to Collect City Taxes - There are three different ways, depending on the population of the county, for counties to contract with cities for the collection of city property taxes. There is also a separate contract with the tax commissioner allowed in some counties. ACCG asks that to make the process uniform, there should be a single contract that must be signed by the county commission, tax commissioner and city council. This contract should specify reimbursement to the county for administrative costs and any personal compensation paid to the tax commissioner.

(d) Settlement Conference Loophole – Settlement conferences occur when an appeal is made to Superior Court by the taxpayer or tax assessor. If at the end of the 45-day review period the Board of Tax Assessors elects not to hold a settlement conference, the appeal terminates and the taxpayer’s stated value becomes the fair market value (FMV) and the 3-year lock applies. This can be abused by taxpayers asserting low valuations and hoping for a procedural mistake. ACCG asks the General Assembly to amend this law by simply submitting notice to the parties involved and requiring the appeal to continue on to Superior Court after the 45-day window closes. .

(e) Hearing Officers – Hearing officers are essential to the proper functioning of our property tax system, so that every citizen may have a fair and expedient avenue of appeal. It is important that the pool of hearing officers is sufficient to handle the workload throughout the state. ACCG supports legislation expanding the pool of potential hearing officers as the demand for their services increases.

4. Title Ad Valorem Tax (TAVT) -- Valuation of Used and Trade-In Vehicles -- TAVT is calculated on a vehicle’s taxable value, which is determined by establishing the vehicle’s fair market value, subtracting the value of any trade-in vehicle from that amount, and then multiplying that difference by the applicable tax rate. For new vehicles, the fair market value is the actual sale price of the vehicle. Based on changes in 2019, the fair market value for most used cars sold by dealers is the actual sales price; however, the fair market value of a seller-financed

used vehicle is the value listed in the DOR assessment manual. Under current statute, “trade-in value” is the value of the traded-in vehicle as stated in the bill of sale. For seller-financed used vehicles, the statute’s failure to consider the actual sale price of the vehicle caps the fair market value at the amount listed in the assessment manual (even if the negotiated sale price is higher, which is likely the case in many circumstances). The current system invites dealers to inflate the reported value of trade-ins associated with sales of seller-financed used vehicles to eliminate most or **all** the taxable value of the purchased vehicle.

(a) These issues can be eliminated by valuing all used vehicles sold by dealers at actual sale price or by limiting the value of a trade-in to no more than the DOR value. Addressing abuse of this system could also be aided by substantially increasing state and local penalties for falsifying bills of sale or other documentation submitted to tax authorities and by clarifying the roles of local governments and the Department of Revenue in auditing and investigating reports of fraud. **ACCG asks the General Assembly to provide these limitations.**

(b) There are multiple ways to abuse the existing system for temporary operating permits (TOPs) and dealer plates. Frequently, these abuses include out-of-state companies printing Georgia TOPs and Georgia companies falsely registering as automobile dealers to get two dealer tags, which can be used to avoid TAVT. ACCG supports curbing these abuses through legislation, so everyone pays their fair share.

5. CUVA – The state created both the Conservation Use Valuation Assessment program (CUVA) and the Forestland Protection Act program (FLPA) to encourage conservation of undeveloped land. Local governments and the state share the cost of FLPA but not CUVA. According to a 2016 report issued by the Department of Revenue, as of 2014, almost 190,000 properties were enrolled in CUVA, eliminating approximately \$9.5 billion in value and a total tax shift of approximately \$261.5 million statewide. ACCG believes that these programs have a statewide benefit, and the cost should be shared between the local and state government. ACCG asks the General Assembly to create a grant-sharing program for CUVA that is **like** that utilized for FLPA.

