Part Five: FINANCING and REVENUES

Municipal Revenues
Municipal Revenue

A municipality’s capacity to generate revenue is determined by the revenue-raising authority granted to it under state law. Georgia, like most states, requires that municipal budgets be balanced. Municipal budgeting processes are somewhat revenue driven because municipalities cannot budget expenses that will exceed the available revenue; at the same time, certain governmental expenses cannot be avoided and revenues must be adjusted where possible to fund services demanded by citizens and businesses as well as to comply with state and federal mandates.

This chapter describes the revenue sources currently available to Georgia municipalities. The primary revenue sources for municipalities in Georgia are taxes, non-tax revenues such as fees, and enterprise funds. Municipal elected officials have the challenging task of balancing revenue sources in a manner that provides sufficient funds for municipal services while maintaining equity among taxpayers.

REVENUE PATTERNS
Local governments in the United States operate in an intergovernmental system. They generate revenues from their own sources as authorized by the state and receive intergovernmental revenues in the form of federal and state aid. In Fiscal Year 2008, Georgia municipalities derived most of their $6.84 billion in total revenue from their own sources, with intergovernmental revenue ($357.69 million) accounting for only 5.2 percent of total municipal revenue.

Municipal revenue sources are often divided into two categories: general fund revenues and enterprise funds. While enterprise funds (charges for municipal water and sewer service, municipal gas service and municipal electric service for example) account for more than half of total municipal revenues ($3.62 billion statewide, or 53 percent of total municipal revenues), if one excludes enterprise fund revenues and examines general fund revenues ($3.21 billion statewide), the four highest municipal revenue sources are (1) property taxes, (2) sales taxes, (3) excise and special use taxes (e.g., alcoholic beverage, insurance premiums, hotel-motel, and occupation taxes) and (4) franchise fees. Municipal property taxes generated $873.64 million (27.2 percent) in general fund revenues, with most property tax-revenue coming from taxes on real and personal property. Sales taxes accounted for $704.05 million (21.9 percent) in general fund revenues, with municipal excise and special use taxes and franchise fees collectively generating $567.42 million (18 percent) of general fund revenues.

TAX REVENUE
Most municipalities in Georgia generate the majority of their general fund revenues through taxation. In fact, taxes comprise roughly two-thirds of municipal general fund revenues statewide. As such, it is important to have a good understanding of how municipal tax revenues are generated in order to maximize their revenue-producing potential and achieve and maintain a balanced revenue stream.
Taxes on Property

Ad Valorem Property Tax
In Georgia, property taxes, also known as *ad valorem* (according to value) taxes are an often maligned but critical source of revenue for municipal governments. While the property tax can be the object of criticism (often resulting from the property assessment process and the once or twice a year billing), it is an important component of municipal revenue systems. Its attributes include the following:

1. It provides a stable and predictable source of revenue.
2. It is a benefits tax in that those who pay it– residents and non-residents- receive a direct benefit from doing so. Property tax revenue is used by municipalities to finance property-related services such as public safety and sanitation services as well as the construction of publicly-owned infrastructure such as streets, curbs and sidewalks, and storm drainage systems.
3. The property tax rate can be adjusted to generate the amount of revenue necessary to provide municipal services.
4. Citizen input can affect the property tax rate, giving citizens a voice in how much property tax revenue is generated. Unlike other forms of taxation, the property tax rate is established annually through a vote of the city council in a public meeting. If a citizen disagrees or agrees with the proposed tax rate, that citizen has the opportunity to voice his or her opinion.
5. The tax on real property is difficult to evade, thus making collection and enforcement easier and less expensive.
6. The property tax has enabled local governments in the United States to achieve their unique form of autonomy from state and federal control, thereby forestalling centralization of power at higher levels of government.

Exemptions and Uniformity
Property taxes are levied on all property that is not specifically exempt from taxation. For examples of types of property that are exempt from taxation, see [https://etax.dor.ga.gov/ptd/adm/taxguide/exempt/property.aspx](https://etax.dor.ga.gov/ptd/adm/taxguide/exempt/property.aspx). Moreover, property taxes must be uniform across the same class of property. This means that property values must be determined in a uniform manner and the same tax rate must apply within a class of property. Importantly, municipalities use property values established in the county tax digest and approved by the Georgia Department of Revenue.

