



# GEORGIA UTILITY CONTRACTORS ASSOCIATION, INC.

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## Ad Valorem Position Paper

Georgia is lucky to have numerous small and family owned businesses working as utility contractors. Utility contractors install water and wastewater systems throughout the State and are vital to maintaining the State's economic backbone. Unfortunately, many of these small business and family owned companies see their future and the jobs they create threatened by Georgia's ad valorem tax on heavy duty equipment motor vehicles.

Utility contracting is a business that requires substantial investment in the heavy, off-road construction equipment required to dig utility trenches, grade utility rights of way, and construct water and wastewater plants and dams. The equipment investment required of utility contractors is much greater than other players in the construction business and much greater than small and family owned businesses in general. The only industry with comparable equipment needs is farming, and family owned farms are exempt from payment of ad valorem taxes on their equipment. O.C.G.A. 48-5-41.1.

Large parts of the U.S. construction industry remains caught in a deep recession. A large percentage of the heavy duty equipment motor vehicles owned by small and family owned Georgia utility contractors has been sitting idle for the better part of the last three years. This means first that this equipment is producing no revenue that can be used to pay the ad valorem tax. It also means that there is no significant market for resale of heavy duty equipment motor vehicles. Many small and family owned utility contractors are being forced to sell their equipment at a substantial loss because that is the only way to pay the ad valorem tax on that equipment. When the economy rebounds, as it eventually will, these small and family owned businesses will have been deprived of the assets they need to return to work, or will be penalized by having to replace their equipment at much higher prices than was available during the recession.

Georgia's small and family owned utility contractors deserve a break. There are many things that can be done to alleviate the current unfair and, in many ways, unworkable system. First the tax code could be amended to give family owned utility contractors the same exemption currently enjoyed by family owned farms. Utility contracting is not less valuable than farming. Family owned utility contractors should receive equal treatment with family owned farms. Second, the tax code could be amended to allow small business utility contractors accelerated depreciation of heavy duty equipment motor vehicles. Currently, Georgia Department of Revenue's form PT-50P appears to require all construction equipment to be depreciated on a straight line basis over six years, but it appears that some counties are charging ad valorem tax on fully depreciated equipment. The code section on heavy duty equipment motor vehicles should be amended to provide that for small businesses the depreciation period is reduced to two or, at most, three years and that no tax is due on fully depreciated equipment.

The ad valorem tax on heavy duty equipment motor vehicles imposes a substantial burden on small and family owned utility contractors at all times. In the current economy, the ad valorem tax threatens the existence of these companies and the jobs they create. Georgia's legislature should act to end this unfair burden on small and family owned utility contractors.

*United We Stand*