(a) Additionally, CUVA was originally intended to incentivize owners to maintain family-owned farmland by lessening the pressure to sell such property for redevelopment. However, recent court cases and legislative changes have made qualification for CUVA status so easy that nearly any undeveloped property may qualify for CUVA assessment. **ACCG asks the General Assembly to** tighten qualifications for CUVA status to both return the legislation to its original intended purpose and to avoid the continued shifting of the tax burden from such properties to small homeowners and commercial properties.

6. Taxation of Aircraft – Legislation was introduced during the 2023 legislative session to take the assessment of aircraft out of the hands of local governments and give it to the Department of Revenue. County tax assessors are providing this service currently with a great degree of accuracy. ACCG supports retaining local control over the taxation of aircraft and opposes shifting this responsibility to any state agency.

SALES AND USE TAX

7. Sales Tax Administration –

(a) Administrative Fees - Local governments in Georgia are required to pay the state 1 percent of all local sales taxes to defray the cost of administration. In addition, the state earns millions of dollars in interest on local sales tax proceeds. This revenue goes into the state’s General Fund and becomes part of the state’s budget revenues. State and local sales tax revenue could be increased if the state utilized more of the local administrative fee to perform compliance audits and other enforcement and collection activities. By generating more revenue from our existing sales taxes, counties would not be under as much pressure to raise property taxes. The state would also benefit from the increased compliance and enforcement **efforts since** the state’s sales tax would be included. **ACCG asks that** local revenues not used to assist the state in collecting local sales taxes should be disbursed back to the local governments.

(b) Situs of Taxable Transactions – For businesses to accurately determine the proper sales tax allocation to each county, ACCG asks that state law clearly prescribe a uniform method for businesses to identify the county where the transaction occurs. Such steps could include requiring the Department of Revenue rate and boundary database to include information at the street address level in addition to the 9-digit zip code when this information is provided to DOR by a county or city in an approved format.

(c) Refunds of Local Significance – Under current state law, the Department of Revenue makes decisions on requests for sales tax refunds without providing details to local governments; rather, local governments generally have future sales tax receipts reduced when the Department grants such refunds, which can have large impacts on existing county budgets. State law does require the Department to provide notice of refund claims that are expected to exceed 10% of a local government's annual sales tax proceeds based on the average of the three most recent calendar years but does not require disclosure of the time frame involved in the refund request or which local sales taxes were implicated by the refund request. Legislation adopted in 2020 allows local governments to spread sales tax refunds over the same time period as the overpayment as to certain sales taxpayers: direct-pay permit holders. In order that counties may comply with the spending restrictions imposed under various sales tax laws (for example, SPLOST and T-SPLOST), ACCG asks the General Assembly to require the Department to provide counties and other local governments with information on 1) the amount of each refund request attributable to each local government; 2) the time period for which sales taxes are being refunded; and 3) how much of each final refund is attributed to each local sales tax in place for the time period in question. Additionally, local governing authorities should be authorized to discuss such refunds in executive session, and all refunds should be deducted from future payments to local governments over the same amount of time over which the overpayments were made. Finally, the current optional review of such refund requests by the Department of Audits should be made mandatory.

(d) Municipal Option Sales Tax (MOST) – MOST is a one cent municipal sales tax used for water and sewer projects. It was originally enacted because the City of Atlanta was under a Federal Court order to make improvements to its water and sewer system that would have increased water and sewer fees to an unaffordable level. The General Assembly viewed this situation as a one-time emergency and made an exception to its long-standing policy position that all local sales tax is collected at the county-level only. Any sales tax that applies to an area smaller than an entire county is bad public policy: it is confusing for local governments and businesses and could result in reduced passage rates of other countywide taxes such as SPLOST, which is used for the benefit of the entire county. Water and sewer systems are enterprise funds and should be self-sustaining through their fees without subsidization through sales tax. ACCG asks the General Assembly to oppose the expansion of MOST to additional cities, and to oppose any tax that applies to an area smaller than a whole county.