Homestead Exemptions
State law provides the following homestead exemptions to certain homeowners in Georgia:

- The standard statewide homestead exemption is a $2,000 exemption from state, county and school taxes (except for school taxes levied by municipalities) and except to pay interest on and to retire bonded indebtedness. The $2,000 is deducted from the 40 percent assessed value of the homestead. Note that this statewide homestead exemption does not apply to municipal taxes.
- Residents who are 65 years of age or over may claim an exemption from all state ad valorem taxes on their home and up to 10 acres of land surrounding the home.
- Residents 65 years of age or over may claim a $4,000 exemption from all state
and county ad valorem taxes if the income of that person and his spouse does not exceed $10,000 for the prior year.

- Residents 62 years of age or over that are residents of each independent school district and of each county school district may claim an additional exemption from all ad valorem taxes for educational purposes and to retire school bond indebtedness if the income of that person and his spouse does not exceed $10,000 for the prior year. This exemption may not exceed $10,000 of the homestead's assessed value.

- Residents 62 years of age or over may obtain a state and county homestead exemption, except for taxes to pay interest on and to retire bonded indebtedness, that increases along with increases in the homestead's value. Total household income may not exceed $30,000. This exemption does not affect any municipal or educational taxes and is meant to be used in the place of any other state or county homestead exemption.

- Any qualifying disabled veteran may receive a homestead exemption of $50,000 for state, county, municipal, and school purposes. The value of the property in excess of this exemption remains taxable. This exemption extends to the unremarried surviving spouse or minor children as long as they continue to occupy the home as a residence.

- The unremarried surviving spouse of a member of the armed forces who was killed in or died as a result of any war or armed conflict may receive a homestead exemption from all ad valorem taxes for state, county, municipal and school purposes in the amount of $50,000.

- The unremarried surviving spouse of a peace officer or firefighter killed in the line of duty is eligible for a homestead exemption for the full value of the homestead for as long as he or she occupies the residence as a homestead.

In addition to the homestead exemptions granted by state law, the Constitution allows local homestead exemptions to be enacted through local Acts of the General Assembly. Local homestead exemptions **may not** be enacted unless they are enacted as local legislation by the General Assembly. A local bill may create a homestead exemption for county, municipality or school district but a bill creating a homestead exemption for county or school district tax purposes does not create a homestead exemption for municipal tax purposes. A local homestead exemption may be tailored to the needs of the local government and may create an exemption in a specific dollar amount or, as has been the recent trend, may enact a “floating homestead exemption” in which the dollar value of the homestead exemption increases along with the increase in the assessed value of the home. Local homestead exemptions may apply to all homeowners or may be tied to age or income restrictions.

**Inventory Tax—Freeport Exemptions**

Although the general rule is that property tax exemptions are granted state-wide, the Georgia Constitution allows municipalities and counties to determine locally whether to enact a Level One Freeport Exemption and/or a Level Two Freeport Exemption. A Level One Freeport Exemption is a property tax exemption for the following types of personal property: inventory of goods that are in the process of being manufactured or produced; inventory of finished goods manufactured or produced in Georgia that are held by the manufacturer or producer (the exemption is for a period of up to a year from the date the goods are manufactured or produced);
and inventory of finished goods that, on January 1, are stored in a warehouse, dock, or wharf and that are destined for shipment outside of Georgia (the exemption is for a period of up to a year from the date the goods are stored in Georgia). A Level Two Freeport Exemption is a property tax exemption for all business inventory which would not otherwise qualify for a Level One Freeport Exemption. If a municipal or county governing authority wishes to provide the Freeport Exemption, it must hold a voter referendum to approve the exemption. The amount of the exemption can be set at 20, 40, 60, 80 or 100 percent of the value of the property. For more information about the Freeport Exemption, see https://etax.dor.ga.gov/ptd/adm/taxguide/exempt/freeport.aspx.

Assessed Value
Municipalities are required to tax tangible real and personal property at 40 percent of the fair market value. As an exception to this rule, municipalities that were allowed to assess properties at a value greater than 40 percent in 1971 may continue to assess at that value. The state constitution authorizes special favorable assessment values for certain kinds of property, such as rehabilitated historic property, landmark historic property, bona fide residential transitional property, and bona fide conservation-use property not exceeding 2,000 acres. See this link for additional information about preferential assessments: https://etax.dor.ga.gov/ptd/adm/taxguide/gen/assessment.aspx.

