

ACCG Recommendations to the Blue-Ribbon Study Committee on Local Government

Taxation, Funding, and Budgeting

Sales and Use Tax - September 23, 2026

I. FLOST Reform – Zero Cost to the State – Additional Relief for Property Taxpayers:

- A. ACCG recommends changes to state law to ensure 100% of FLOST proceeds are used to reduce the property tax burden.
- B. Codifying best Accounting Practices
 - Require all FLOST proceeds to be placed in a single, interest-bearing account for each year to be held by the county or each participating local government. Interest should follow the principle. **(Revenue Neutral to State. Additional tax relief for Local Taxpayers)**
- C. Eliminating the Incentive for Local Governments to Create Property Taxes Solely to Qualify for FLOST:

To do so, we recommend expressly defining 'eligible local government' and 'ineligible local government' in state law:

- We believe current law prohibits participation of any local government that does not actually levy property taxes. ACCG understands the law to limit participation to only those local governments that levy a net millage rate of greater than zero; however, some local governments argue that jurisdictions that do not have property taxes due to LOST rollbacks, should nevertheless be able to claim FLOST proceeds. A firm definition would foreclose confusion and arguments over whether a local government qualifies. **(Revenue Neutral to State. Additional tax relief for Local Taxpayers)**
- To eliminate incentives to create new taxes to claim FLOST proceeds, revise the law to provide explicitly that if a local government did not actually bill taxpayers for property taxes in the year prior to the undertaking the IGA for the new sales tax, they cannot participate. **(Revenue Neutral to State. Additional tax relief for Local Taxpayers)**
- D. Ensuring Taxpayers Receive Maximum Property Tax Relief by Defining 'Excess Proceeds' and 'Remaining Proceeds'
 - Under current law, there is no directive for how individual local governments must utilize FLOST proceeds once the property tax millage rate reduced to zero for a given local government. We recommend defining 'excess proceeds' in state law for this purpose and requiring excess proceeds for a given local government be redistributed within the special district to reduce other local government's millage rates. This ensures that proceeds are always used for property tax relief and not kept by individual

local governments as windfalls. **(Revenue Neutral to State. Additional tax relief for Local Taxpayer)**

- We also recommend defining “remaining proceeds” to cover any proceeds left over once all property tax millage rates is eliminated for the county and all cities within it. The acceptable uses of 'remaining proceeds' can be defined in state law. **(Revenue Neutral to State and Local Taxpayer)**

II. LHOST Revisions – ACCG recommends the following statutory changes to LHOST- Zero Cost to the State – Generally Neutral to Property Taxpayers:

A. Homestead Applicability

- ACCG recommends excluding only General Obligation, voter approved bonded indebtedness from the calculation for the LHOST. **(Revenue Neutral to State. May lead to some property taxes remaining for Local Taxpayers on homesteads but only for bonds that they have approved.)**

B. Accounting Principles

- ACCG recommends ensuring that tax commissioners and other state and local officials have the necessary data and tools to calculate and apply the proceeds of the LHOST to reduce the assessed value of the homestead property. **(Revenue Neutral to State and Local Taxpayer)**

C. Conversion of FLOST to LHOST

- ACCG recommends providing for the early termination of a FLOST upon the passage and initiation of a conforming LHOST. **(Revenue Neutral to State and Local Taxpayer)**

D. Submission of Millage Rates by Local Governments used for Calculation of the Value of the Homestead Exemption

- In lieu of the current September 2nd deadline for submitting each jurisdiction's millage rate to the commissioner, ACCG recommends that the deadline should be based around the submission to or approval of the county digest by DOR. **(Revenue Neutral to State and Local Taxpayer)**

III. Other items ACCG would like the Committee to consider:

A. The Administrative Fee of 1% Charged on All Local Option Sales Taxes

- We would ask the DOR to determine the actual cost to them to collect our local sales taxes. We ask the legislature to consider changing that fee from year to year to a cost basis. **(Revenue Negative to State; Revenue Positive to Taxpayer)**
- Example: The Insurance Premium Tax, by contrast, is collected by the Office of the Commissioner of Insurance and Safety Fire, and no fee is charged

B. Refunds of Local Significance

- We suggest the legislature consider lowering the percentage of a local government's annual sales which triggers notification to the local government by DOR and other procedures. Currently the trigger is 10% **(Revenue Neutral to State and Local Taxpayer)**

C. Sales Tax Exemptions

- We suggest the legislature continue to periodically review existing sales tax exemptions and scrutinize existing exemptions to reduce state and local revenue lost due to exemptions. **(Revenue Positive to State and Local Taxpayer)**
- We suggest exploring ways that sales tax can be expanded-such as including more digital services in the tax base. **(Revenue Positive to State and Local Taxpayer)**
- Example: Currently, you don't pay sales tax on certain digital subscriptions or rentals, but you do pay sales tax on permanent downloads of films.

D. Streamline the Date of First Collection of Sales Taxes Following Successful Referenda

- Under current law, all local option sales taxes except for FLOST and LHOST are subject to an 80-day timing limitation on the first collection of the sales tax. For example, this year, if you hold a sales tax referendum in November for a new SPLOST, the law will not allow for collection until April 1st. We recommend the legislature consider reducing the timing requirement from 80 to 50 days to allow that tax to commence as of January 1. **(Revenue Neutral to State and Local Taxpayer)**