

GIADA Position Statement Eliminating Georgia's casual sales tax exemption

The Georgia Independent Automobile Dealer Association (GIADA) is comprised of professionals committed to promoting the ethical practices of the automobile industry. Incorporated in 1955, GIADA is the only association that provides representation before regulatory agencies and advocates fair legislation on behalf of independent dealers and their customers.

GIADA supports the efforts of Georgia lawmakers to pass legislation which would eliminate the current "Casual Sales Tax" exemption in Georgia for individual to individual vehicle purchases.

GIADA believes that Georgia's sales tax laws pertaining to vehicle sales should be applicable in all vehicle sale transactions, not just when a dealer sells a vehicle.

With the exception of Georgia and New Hampshire, all other states east of the Mississippi River collect sales tax on all vehicle transactions, when the title is processed. This is for vehicles sold by individuals and auto dealers with few exceptions. In addition, GIADA's own research indicates that Georgia and New Hampshire are the only states in the country without a casual sales tax, but the association is not absolutely sure of this. West Virginia and the District of Columbia assess the tax based upon the market value. All other states charge sales tax based upon the sale price. In all cases, individuals pay the same as automobile dealers.

In other states, when individuals purchase vehicles from other individuals, a state sales tax or transaction fee is collected at the tag office at the time the buyer applies for title and tag. In Florida for instance, the sale price is written on the back of the title by the seller when selling to another individual. The purchaser then pays the applicable sales tax based upon the sale price written on the back of the title at their local tag office. To minimize the "understating" of the sale price by the seller or buyer, Florida has systems in place to identify unusually low stated sales prices based on current market values. In addition, there are consequences for violators.

According to the Georgia Automobile Dealers Association's independent research provided by R.L. Polk Company, Georgia has an unusually high rate of casual sales when compared to other states. The most likely reason for this is the fact that these are "tax free" transactions in Georgia, and consumers are obviously drawn to these types of purchases.

According to the Georgia Department of Revenue, in 2007 there were 1.1 million title to title transfers in Georgia. It is believed by GIADA that about one half or more were individual to individual vehicle sales outside of the dealer environment. According to industry experts, the average used car sale price is approximately \$8,200. If you do the math, you will realize that the state of Georgia is missing approximately \$290 million dollars in sales tax revenue that could have been generated from casual sale vehicle transactions.

In Georgia, there are approximately 3,800 used car dealers and over 600 new car franchised dealers who charge, collect and remit sales tax on each and every transaction. At the same time, we have a serious problem with countless individuals acting as if they are a car dealer and conducting business like a car dealer but without a proper business permit or state license. Having no obligation to charge, collect and remit sales tax on their sale transactions makes this a lucrative but illegal business. Those involved ignore all state laws and rules in place to protect consumers against unscrupulous scam artists. **Eliminating the casual sales tax exemption would eliminate this problem.**

Consumer protection is another component. Independent Auto Dealers in Georgia are regulated by the Professional Licensing Division, and consumers are protected when doing business with a properly licensed and bonded dealership. Dealers also must meet the requirements of the Fair Business Practices Act which protects consumers against unfair and deceptive sales practices.

Doing away with the casual sales exemption in Georgia would help maintain and increase jobs, our economy, and aid the business community by assisting vehicle dealers, finance companies, and all other industries who lean on vehicle dealers for their daily operation and success. In addition, it would create a sorely needed new source of revenue to the state budget like all other states East of the Mississippi River other than Georgia and New Hampshire enjoy. Last, fairness would exist through all vehicle sales being taxed the same.

Thank you,

Georgia Independent Automobile Dealers Association
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