Taxation of Motor Vehicles
The Georgia Constitution allows motor vehicles (defined as self-propelled vehicles) to be taxed in a different manner from other types of property. Significant changes regarding the taxation of motor vehicles were approved by the Georgia General Assembly during the 2012 legislative session. The GMA publication, Municipal Officials Guide to Tax Reform: HB 386, provides detailed information on these changes.

Taxation of Mobile Homes
The Georgia Constitution also allows mobile homes to be treated as a separate class of property. Mobile homes that are owned in Georgia on January 1 are subject to ad valorem taxation. Owners of mobile homes must obtain a mobile home location permit on or before May 1 from the county tax commissioner in the county where the owner lives. The taxes due on the mobile home must be paid at the time of application for the mobile home permit, or at the time of the first sale or transfer of the mobile home after December 31, or on May 1, whichever is first. For more information on ad valorem taxation of mobile homes, see https://etax.dor.ga.gov/ptd/adm/taxguide/mobile.aspx.

Millage Rate
Municipal tax rates, or millage rates, are established by the municipal governing authority. The tax rate is stated in terms of mills, with one (1) mill representing $1.00 per $1000 in assessed value, or 10 mills equal to 1 percent of a property's assessed valuation. The tax rate is determined by dividing the amount of money the municipality needs from property taxes by the amount of the tax digest. See Table 1 for an example of the calculation used to determine the millage rate.
The millage rate is then multiplied by the assessed value of each taxable property. For example, a property with a fair market value of $100,000 would, in most cities, have a $40,000 assessed value (40 percent of $100,000). Applying the millage rate established in Table 1, this property would be charged a property tax of $378.28 ($40,000 x 0.009457 = $378.28). For more information about setting the millage rate, see https://etax.dor.ga.gov/ptd/adm/taxguide/gen/rate.aspx and for more information about adopting a budget for your municipality, see GMA Publication, “A Budget Guide for Georgia’s Municipalities”, http://www.gmanet.com/Publications.aspx?CNID=19958.

Five-Year History
At least two weeks prior to establishing the millage rate, the municipality must publish its five-year history in a report in a newspaper of general circulation in the county. The report must contain the following information:

- The total current assessed value of all taxable property in the municipality and the proposed millage rate for the current year;
- The total assessed value for each of the preceding five years and the millage rate for each of the preceding five years;
- The proposed dollar amount of property taxes to be levied in the current year and the dollar amount of property taxes levied in each of the preceding five years; and
- The percentage increase and total dollar increase for each year included in the report over the previous year.

Taxpayer Bill of Rights
An additional procedure that a municipal governing authority must consider when setting the millage rate is the Taxpayer Bill of Rights. Municipal officials must acknowledge that property taxes may be increased even when the millage rate does not increase through increases in the assessed value of property. In order to determine if there is an increase in property taxes from existing properties, meaning properties that were included in the previous year’s tax digest as opposed to new or improved properties, the city must determine the rollback rate. The rollback rate is the millage rate that, when applied to current assessed values, would yield the same amount of revenue that the municipality collected the previous year. If the municipality proposes

*This calculation does not account for a homestead exemption or other exemptions or preferential treatment that may apply.*
a millage rate greater than the rollback rate (i.e., one that would result in a cumulative tax increase on existing properties), the city must advertise its intent to increase taxes and conduct at least three public hearings prior to adoption of the millage rate. Note that this process does not apply to growth in the digest caused by new or improved properties. For additional information on the Taxpayer Bill of Rights, including guidance on computing the millage rollback rate and advertising and conducting the required public hearings, see https://etax.dor.ga.gov/ptd/cas/rollback/index.aspx.

Real Estate Transfer Tax
With certain exceptions, a real estate transfer tax is imposed at the rate of $1 on the first $1,000 and 10 cents on each additional $10 on any conveyance of real property when the value of the interest transferred exceeds $100. The clerk of superior court collects the tax and at least once every 30 days distributes it among the state and the local governments where the property is located in proportion to the millage rate levied by each taxing jurisdiction or district. Because this revenue is distributed based on each local jurisdiction’s millage rate, it is important for every municipality to adopt a gross millage rate, even if the municipality uses the Local Option Sales Tax (see below) to roll the millage rate back to a net millage rate of zero. The gross millage rate is used to determine a municipality’s share of the real estate transfer taxes paid in the county in which the municipality is located. https://etax.dor.ga.gov/ptd/adm/taxguide/realtrf.aspx

