Appendix 1

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Understanding Georgia's Motor Vehicles Ad Valorem Title Tax (TAVT) Distribution

April 30, 2013

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As the first distributions of Georgia’s Motor Vehicles Ad Valorem Title Tax (TAVT) begin to be received by local governments around the state, there may be some initial confusion as to just what these funds are and how to account for them. This confusion may come from the three notations accompanying the distribution; LOST Amount, SPLOST Amount and True-up Amount. These notations refer to how the revenue should be distributed as outlined in HB 386, passed in 2012, and HB 266, passed in 2013. The following are simplified definitions of each notation:

**TAVT True-up Amount**
The difference between a jurisdiction’s combined motor vehicles ad valorem tax revenue in the corresponding month from 2012 and the ad valorem tax revenue from the same month in 2013.

**TAVT LOST Amount**
The amount of revenue split by the county and all other taxing jurisdictions (after the state portion of 57% for 2013 has been removed) according to that county’s LOST distribution formula, and after the True-up for ad valorem tax.

**TAVT SPLOST Amount**
The amount of revenue split by the county and all other taxing jurisdictions (after the state portion of 57% for 2013 has been removed) according to that county’s SPLOST agreement.

Although the proportion of TAVT a local government will receive is based on the way LOST and SPLOST funds are distributed, TAVT funds do not have the restrictions on allowable uses like LOST and SPLOST funds. This is the good news: TAVT funds can be used to help where needed, including help paying for SPLOST projects. The bad news is that SPLOST revenues may not meet their projections due to the elimination of both the Motor Vehicle Sales Tax and the Sales Tax on Energy Used in Manufacturing. Several other sales tax exemptions may add to the loss of sales tax collections, more so in certain areas of the state. These exemptions include the Agriculture Sales Tax Exemptions (GATE Program), the Construction Materials Sales Tax Exemption for Projects of Regional Significance, and the reinstitution of Sales Tax Holidays in 2012 and 2013. These exemptions will not only impact SPLOST, they will impact all sales tax revenues.

In crafting the tax reform package, the Georgia General Assembly attempted to make the TAVT “revenue neutral” by adding language into law that requires internet retailers to remit sales tax as
well as eliminating the sales tax exemption on film production. The problem with these sources of revenue is that e-fairness is very difficult to enforce at the state level, and the other will only bring in sales tax in areas of the state where movies are filmed.

TAVT will be distributed monthly by the county tax commissioner to both the state and the local taxing authorities. The tax commissioner is responsible for comparing 2012 monthly motor vehicle ad valorem tax figures with those figures of the corresponding month in 2013, then distributing the amount due to local taxing authorities to true-up the 2013 revenue to the same level as 2012 ad valorem tax revenue. If the amount of TAVT in a given month in 2013 is less than the same calendar month of 2012, the difference should be noted as a Shortfall by the tax commissioner and be spread across each taxing authority proportionally. The amount of the Shortfall is to be covered by the following month’s TAVT funds. Remaining TAVT revenue will be distributed based on the formulas of various sales tax sharing agreements (LOST, ELOST, HOST, MARTA, and SPLOST). If the amount of TAVT in a given month in 2013 is less than the same calendar month of 2012, the difference should be noted as a Shortfall by the tax commissioner and be spread across each taxing authority proportionally. The amount of the Shortfall is to be covered by the following month’s TAVT funds.

In-depth explanation of the TAVT Distribution process by Vicki Lambert of the Georgia Department of Revenue (DOR).

As the smoke of tax reform begins to settle with the full implementation of the TAVT, cities may want to determine which area of sales tax has been hit hardest within their jurisdiction. The DOR will provide sales tax data by industry in a given county upon request. If a city can determine how much of a particular industry is within its boundaries, then it may be possible to determine which aspect of tax reform has hit your city the hardest. Good accounting and good analysis will be the key in understanding the numbers.

Moving forward, city financial managers should also keep concise records of TAVT distribution figures in order to be in a position to make reasoned and reliable projections of revenue
expectations for the year(s) ahead. The process for TAVT distributions is highly technical and, quite frankly, very hard to understand. In the coming months, the DOR will have their hands full making sure county tax agents across the state are properly trained to manage the distributions. Although it should go without saying, vigilance will be necessary in order to make sure your city is getting (and continues to get) the correct amount due. Should you have any questions, please feel free to contact Michael McPherson of GMA at (678) 686-6390.