Revenues That Switch to or Must be Shared with Municipalities upon Incorporation or Annexation

Association County Commissioners of Georgia
August 31, 2015

Local Option Sales Tax (LOST) Distribution –Article 2 of f Chapter 8 of Title 48
LOST, subject to countywide voter approval, is a sales and use tax of 1 percent with the proceeds shared between counties and municipalities based upon a negotiated certificate that must be updated at least every 10 years. Property taxes must be rolled back annually in an amount equal to the sales tax proceeds generated in the prior year and shown on the property tax bills. When a new city is created, a renegotiation is triggered under 48-8-89). Depending on whether the relative proportion of incorporated population (including the new city) to the total population in the county is less or more than 80 percent, the existing LOST proceeds to the either the county or other cities will be reduced and transferred to the new city. Furthermore, future negotiations after each decennial census will also require that LOST proceeds be shared by the county and existing cities with the new city unless they otherwise agree.

Special Purpose Local Option Sales Tax (SPLOST) Distribution – Part 1, Article 2 of Chapter 8 of Title 48
SPLOST is a 1-percent sales and use tax, typically levied for five or six years, used to fund capital outlay projects proposed by the county government and participating municipal governments and approved by the voters in a referendum. While the creation of new city would not affect distribution of proceeds from a current SPLOST levy, that new city would be eligible for a share of the SPLOST proceeds since the fallback distribution formula is based on relative population.

Business Occupation Tax – Article 1 of Chapter 13 of Title 48
The Business Occupation Tax is a tax on businesses and occupations enacted through a local ordinance or resolution. A county can only levy this tax in the unincorporated area, so business located in the new city or annexed area will no longer be subject taxation by the county even if the city chooses not to levy a business and occupation tax. A county could not continue to levy the tax in the newly incorporated area. 48-13-6(a).

Insurance Premium Tax - Chapter 8 of Title 33
The Insurance Premium Tax is a tax on insurance premiums collected by insurance companies doing business in Georgia. A rate of 1 percent is imposed on life insurance premiums (33-8-8.1(b)(1) for counties and 33-8-8.1(b)(2) for cities. In addition, 2.5 percent of the Georgia gross receipts of the insurance other than life insurance are imposed by cities and counties under 33-8-8.2(a). This tax is collected by the Georgia Commissioner of Insurance and distributed to local governments. The proceeds received by a county are based on the population of the unincorporated area of each county relative to the municipal population in the county. Proceeds to the county can <u>only</u> be used to fund services to the unincorporated area of the county (or for a reduction in ad valorem taxes in the unincorporated area if certain named services are not provided (see 33-8-8.3)). Proceeds to the cities have no use restrictions.

Local Maintenance and Improvement Grants – Georgia Department of Transportation- 32-5-27(d)
Grants for resurfacing and other road and bridge projects are available through the Local Maintenance and Improvement Grants Program at the Georgia Department of Transportation. A minimum of 10 percent to 20 percent of state motor fuel tax revenues are dedicated to funding

the program each year. The funds are made available to counties and cities based on a ratio of the county/city public road mileage and population to total public road mileage and population in the state. The county road system is under 32-4-1(2). County roads could be in a city and would be maintained by the county unless the city establishes its own road system under 32-4-1(3). Cities receive LMIG funding, based solely on population, regardless of whether they provide road services.

Hotel-Motel Tax – Article 3 of Chapter 13 of Title 48
Counties and cities can levy an excise tax on the sale of rooms, lodgings and accommodations. The general rate authorized is up to 3 percent; however, local governments may exceed this rate in varying amounts not to exceed 8 percent. The proceeds are used for certain, specified purposes generally related to tourism and trade show purposes. If a new city is created, or an area is annexed, in a county which levies this tax, the county hotel-motel tax ceases in the city limits if the city chooses to impose its own levy. 48-13-51.

Alcohol Taxes - Chapters 4, 5 and 6 of Title 3
Distilled Spirits: Counties cities may levy excise taxes on distilled spirits at rates not to exceed 22 cents per liter or proportional rates for other sized containers of distilled spirits sold by the package. Counties and cities may also levy excise taxes at rates up to 3 percent of the price charged for mixed drinks.

Malt Beverages: A uniform local government beer tax is levied at 5 cents per 12 ounces for bottled and canned malt beverages with proportional rates for sizes other than 12 ounces. The rate for bulk (tap or draft) malt beverages is $6 per container for containers up to 151/2 gallons with proportionate rates for other sized containers.

Wine: Counties may levy excise taxes at rates not to exceed 22 cents per liter.

Cities collect taxes on alcoholic beverages sold in the city; counties collect this tax on retailers located in the unincorporated area.

Alcoholic Beverage Licenses - Title 3.
The state constitution provides that, in the absence of a general law, counties may be authorized by local law to levy and collect license fees in the unincorporated area of the county.[63] Counties are authorized under Title 3 to license and regulate the manufacture, distribution, and sale of distilled spirits, malt beverages, and wine within their unincorporated areas. In addition to the excise tax on alcoholic beverages, county governing authorities are authorized to establish the amount of such an annual license fee, with the limitation that they may not charge dealers in distilled spirits more than $5,000 annually for each license. These license fees go to a city when issued within municipal boundaries.

Cable Franchise Fees - Chapter 18 of Title 36
Cable Franchise Fees are implemented as part of a service agreement executed between the county and a cable television provider in the unincorporated area. The fee is intended to reimburse the county for the use of public right-of-way and for other public services associated with the functioning of the cable television enterprise. Cities collect these fees for areas within the corporate limits, even if they do not maintain their road system/right of way. The county fees must terminate in areas that incorporate.

Sales Tax Portion of TAVT Distribution - Section 1 of Chapter 5C of Title 48
The Title Ad Valorem Tax is a one-time state and local tax paid when ownership of a vehicle is transferred, except in the case of a transfer to an immediate family member. This tax applies to all new and used vehicles purchased through a dealership or from a private individual. The tax is collected by the county tax commissioner and dispersed to the state, county, school district, and cities based upon the formulas prescribed by law. The proceeds distribution essentially follows sales tax distribution so in many cases, if a new city is created, that county share of TAVT will decrease.

Energy Excise Tax –Article 6 of Chapter 13 of Title 48.
Cities and counties may levy this tax on energy which is otherwise exempt from sales tax. The amount of proceeds to the county and each city is in the same relative proportion that the city or county receive sales tax. A county energy excise tax that is in place when a new city is created continues to be levied in the city limits, but only so long as the new city does not levy the tax. Since the amount distributed to the county and each city is determined by the distribution of LOST and SPLOST proceeds to each, energy excise taxes distributed to the county and existing cities are proportionately reduced to provide the proceeds to the new city.

Impact Fees – Chapter 71 of Title 36
Development impact fees are charged to new developments at the time a building permit is issued and are used to finance public facilities (water, sewer, roads, bridges, storm-water management, parks, greenspace, police, fire, emergency medical, rescue, and libraries) that are impacted by the growth. The fee is an alternative to existing residents having to pay more in taxes to accommodate new growth and residents. Even though current law permits cities to allow counties to levy county impact fees within city limits, as a rule, counties only collect these fees in unincorporated areas and cities collect them within municipal boundaries even if the fees were being collected by the county for facilities built by the county in the newly-incorporated areas.