Intangible Tax
The intangible personal property tax was repealed in 1996; however, the intangible tax on long-term real estate notes was preserved. Long-term real estate notes, which are notes that fall due more than three years from the date of execution and are secured by real estate, are subject to an intangible recording tax of $1.50 for each $500 of the face amount to be paid before such notes can be recorded in the superior court clerk’s office. The maximum intangible recording tax on a note is $25,000. Examples are mortgages, deeds to secure debt bonds for title, or any other real estate security instrument that give the lender a resource to be used if the principal obligation is not paid. In counties with a population of 50,000 or more, this tax is collected by the superior court clerk, and in counties with a population of less than 50,000, this tax is collected by the county tax commissioner. Revenue from the intangible tax on long-term real estate notes is distributed to the state, the county, municipalities, the school district(s), and to other local taxing districts in proportion to relative millage rates levied by the state and each local taxing district. https://etax.dor.ga.gov/ptd/adm/taxguide/intrec.aspx

Local Sales Taxes

Local Sales Tax Cap
The local sales tax is another important source of revenue for municipalities. Generally speaking, municipalities may receive revenue from the joint county and municipal Local Option Sales Tax (LOST) and the Special Purpose Local Option Sales Tax (SPLOST). One city, the City of Atlanta, is authorized to impose a Municipal Option Sales Tax for water and sewer purposes. The aggregate of all local sales and use taxes imposed within the boundaries of a county is capped at 2 percent. The law provides five exceptions to this cap:
A sales tax for capital projects for education purposes (ESPLOST) does not count toward this limit;

Any county that levies a sales tax for MARTA and that does not levy a homestead option sales tax (i.e., Fulton County) is permitted to exceed the 2 percent cap by levying a special purpose local option sales tax (SPLOST) for water and/or sewer capital projects for up to five years;

A 1 percent increase is allowed to the LOST for a consolidated government with a tax freeze in place that was created through a local constitutional amendment (i.e., Columbus-Muscogee County);

A municipal sales and use tax for water and sewer purposes, which may be levied in a city with an average wastewater flow of no less than 85 million gallons per day (i.e., City of Atlanta) is exempt from this cap; and

A regional transportation sales tax does not apply to this limit.

Local Option Sales and Use Tax (LOST)
The LOST is a special district tax jointly imposed by the county and the municipalities located wholly or partly within the county. The boundaries of the special district are coterminous with the boundaries of the county. Subject to voter approval, a sales and use tax of 1 percent may be imposed on the purchase, sale, rental, storage, use, or consumption of tangible personal property and related services within the county. Proceeds from this tax are collected by the Georgia Department of Revenue and disbursed to the county and the qualified municipalities within the special district based on the percentages negotiated by the county governments and the municipal governments located wholly or partly within each county. One percent of the amount collected is paid into the general fund of the state treasury to defray the costs of administration. This tax is generally subject to the same exemptions that apply to state sales tax. See O.C.G.A. § 48-8-3 for a complete list of sales tax exemptions. Importantly, the state sales tax exemption for eligible food and beverages does not apply to the majority of the LOSTs currently in effect. However, the LOSTs in Taliaferro and Webster counties exempt food and beverages because they were initially enacted after October 1, 1996.

All counties and municipalities that impose a LOST are required to renegotiate the distribution certificate for the proceeds of the tax following each decennial census. The next renegotiation will begin in July of 2012. The criteria to be used in the distribution of such proceeds and the process to resolve conflicts between the county and qualified municipalities are set by state law. See O.C.G.A. § 48-8-89(b) for the criteria that are required by law to be used. If the county and cities fail to renegotiate such certificates as required by law, any party may file a petition in court to have a judge decide the distribution formula to prevent the lapsing of the tax.

The LOST is used to provide municipal services and to reduce property taxes, as without the LOST, more property taxes would be needed to pay for municipal services. As a requirement for receiving LOST revenues, a municipality must calculate a LOST rollback. The rollback demonstrates to the property owner the reduction in property taxes that is due to the LOST. This rollback is determined by subtracting the revenues received by LOST during the previous year from the amount of property taxes that would need to be collected if the LOST revenue did not exist. This amount is then divided by the tax digest to determine the millage equivalent of the LOST revenue that was received. This millage equivalent is known as the LOST rollback. The
Municipal Revenue

tax bill for each property taxpayer must show the LOST rollback as well as the reduced dollar amount of the property tax bill resulting from the receipt of such revenue.