8. Preservation/Expansion of Sales Tax Base –

(a) Sales Tax Exemptions - ACCG opposes sales tax exemptions for special interests. Current law includes approximately 100 such exemptions. These exemptions erode the sales tax base and create more tax volatility. Without a stable sales tax system, counties will experience difficulty in budgeting for capital projects and will have to rely more heavily on property tax to fund county services. ACCG further opposes sales tax caps and thresholds because they add to the complexity of the sales tax system.

(b) Include Digital Services in the Sales Tax Base – Although 2020's marketplace facilitator legislation helped to bridge the gap between sales tax on the goods of brick-and-mortar stores and sales tax on the goods of online retailers, and 2023's digital goods legislation improved parity between digital services and their physical counterparts, the sales tax code has not caught up with the times to capture rentals and subscriptions. Examples of each would be video rentals downloaded through an online platform not being taxed, and subscriptions to popular monthly streaming services not being taxed. ACCG asks the General

Assembly to clarify that all digital services, including rental and subscription services and prewritten software delivered electronically and used by a commercial enterprise via electronic transmission to a purchaser, should be taxed in the same manner as their physical counterparts to provide parity with brick-and-mortar stores and to expand the sales tax base.

9. Revenue Flexibility – Multiple options for generating needed revenues allows local governments to respond to local conditions and constituents’ desires, including allowing for property tax relief to their citizens. ACCG supports maximum flexibility for counties with regard to sales taxes.

(a) Homestead Option Sales Tax (HOST): Allow for All Counties – The HOST tax is a 1 percent county sales tax, the proceeds of which are used to fund a homestead exemption to reduce or eliminate the county property tax levy on homeowners. However, due to limitations in state law, HOST is only available to the handful of counties that do not have a Local Option Sales Tax (LOST). ACCG recommends removal of this impediment so that any county can choose any combination of the sales tax options available.

(b) Special Purpose Local Option Sales Tax (SPLOST) – Prior amendments to the SPLOST law have resulted in ambiguity in the interpretation of some provisions. To give counties and cities clear guidance and minimize conflict between counties and cities over future SPLOST referendums and to provide more flexibility in the use of SPLOST funds, ACCG asks the General Assembly to make changes to the SPLOST law, including clarifying that repayment of debt on a courthouse, administrative building, or jail qualifies for the level one category.

a. In many SPLOST negotiations, there is a request to count the prison population as part of the municipal population. ACCG asks the General Assembly to add language to the SPLOST law clarifying that incarcerated populations are not to be considered during SPLOST negotiations.

(c) Justice Special Purpose Local Option Sales Tax (JSPLOST) - ACCG asks the General Assembly to authorize an optional Justice Special Purpose Local Option Sales Tax (JSPLOST) for justice centers, jails, and courthouses under the same rules and procedures as a TSPLOST. This will be an alternative to the other types of SPLOST.

(d) Other Local Option Sales Tax (OLOST) Expansion – ACCG urges the General Assembly to expand the current Other Local Option Sales Tax (OLOST) statute to include the counties that have an Educational Local Option Sales Tax (ELOST).

(e) Sales Tax to Offset Property Tax – Counties support more options and additional flexibility to utilize local sales tax to further reduce their reliance on property tax. Additional sales tax revenues could be generated by expanding the sales tax base. Georgia currently has more than 100 exemptions in the sales tax code, reducing the potential local sales tax revenue by millions of dollars. Georgia also only taxes approximately 36 services out of a potential 168 services. The service sector is the fastest growing segment of the economy yet is largely exempt from sales tax. ACCG asks the General Assembly to help counties reduce their reliance on property tax by expanding the existing sales tax base through reductions in exemptions and including additional services. Commissioners should also be granted greater flexibility to determine the appropriate local sales tax rate for their county.

(f) Local Exemption from Transportation Taxes and Fees – During the 2015 Session of the General Assembly, several changes were made to the tax code to provide more funding for transportation. Unlike the historical practice of exempting government from paying taxes, the new taxes and fees for transportation were applied to purchases by both state and local government. ACCG does not believe it is appropriate to tax a government and asks the General Assembly to exempt local governments from the state hotel/motel fee, motor fuel excise tax, heavy weight truck fee, and the alternative fuel vehicle tax.

