



House Bills 327 and 340: Title Ad Valorem Tax

February 16, 2017

This week, bills were introduced that would make substantial changes to the Title Ad Valorem Tax (TAVT) system for vehicles. Prior to imposition of the TAVT, counties and other local governments received both ad valorem taxes (the “birthday tax”) and sales taxes on vehicles. The TAVT system replaced those sources with a one-time, 7% tax on vehicle sales. Application of the TAVT distribution formula has resulted in widely different results throughout the state, but in 2016 the vast majority of counties, cities, and school systems received less revenue than prior to the TAVT system. In contrast, the State’s share of TAVT under the present formula has risen dramatically.

HB 340 would overhaul the state/local TAVT distribution formula. From 2018 through 2021, TAVT funds would (as at present) first be applied to fill in the “gap” in ad valorem taxes (2012 ad valorem taxes minus ad valorem taxes still being collected on pre-2013 vehicles), with the remaining funds being split between the state and local governments as follows:

<u>Year</u>	<u>State %</u>	<u>Local %</u>
2018:	80	20
2019:	70	30
2020:	60	40
2021:	50	50

In 2022 and thereafter, the priority for replacing ad valorem taxes would be eliminated. The entire TAVT and remaining ad valorem collections would be split 30% state and 70% local. The local share would then be split according to a new formula, depending on where vehicles are registered. For unincorporated areas, the local share would be split 51% county and 49% schools. For incorporated areas, the local share would be split 28% county, 23% city, and 49% schools. These proposed distribution formulas will have differing results in different locations, and of course vehicle sales cannot be predicted with complete accuracy. However, assuming relatively consistent total TAVT collections, we expect the new formula to result in substantially more money for counties than was received in the most recent year.

HB 327 makes various other changes to the TAVT law to address various issues that have arisen in implementation. For example, there is some evidence of trade-in vehicle values being

manipulated in order to minimize TAVT on new/used vehicle sales; this bill would alter the valuation method in order to minimize the chances of such manipulation. A significant change in this bill relates to vehicles brought to Georgia from another state. At present, a person relocating to Georgia is required to pay the full TAVT when he or she titles a vehicle in Georgia for the first time, notwithstanding the fact that the vehicle was bought (and taxed) at some earlier point in another state. For this situation, HB 327 would replace the TAVT with a \$700 fee (\$350 for the state and \$350 for local governments).

If you have questions about these proposals after reviewing the bills, please contact Larry Ramsey or Clint Mueller.