When a local sales or use tax is paid on an item in another local jurisdiction, a tax credit against this tax is available to the purchaser unless used as a credit against another local sales and use tax levied in the county. Also, the tax may not be imposed upon the sale of tangible personal property that is ordered by and delivered to the purchaser at a point outside the county under certain conditions or if a local option income tax is in effect. To date, no local government has imposed a local option income tax.

For more information about the LOST, please visit http://www.gmanet.com/LOST.aspx.

**Special Purpose Local Option Sales and Use Tax (SPLOST)**

The SPLOST is another significant source of city revenue. The revenues from this voter-approved tax must be used for voter-approved capital outlay projects (see O.C.G.A. § 48-8-111 for a list of project types), and must be kept in a separate account, not commingled with other municipal revenues. This additional 1 percent sales and use tax is imposed on the purchase, sale, rental, storage, use, or consumption of tangible personal property and related services. The tax is collected by the Georgia Department of Revenue and disbursed to the county. One percent of the amount collected is paid into the general fund of the state treasury to pay for administration costs.

Like LOST, SPLOST is a special district tax, and it may be used to fund municipal projects. Funding of municipal projects may be determined through one of two processes: through an intergovernmental agreement or through a default distribution that is based on population and project types. Unlike the LOST, the SPLOST is a time-limited tax. Generally, the duration of the SPLOST is limited by the process of selecting projects and the types of projects selected, but with the exception of consolidated governments, the maximum time for which a SPLOST may be called is six (6) years. See GMA Publication “SPLOST: Building for the Future” for more information, http://www.gmanet.com/Publications.aspx?CNID=19957. The SPLOST is subject to the same exemptions that apply to the LOST, except that the sales tax exemption for eligible food and beverages does not apply to SPLOST, regardless of when the tax was imposed.

Only one SPLOST may be levied at any time in a special district. A voter referendum to impose a SPLOST may only be held on certain election dates. In even years, a SPLOST referendum may be held in conjunction with the presidential preference primary (in a presidential election year), the general primary in July or during the November general election. In odd years, a SPLOST referendum may only be held on the third Tuesday in March or on the Tuesday after the first Monday in November.

**Municipal Sales Tax**

The City of Atlanta is authorized to levy a municipal option sales and use tax (MOST) to fund water and sewer capital projects. Like the SPLOST, the MOST is subject to voter approval through a public referendum. The MOST was first levied in 2004. It may be levied for a maximum of four years and may be renewed through referenda twice. A city may only impose one MOST at a time. Sales of motor vehicles are exempt from the MOST; however, sales of
motor fuels, food and beverages, and natural and artificial gas are subject to the tax. As with the LOST, 1 percent of the revenue collected from the tax is paid into the state general fund to defray the cost to the state of administering the tax.

**EXCISE AND SPECIAL USE TAXES**

**Alcoholic Beverage Excise Taxes**

Municipalities may levy the following excise taxes on alcoholic beverages:

- *Distilled Spirits*—up to 22 cents per liter on package sales and up to 3% of the sale price of a drink on sales to the public;
- *Wine*—up to 22 cents per liter; and
- *Malt Beverages*—up to $6.00 per bulk container (no more than 15.5 gallons) to be paid by the wholesaler and up to 5 cents per 12 ounces when sold in bottles, cans or other containers.


**Insurance Premiums Taxes and License Fees**

Each municipality may levy a tax of 1 percent on life insurance companies based on gross direct premiums on policies of persons residing within their boundaries. Each municipality may levy a gross premium tax of no more than 2.5 percent on all other types of insurance companies doing business in Georgia. Insurance premiums taxes are collected by the Georgia Commissioner of Insurance and distributed to the municipalities levying the taxes based on premiums allocated on a population ratio formula.

Each municipality may also impose and collect a license fee on insurance companies doing business in the municipal limits. The maximum fees are based on population and can be found at O.C.G.A. § 33-8-8.

A municipality must file its ordinance imposing an insurance premiums tax or an insurance license fee with the Commissioner of Insurance in order for the ordinance to be valid and enforceable. For more information on insurance premiums taxes and license fees, see O.C.G.A. §§ 33-8-8, 33-8-8.1 and 33-8-8.2.

