



**Georgia Title Ad Valorem Tax Fee
Informational Bulletin MVD 2013-03-06
Important Changes
Fair Market Value for New Motor Vehicles**

March 6, 2013

Governor Nathan Deal has signed House Bill 266 into law, thereby amending several aspects of the new title tax law under O.C.G.A. § 48-5C-1. Most notably, this bill changes the way Fair Market Value ("FMV") is calculated on new motor vehicles. The value for used motor vehicles has not been significantly changed.

Originally, the FMV for new vehicles was based on the value listed in Department of Revenue's motor vehicle assessment manual. If the value was not listed in the assessment manual, the FMV for new motor vehicle would be the value listed on the bill of sale minus any rebate.

HB266 changes the FMV of new motor vehicles to use the higher of the retailing selling price or the value from the current ad valorem assessment manual. The retail selling price is meant to mirror the taxable base that was formerly used for purposes of sales tax. In accordance with the HB266, the FMV for new motor vehicles with a purchase date of March 6, 2013 or later is defined as follows:

"For a new motor vehicle, the greater of the retail selling price or, in the case of a lease of a new motor vehicle, the agreed upon value of the vehicle pursuant to the lease agreement or the average of the current fair market value and the current wholesale value of a motor vehicle for a vehicle listed in the current motor vehicle ad valorem assessment manual utilized by the state revenue commissioner in determining the taxable value of a motor vehicle under Code Section 48-5-442, less any reduction for the trade-in value of another motor vehicle and any rebate or any cash discounts provided by the selling dealer and taken at the time of sale. The retail selling price or agreed upon value shall include any charges for labor, freight, delivery, dealer fees, and similar charges and dealer add-ons and mark-ups, but shall not include any extended warranty or maintenance agreement itemized on the dealer's invoice to the customer or any finance, insurance, and interest charges for deferred payments billed separately."

In more simplified terms, this new rule now requires the dealership and the counties to compare the value listed in the assessment manual with the total amount charged to the customer. Whichever value is greater is the taxable amount. The tax rate is still 6.5% of the FMV.

Directions For County Tag Offices:

For New Cars:

Until GRATIS can be updated to accommodate the changes in HB266, please use the following method to ensure that new Fair Market Value definition can be accommodated:

1. If the vehicle has a Manufacturer's Statement of Origin ("MSO") and is getting a title then it will be considered a new car and would utilize the definition for FMV definition for new vehicles.
2. If the assessment manual value for that vehicle is found in GRATIS, but the retail selling price is lower, then the tag agent can complete the transaction without going into the appeal process.
3. If the assessment manual value for that vehicle is found in GRATIS, but the retail selling price is higher, then the tag agent will need to treat the transaction as an "Appeal" in order to change the value from the assessment manual value to the retailing selling price value. This will not be a true Appeal, but rather will use the Appeal process to change the value.
4. First, the tag agent should do a normal title service, then set the Appeal Flag to "Y".
5. The tag agent should then collect 100% of the value based on the assessment manual value. The tag agent will have the option of collecting at 85% or 100% of the assessment manual value, and should collect based on the 100% valuation.
6. After this is complete, the tag agent should collect 6.5% multiplied by the difference between the assessment manual value and the retail selling price. This should be done through the standalone process. (Options 1 & 24)

Comparison of GRATIS Value to "New" Car Value

GRATIS VALUE	RETAIL SELLING VALUE Includes: charges for labor, freight, delivery, dealer fee, document fee, dealer add-one and markups Does not include extended warranty or maintenance agreement itemized on invoice, of charges for finance, insurance or interest for deferred payments billed separately
\$15,000	\$20,000
- \$5,000 (Trade In + Rebates + Cash Discounts)	- \$5,000 (Trade In + Rebates + Cash Discounts)
\$10,000 Taxable Value	\$15,000 Taxable Value

Example:

- Tag agent is processing a new car title based on an MSO.
- The value in the assessment manual is \$15,000, but the retail sales price is \$20,000.
- Because the retail sales price is higher, this is the amount that should be used in calculating the title fee.
- The tag agent should complete the title service and set the Appeal Flag to "Y".
- The tag agent should then collect 6.5% multiplied by the 100% value found in the assessment manual less the trade in value which would be \$10,000.
 - o This would equal $6.5\% * \$10,000 = \650 .
- Through the appeal, the value of the vehicle should be set to \$20,000 to match the retail selling price.
- The tag agent should then collect 6.5% of the difference through the standalone process. (Options 1 & 24)
 - o In this case, that would be $6.5\% * \{(\$20,000 - \$500) - \$10,000\} = \325 , or $6.5\% * \$5,000 = \325 .
 - o The total collected through this process will be $\$650 + \$325 = \$975$. The \$975 total collected reflects $6.5\% * \$15,000$ which was the retail selling price.

If the value is not listed in the assessment manual, then the value from the retail selling price should be directly entered into the system during title service and there is no need to resort to the Appeal process to get the correct value.

For Used Cars:

There is no significant change in HB266 for the definition of FMV for used cars. Accordingly, if the value for a used car is listed in the assessment manual, that is the value that should be used. If the value is not in the assessment manual, the value that should be used is the higher of the value from the bill of sale or the reputable used car market guide designated by the state revenue commissioner. Thus, the procedures already in place for GRATIS for used vehicles should continue to be utilized.

FOR MORE INFORMATION

For more information on this subject, contact the Motor Vehicle Division at 1-855-406-5221, from 8:00 am to 4:30 pm EST, Monday through Friday, excluding holidays. Persons with hearing or speech impairments may call our TDD number at 404-417-4302.

For forms and other information, visit our websites, (www.dor.ga.gov and www.newtitletax.com).