

## **State Changes to Motor Vehicle Tax to Take Effect March 1**

January 29, 2013

Tax reform legislation enacted by the Georgia General Assembly in 2012 created a new system for taxing motor vehicles registered in Georgia. As a result, the annual vehicle ad valorem tax, often called the "birthday tax," will change to a state and local title ad valorem tax on March 1, 2013. Hall County Government officials encourage individuals who plan to purchase or transfer the title on a vehicle to learn more about these changes before visiting the Hall County tag and title office.

Beginning March 1, 2013, state and local sales tax will no longer apply to the purchase of a motor vehicle in Hall County. All vehicles purchased or transferred into ownership after this date also will no longer be subject to the annual ad valorem tax. Instead, these vehicles will be subject to a new, one-time state and Local Title Ad Valorem Tax (TAVT) that is paid at the time owner registers the vehicle and applies for the title with Hall County.

The new system for taxing vehicles only applies when the ownership of the vehicle is transferred through a title exchange after March 1, 2013. All other vehicle owners will continue to operate under the current system and pay the annual ad valorem taxes.

"People need to be warned that the cost to title a vehicle after March 1, 2013 will be much higher than what they may have paid before," said Hall County Tax Commissioner Darla Eden. "Vehicle purchases through a private sale (non-dealer sale) that were previously exempt from sales tax will now be subject to TAVT. Additionally, if you purchase a vehicle on or after March, 1, 2013, sales tax no longer applies and the annual ad valorem tax is replaced with the TAVT."

The title ad valorem tax is collected by Eden's office before a new title is issued and the vehicle is registered. The new title ad valorem tax is calculated at a rate of 6.5% of the vehicle's value, not the sales price, as defined by the Department of Revenue's motor vehicle ad valorem assessment manual. When there is no value available in the assessment manual, the bill of sale or a reputable used car market guide determines the value. The trade-in value of another motor vehicle will be deducted from the value to get the taxable value.

For example, consider an individual who purchases a vehicle with a fair market value of \$15,000. He or she also receives \$2,500 as the trade-in value for a previously owned vehicle.

The title ad valorem tax that would be due when the individual applies to have the title issued is \$812 which is 6.5% of net trade in of \$12,500. The Georgia Department of Revenue (DOR) has developed a title ad valorem tax calculator to help people determine the amount of taxes they will owe that is available at: <http://onlinemvd.dor.ga.gov/Tab/welcome.aspx>.

As is the case with property tax, a citizen can appeal the fair market value of their vehicle with the Hall County Tax Assessor's Office.

"It's a drastic change in the way taxes are paid on a motor vehicle," said Hall County Chief Appraiser Steve Watson. "It's going to be a shock for some people, but we're ready to work through the new system with taxpayers and make sure that they're getting a fair assessment."

All vehicles purchased on or after March 1, 2013 are subject to this new system, regardless of where the vehicle is purchased. Vehicles purchased through a private sale that were previously exempt from sales tax, such as vehicles that are sold between individuals and not through a dealer, will now be subject to the title ad valorem tax.

The following are other important changes that will go into effect on March 1, 2013:

- Vehicles transferred from another state to Georgia will be subject to the title ad valorem tax in two installment payments, in addition to the title and registration fees that they were responsible for in the past.
- Leased vehicles will still be subject to a use tax on the monthly lease payment. The dealership is responsible for paying the title ad valorem tax and may include this cost in the term of the lease.
- Vehicle titles transferred between family members, including spouses, parents, children, siblings, grandparents or grandchildren, will be handled as follows:
  - Vehicles owned prior to March 1, 2013: The family member who is titling the vehicle has the option to pay the full title ad valorem tax or continue to pay the annual ad valorem tax under the old system.
  - Vehicles purchased on or after March 1, 2013: The family member who is titling the vehicle is subject to a 0.5% title ad valorem tax.
- Title applications must be processed in the county where the vehicle is to be registered.
- Salvage vehicles and vehicles donated to charities will pay a reduced title ad valorem tax at a rate of 1%.
- Certain veterans who were exempt from annual motor vehicle ad valorem tax will also be exempt from the title ad valorem tax.

Eden explained that for any vehicles purchased between January 1, 2012 and February 28, 2013, an opt-in provision to the new system is permissible.

"To convert to the new system for free, the owner must prove that the taxes (sales tax and ad valorem) already paid exceed what the owner would have paid in TAVT owed. If TAVT is more than the sales and ad valorem tax, the owner can pay the remaining difference and convert to the new system. This one time option to convert must be exercised by the vehicle owner before December 31, 2013 at our office. We encourage you to visit the web site listed below to determine if you would benefit by the opt-in provision. If you decide to opt-in or you have questions, please come in to our office during your renewal month and we will be glad to assist you in this process. This will help reduce the overflow of customers and your wait time."

For more information on the new title ad valorem tax, go to [www.etax.dor.ga.gov](http://www.etax.dor.ga.gov) and click on "Motor Vehicles" and then the "Tax Calculator" button or [www.accg.org](http://www.accg.org) and click on "Motor Vehicle Tax Reform."