**Business and Occupation Taxes and Regulatory Fees**

As a general rule, municipalities may levy and collect business and occupation taxes on businesses and practitioners with offices or locations within the municipal limits. Certain people and types of businesses, such as non-profits, businesses regulated by the Public Service Commission, blind persons, and motor common carriers, are exempt from occupation taxes regardless of whether they have an office or location in the municipal limits. Further, a business with no location in Georgia may be subject to an occupation tax in Georgia; however, only the local government for the county or municipality in which the out of state business does the highest dollar volume of business may impose an occupation tax on that business.
Municipalities may use one or a combination of the four acceptable methods of taxation: the flat tax, profitability ratios, gross receipts, and number of employees. A number of professions are permitted by law to choose between payment of an occupation tax imposed under the city's normal occupation tax ordinance or a flat fee, not to exceed $400, set by the city. Examples include lawyers, doctors, dentists, veterinarians, and accountants. An occupation tax may not act as a precondition on the practice of law. A municipality is not required to impose an occupation tax, but if it chooses to do so it must adopt an ordinance or resolution imposing the business and occupation taxes.

A municipality may charge a regulatory fee to cover the cost of regulating a business or a business activity. Importantly, regulatory fees may not be used to generate revenue. Instead, the amount of the revenue fee must approximate the reasonable cost of the regulatory activity performed.

For more information about occupation taxes and regulatory fees or to view a sample occupation tax or regulatory fee ordinance, see the GMA Publication “Occupation Taxes and Regulatory Fees: Make Them Work for Your City”, http://www.gmanet.com/Publications.aspx?CNID=19962.

Financial Depository Institutions Business License Tax
A municipality may levy a business license tax on depository financial institutions (such as a bank or savings and loan institution) that have an office located within their jurisdictions. The maximum rate of this tax is 0.25 percent of the financial institution's Georgia gross receipts. A municipality may provide that the minimum annual tax per depository financial institution may not exceed $1,000. For more information on local taxation of financial depository institutions, see O.C.G.A. § 48-6-93.

Hotel-Motel Taxation
Each municipality may impose an excise tax on charges made for rooms, lodging, or accommodations furnished by hotels, motels, inns, lodges, and tourist camps, campgrounds, or any other place in which rooms, lodgings, or accommodations are regularly furnished for value. The law provides several different authorizing provisions for levying a hotel-motel tax, many of which were drafted with a specific municipality or county in mind. The amount of the levy and the expenditure requirements vary based on which alternative is used. Because of this variance, it is important for a city to be aware of the expenditure requirements of the specific hotel-motel tax provision under which it is levying the tax. In fact, the specific provision used must be included in the ordinance imposing the tax. Depending on the authorizing provision, a municipality may levy a hotel-motel tax at a rate of 3 percent or less or at a rate of 5, 6, 7, or 8 percent.

The hotel-motel tax cannot be levied on rooms, lodgings or accommodations in the following situations:
- After the first 30 consecutive days of continuous occupancy;
- To any persons who certify that they are staying in such room, lodging, or accommodation as a result of the destruction of their home or residence by fire or other casualty.
• On charges for the use of meeting rooms and other facilities or to any rooms, lodgings, or accommodations provided without charge; or
• On rooms, lodgings, or accommodations furnished for one or more days to Georgia state or local government officials and employees traveling on official business.

Generally, at least some of the hotel-motel tax proceeds must be spent for promoting tourism through a contract with a private-sector non-profit that focuses on tourism, a state agency, or another entity as authorized by law. A new authorizing provision permits some hotel-motel tax proceeds to be used to fund tourism product development, which is typically capital projects designed to enhance tourist attractions. Any municipality levying a hotel-motel tax must include in its annual report of local government finances to the Department of Community Affairs a schedule of all revenue from the hotel-motel tax that is spent for the purposes required by law. The schedule must identify the project or projects funded and the party or organization with whom the city contracted with respect to each expenditure.

For more information about levying hotel-motel taxes, see GMA’s “Hotel-Motel Taxes Q&A” at http://www.gmanet.com/MDR.aspx?CNID=20763.