10. LOST Renegotiations – LOST is a one cent sales tax split between the counties and cities according to a distribution certificate filed with the Department of Revenue.

- (a) LOST Negotiation Criteria – The stated purpose of LOST is to provide a property tax rollback on the tax bill and to fund services that would otherwise have to be paid for through property tax. ACCG supports clarification or elimination of the eight LOST criteria to provide negotiators with assistance in allocating the tax based on its stated purpose.
- (b) LOST Dispute Resolution - Given past difficulties in resolving contentious LOST disputes, which can drag out all year until the December 30th deadline, ACCG supports improvements to the dispute resolution process so that counties and cities may more readily come to an agreement when both sides are at an impasse. An improved dispute resolution process should occur automatically when both sides cannot agree and should guide them to a resolution.

ADMINISTRATIVE ISSUES

11. Revenue Collection Enforcement– With the exception of fees collected by counties operating solid waste handling facilities, there is no general law expressly authorizing **how** counties may enforce collection and payment of fees lawfully owed to a county in exchange for services provided. ACCG recommends that counties be authorized to enforce collection of taxes, **fees**, and assessments in the same manner the state enforces its tax collections.

12. County Officials' Funds - Full Accounting – County commissioners, as trustees of the people, have a fiduciary duty to properly oversee and account for revenues received by all officials of the county, including constitutional officers. Accordingly, the law should be amended to make it clear that all funds received by any county official from whatever source—including confiscated funds and property—must be deposited in the county general fund or other appropriate fund of the county **monthly** with all such funds being appropriated and audited in accordance with state and federal law.

- (a) **Multi-County Judicial Circuit Audits** – Georgia has several multi-county judicial circuits, in which a host county runs the finances for the circuit while the other member counties contribute financial support. However, there are no audits on the full circuit providing a detailed accounting of how the funds are expended. ACCG asks the General Assembly to require an annual audit for multi-county judicial circuits.

13. Class Action Litigation Regarding Tax Refunds and Use of Tax Proceeds— Under current state law, tax refund suits brought against the Georgia Department of Revenue cannot be brought as class actions. A recent Court of Appeals decision determined that the failure of the General Assembly to include similar explicit protections for local governments means that such governments are subject to class actions by taxpayers seeking refunds. Class actions have been widely criticized in the business and academic communities because of their potential for abuse by the trial bar, the high costs they can impose on defendants, and the minimal benefits they bestow on plaintiffs. ACCG urges the General Assembly to curtail this abusive litigation practice by shielding local governments from taxpayer class actions in the same manner that the Department of Revenue is currently protected.

OTHER LOCAL REVENUE ISSUES

14. Tax and Expenditure Limitations – The Georgia General Assembly, like legislatures in many other states, occasionally considers a constitutional amendment to cap the increase in state and local revenues from one year to the next. ACCG is opposed to formula-driven, artificially set caps because they undermine the longstanding fiscal responsibility expected of elected officials. These caps would likely force the state to pass down more unfunded mandates on local governments, cut state revenues shared with local governments, and keep local officials from providing the increasingly higher level of services demanded by their constituents. The impact of a tax cap set at

the state level would be dramatically different for each county. Tax policies should be made at the local level, and counties should be given greater flexibility to tailor a tax system that best meets their unique circumstances.

15. Insurance Premium Tax – To further reduce reliance on ad valorem taxes, ACCG recommends that the Department of Insurance distribute revenues from the insurance premium tax within 30 days after collection and pay counties interest on overdue tax distributions, in addition to providing records disclosing any interest paid to the state as a result of investing county insurance tax proceeds. ACCG also believes that counties should have the same flexibility as cities regarding the use of insurance premium tax proceeds.

