

# REVENUE AND FINANCE PLATFORM

**Chairman: David Carmichael, Paulding County**  
**Vice-Chairman: Demond Mason, Newton County**

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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 in order 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

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**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) 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) Tax Estimate on Assessment Notice** – The estimated taxes required to be published on the property tax assessment notice is confusing and misleading because it does not take into consideration the millage rates that have not been set and any new exemptions on the property. This estimate should not be mandated.

**(c) 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.

**(d) 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. 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.

**(e) Limitation on Property Reassessments** – Georgia’s current property assessment practices and standards strive to ensure that property taxes are assessed on a fair and equitable basis according to value. However, this method of property assessment is sometimes perceived as unpredictable and unfair when counties do not continually reassess all property annually or when there are dramatic differences in increased property value from one area of the county to the next. To address these issues, county commissioners should be authorized to establish limitations on property reassessments and given maximum flexibility to structure the assessment limitation to address their community’s needs. ACCG asks the General Assembly to call for a constitutional amendment that would grant the authority

for each county to choose their form of assessment limitation if local elected officials decide one is needed.

**(f) Caps on Assessment** – Current law requires the assessment on a recently sold piece of property to be capped at no higher than the transaction amount for the year following the transaction. This artificial valuation has caused problems with uniformity of assessments and the shifting of the tax burden from many recently purchased properties to the rest of the property owners of the county. This problem is particularly acute with “Loss-Share” transactions, where banks or government-sponsored agencies sell properties to individuals at severely discounted rates, and then collect from the federal government (FDIC) the difference between the sale value and the true fair market value of the property after the transaction takes place. ACCG believes including these types of transactions was not the intent of the legislature and asks that the legislature act to exclude these types of transactions from the one-year transaction value cap.

**(g) Property Tax Appeals: Three-Year Lock** - The three-year lock in assessed values after a property tax appeal is very easy to get and results in many frivolous appeals, tying up scarce local resources. Much of these appeals are from commercial properties, which are shifting millions of dollars in property taxes to residential properties. This places an additional tax burden on all other properties in the county and has the largest impact on our homeowners, which is punishing the people who live in our communities. This tax shift is favoring out-of-state and sometimes out-of-country businesses over our citizens. ACCG asks the General Assembly to restrict the three-year lock to homesteaded properties only, and to limit the lock to successful appeals of at least a certain percentage.

**(h) Settlement Conference Loophole** – During the 2022 session, the option to submit a petition for review to the Superior Court was added as an avenue for property tax appeals, which results in a settlement conference. When a property is under this type of appeal, the tax commissioner may bill and collect at 85% of value until the appeal is resolved. Under current law, the assessors do not have a mechanism to force the taxpayer to attend the settlement conference, so the taxpayer can gain an indefinite 15% discount on their property taxes by refusing to come to the table. ACCG asks the General Assembly to provide a mechanism to compel the taxpayer to attend the settlement conference, and to allow the appeal to be dismissed if the taxpayer refuses.

**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 of 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.

**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 similar to 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. The General Assembly should 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 ATVs and Aircraft** – It is difficult for counties to ensure that proper ad valorem taxes are remitted on ATVs and aircraft because these vehicles are not tracked at the local level. Additionally, the lack of uniformity in sales tax collections places Georgia dealers at a competitive disadvantage with out-of-state dealers and private sellers. ACCG ask the General Assembly to implement a system to better track such vehicles.

## SALES AND USE TAX

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### 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. 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, state law should 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), at a minimum the General Assembly should 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, which is currently in effect for the City of Atlanta and three cities interconnected with Atlanta’s water and sewer system. 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, 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.

**(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 and digital goods such as digital music, books, and video. 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** – Given past difficulties in LOST negotiations throughout the state, ACCG supports improvements to the dispute resolution process so that counties and cities may more readily come to an agreement when the two sides are at an impasse. This improved dispute resolution process should occur automatically when the two sides cannot agree and should guide them to a resolution.

## ADMINISTRATIVE ISSUES

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**11. Revenue Collection Enforcement**– With the exception of fees collected by counties operating solid waste handling facilities, there is no general law expressly authorizing the means by which 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 on a monthly basis 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

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**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 of

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. Finally, the General Assembly should provide funding to assist counties in acquiring upgraded equipment necessary to implement the state's new DRIVES system.

**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.

**Yellow Highlight = New / Edited Text**