Excise Taxes on Rental Motor Vehicles
A municipality may impose an excise tax of 3 percent on the rental charge for the rent or lease of a motor vehicle for 31 or fewer consecutive days. A municipality may not levy this tax on a vehicle that is either picked up or returned outside the state of Georgia. A municipality must expend the proceeds of this excise tax on the promotion of industry, trade, commerce, and tourism; capital outlay projects for the construction and equipping of convention, trade, sports, and recreation facilities or public safety facilities; and maintenance and operation expenses or security and public safety expenses associated with those capital outlay projects. Proceeds may also be expended pursuant to intergovernmental contracts for those types of capital outlay projects. This excise tax is scheduled to terminate no later than December 31, 2038. For more information about the Excise Tax on Rental Motor Vehicles, see O.C.G.A. § 48-13-90, et. seq.

Costs Associated with Tax Collection
While the property tax involves relatively high administrative costs, nonproperty tax revenue involves high compliance costs. In administering the property tax, the government maintains parcel records, assesses the value of property, calculates individual tax liability, and distributes tax bills to property owners. The taxpayer is simply responsible for paying the bill. And in many cases, this task is handled by the bank through an escrow account. Because the taxpayer is minimally involved in the process, the compliance costs are low, while the administrative costs to the collecting agency are extremely high.

On the other hand, nonproperty taxes are essentially taxpayer administered, relying to a large extent on voluntary compliance. The individual or firm maintains records of taxable transactions, tabulates the tax base, calculates liability, and makes the payment. The city conducts private audits to ensure an acceptable level of compliance. In such voluntary systems, administrative costs are minimized, and the taxpayer bears the bulk of total collection costs.
NONTAX REVENUE

Nontax revenues are also important sources of general fund revenues for municipalities. Primary among nontax revenues are franchise fees, fines, forfeitures, court fees and costs, and interest earned on invested funds. Service charges, and intergovernmental and miscellaneous revenues make up the remainder of other general funds received.

Franchise Fees
Municipalities enter into franchise agreements, or contracts, with electric, gas, telephone, and cable television companies, as well as with other public utilities doing business within the municipality. Typically, franchise agreements establish the terms under which a utility may use the municipal right of way. One of several terms in the franchise agreement, the franchise fee is the charge paid by the utility for rental of the right of way. This rental fee is often a specified percentage of the utility's gross receipts within the municipality but can be determined based on other factors. For more information about franchise fees, see http://www.gmanet.com/MDR.aspx?CNID=21440.

Fines, Forfeitures, and Court Fees and Costs
Revenue from these sources includes traffic and parking fines, fines from violations of municipal ordinances, forfeitures of money posted to guarantee appearance in court, and court fees and costs.

User Charges
Municipalities may charge citizens or other governments for services provided by the municipality. The amount of such charge may partially or totally offset the cost of providing the service. Services for which user fees may be charged include, but are not limited to, water, sewage disposal, garbage collection, and recreation. Note that fees charged for water or sewer services outside the geographical boundary of a municipality may not be unreasonable or arbitrarily higher for customers located outside its boundaries than for those located within its boundaries.

Alcoholic Beverage Licenses
A person or business must have a license from a municipality to sell alcohol, retail or wholesale, within that municipality. In addition to the excise tax on alcoholic beverages, discussed earlier in this chapter, municipal governing authorities are authorized to establish the amount of an annual license fee. The amount of the license fee is somewhat limited by state law. For example, a municipality may not charge persons or businesses selling, manufacturing or distributing distilled spirits more than $5,000 annually for a license. Additionally, wholesalers of malt beverages who do business in more than one municipality or county in the state may only be charged a maximum of $100 by a municipality or county that is not the wholesaler’s principal place of business. See the GMA Publication “Distilling the Basics of Municipal Alcoholic Beverage Regulation”, http://www.gmanet.com/Publications.aspx?CNID=19962 for more information.

Development Impact Fees
Development impact fees may be imposed by municipalities to finance public facilities such as
water, sewer, roads, stormwater, parks, public safety facilities and libraries needed to serve new
growth and development. The idea behind impact fees is that the new growth should, at least in
part, pay for itself rather than placing the costs of new growth on existing taxpayers. Importantly, impact fees may only be used for system-wide improvements, which will benefit
the community in general. In order to charge impact fees, a municipality must adopt a Capital
Improvement Element that contains a schedule of improvements and identifies service areas and
levels of service, as well as an impact fee ordinance that establishes the fee to be charged for
each type of service for which an impact fee will be levied.

For additional information about development impact fees, see
http://www.dca.state.ga.us/development/PlanningQualityGrowth/programs/impactfees.asp.