16. Right-of-Way Occupancy Fee – Cities are legally permitted to charge utility providers a franchise fee. Unlike cities, counties are not legally permitted to charge utilities (other than cable companies) a franchise fee for locating in their right-of-way. Instead, utilities have access to the county right-of-way completely free of charge. To take the burden of utility relocation off property taxpayers and require utilities to pay for their “costs of doing business,” ACCG asks the General Assembly to allow counties the option to levy a right-of-way rental or usage fee on utility services to compensate counties for costs associated with providing utilities access to public rights-of-way. In addition, ACCG asks the General Assembly to eliminate the current franchise fees and taxes on telecommunication service providers and replace these revenues with a local telecommunications excise tax. The local revenues should be split between the counties and the cities based upon a population formula.

17. Title Agent Fees and Equipment Costs – Although tag and title administration is a state function, counties currently provide all of the equipment for and data input into the tag and title system but have not received an increase in compensation for such services. The costs to counties for these functions are increasing, particularly in light of the state’s transition to a new computerized title, tag, and driver records system. Currently the county receives only \$.50 for each title processed and \$1.00 for each tag processed, with the remaining fees being paid to the state. ACCG recommends that the title fee be increased and the fee for a replacement title be increased. All the additional funds raised by these fees should be paid over to the county to help pay for the operations of the tax commissioner’s office. In addition, the counties’ share of the base tag fee should be increased.

18. Year’s Support – The year’s support law was originally implemented to help a widow or widower get back on their feet after the death of their spouse by providing a property tax break so the family home would not be lost due to the taxes. Although the original intent was to protect a homesteaded property, if a homestead is not claimed, then year’s support may be claimed for other properties, which is a way to game the system. ACCG asks the General Assembly to close this loophole by limiting year’s support so it only applies to homestead properties and up to 5 acres of immediately surrounding land.

19. Income Information – Income and expense information is essential in determining the proper value of income producing properties and must be considered when submitted by property owners. There is an imbalance in the valuation of income producing and non-income producing properties due to the absence of income information presented. This results in stark differences in assessment for similar commercial properties. ACCG asks the General Assembly to require submission of income and expense information for commercial property tax appeals on or before the last date to appeal the annual notice of assessment.

20. House Bill 581 (2024) Cleanup – House Bill 581 was an omnibus property tax and sales tax reform bill which creates a floating homestead exemption for all local governments.

(a) Acreage Limits – The statutory definition for homestead properties applies the exemption to the house and the immediately surrounding land, although an acreage limit is not defined. Many local homestead exemptions limit the exemption to the home and up to 5 acres of immediately surrounding land. ACCG asks the General Assembly to provide acreage limits for homestead properties.

(b) Estimated Roll-Back Rate – House Bill 581 introduced the concept of an estimated roll-back rate to be set by the local governments and certified to the tax commissioner. In practice, the tax assessors will need this information first since it needs to be included on the notice of assessment. ACCG asks the General Assembly to require that this information be shared with the tax assessors in addition to the tax commissioners.

(c) Transfer of Exemption to Spouse – Tax assessors throughout the state were surveyed and could interpret what happens in the event of the death of a spouse differently. If there is a floating homestead exemption

on a property and one spouse dies but both are on the property deed, then the surviving spouse should be able to continue the existing floating homestead exemption. ACCG asks the General Assembly to clarify this in statute.

21. Annual Audit Compliance – Local governments are required to complete and submit an annual audit to the Department of Audits and Accounts to maintain qualified local government status and eligibility to receive state grants. Dozens of counties have been of compliance in recent years, largely due to factors outside of the county's control. Examples include noncompliance from constitutional officers, auditor backlog, and auditor turnover. ACCG asks the General Assembly to allow counties an extension on maintaining their qualified local government status and completing their audits if the auditor signs and submits an affidavit stating that the delay is due to no fault of the county government.