INTERGOVERNMENTAL REVENUES

Intergovernmental revenues are typically provided in the form of grants or loans from the federal
or state government. While intergovernmental revenues represent a small portion of total
municipal revenues in Georgia, these grant and loan programs are made available through a
variety of state and federal agencies.

Federal Grants and Loans

Historically, federal funds have been provided to municipalities through general revenue-sharing
and block and categorical grant programs. General revenue-sharing funds are no longer available
to local governments. Unlike revenue-sharing funds, which could be spent with wide discretion
and did not require recipients to provide a matching contribution, block and categorical grants
must be spent for specific purposes and usually require a matching contribution. One of the best
known examples of federal grants to local governments is the community development block
grant (CDBG) program. Administered by the Georgia Department of Community Affairs
(DCA), the primary objective of CDBGs is to expand economic opportunities, principally for
people of low or moderate income. For more about CDBGs, see
http://www.dca.state.ga.us/communities/CDBG/index.asp.

The United States Department of Agriculture (USDA) provides rural development grants and
loans to help finance small municipal and rural water, wastewater, and solid waste systems. These funds are available to rural communities and municipalities with 10,000 or less in
population. USDA Rural Development funds are also available for financing certain community
buildings such as police and fire stations. Matching funds are required for grants. For more on
the USDA Rural Development grants and loans, see http://www.rurdev.usda.gov/GA or

Other federal grants and loans may be available to your municipality through the United States
Department of Housing and Urban Development (HUD), the United States Environmental
Protection Agency (EPA), the United States Department of Justice (DOJ), the Federal
Emergency Management Agency (FEMA), and other federal agencies. Often these grants and
loans are administered through state agencies such as the Department of Community Affairs, the
Georgia Criminal Justice Coordinating Council, and the Department of Transportation.
Municipalities may also access federal funds through working with their congressional
delegation.

State Grants and Loans
Depending on the amount of revenue available in the state budget, the state makes various grants and loans available to municipalities. Some of the most common of the state’s grant and loan programs include:

- The Georgia Environmental Facilities Authority makes low-interest loans and grants for water and sewer projects and for land conservation;
- The Department of Transportation provides funding in the form of Local Maintenance and Improvement Grant (LMIG) funds (formerly LARP and State Aid);
- The One Georgia Authority provides grants and loans to Georgia’s rural areas to assist in economic development;
- The Department of Community Affairs, in addition to administering federal grant programs, administers the Downtown Development Revolving Loan Fund, which provides bridge loans to assist with downtown development projects, and administers the Main Street, Better Home Towns and Signature Communities programs, among others; and
- The Georgia Department of Natural Resources provides grants for recreational trails and for historic preservation.

A municipality may wish to contact the Regional Commission in which it is a member for assistance with grant applications.

OTHER REVENUE SOURCES

Borrowed Revenue
A municipality may borrow funds to meet operating expenses and to finance capital expenditures. Commonly used instruments include tax anticipation notes. These short-term loans must be repaid by December 31 of the year in which they were issued and are generally used to fund maintenance and operation expenditures until property tax receipts are collected later in the year. Other borrowing mechanisms include general obligation bonds, certificates of participation, multiyear installment purchase agreements, and revenue bonds. Bonds, certificates, and installment contracts are repaid from either general city funds or from a particular source of revenue, such as an enterprise fund.

A municipality is required to hold a referendum prior to issuing general obligation debt. This debt is backed by the full faith and credit of the city and is typically repaid through a dedicated millage rate or from SPLOST funds, if a SPLOST was approved in conjunction with the general obligation debt. Revenue bonds are repaid solely from specific revenue generated by public works facilities purchased or constructed with the bonds and, by law, are not debts of the municipality. The borrowing of funds is subject to numerous legal restrictions, procedures, and requirements. Voter approval is not required for temporary loans, revenue bonds, certificates of participation, or multiyear installment purchase agreements. Borrowing is discussed more fully in the Handbook chapter entitled, “Municipal Indebtedness.”
Other
While less significant than taxes, fees and intergovernmental revenues, municipalities are able to
glean meaningful revenue from other sources. These sources include leases, investments (such
as interest), parking fees, the sale of contraband property, the sale of property relating to a crime
involving controlled substances, the sale of property used in the unlawful dumping of sewage,
and the sale of weapons used in the commission of a crime.