Frequently Asked Questions on Sales Tax

In an effort to help local governments better understand their sales tax distributions from the Georgia Department of Revenue (hereinafter "DOR"), we have developed this memorandum that will provide answers to commonly asked questions regarding tax distributions to the local governments.

1. Why each month's distribution does not represent one calendar month's sales activity.

The DOR distributes sales taxes to local governments at the end of each month. This distribution encompasses sales tax collections received from returns, assessments and audit collections that were processed during the preceding 30 days. These collections/proceeds are primarily derived from the sales period one month prior to the month of distribution. The normal reporting process would be that sales activity from June are reported by taxpayers to the DOR by July 20th and processed/distributed by July 30th. However, some of the collections/proceeds that are included in each monthly distribution may also include funds derived from assessments and audit collections for earlier sales periods, possibly several months or years prior to the month of distribution. In addition, returns having errors or missing information require additional time to process and therefore may be distributed several months after receipt.

2. What happens to sales tax collections that cannot be processed and distributed to the proper local jurisdiction?

The General Assembly authorized the DOR to allocate unprocessable sales tax collections to all jurisdictions receiving local sales taxes on a pro rata basis (O.C.G.A 48-8-67). This allocation is done at least twice per year for tax proceeds received for more than 90 days and after reasonable efforts have been made to distribute these funds to correct jurisdictions. This authority began in May 1998, ceased in December 2007, and was reauthorized effective May 2009 through December 2011. Beginning in 2010, DOR will make this allocation in March, June, September and December.

3. Why gross sales data is not very meaningful to a jurisdiction (county, school or city).

The gross sales data that is reported to the DOR on a sales and use tax return reflects a taxpayer's statewide gross sales. From gross sales, the taxpayer deducts nontaxable sales (e.g. sales for resale) to arrive at their statewide taxable sales. For purposes of reporting local sales taxes due, the taxpayer multiplies their taxable sales for each jurisdiction by the appropriate tax rate for that jurisdiction. The gross sales for each jurisdiction is not reported to the DOR; only the taxable sales.

While the DOR could provide local jurisdictions with a reporting of statewide gross sales for all taxpayers registered within a county, this number would not include taxpayers filing consolidated (master) tax returns or those taxpayers registered out of state and delivering products into a jurisdiction. Further, the gross sales number has minimal impact on the total amount of distribution that a local jurisdiction ultimately receives each month since there are many other factors that may affect the total amount of the distribution (See Question 1).

4. Why all retail sales sold in a jurisdiction (county or city) may not be taxed by that jurisdiction.

Tax distributions represent local taxes paid on retail sales of products delivered or used in a taxing jurisdiction (i.e. county or City of Atlanta); not necessarily the point of sale or the retail store location. In Georgia, and in most other states, sales taxes are imposed on the consumer based on where the exchange of title and possession took place. In a typical retail transaction, title and possession occur in the store or the point of sale; however, many taxable services and products are delivered to a customer's location and should be taxed in that jurisdiction, not the point of sale. The only point of sales data the DOR receives from retailers is their "gross" statewide sales or use. Additionally, taxpayers do not report and DOR does not distribute sales taxes based on zip codes.

5. Why a jurisdiction's monthly distributions (SPLOST or ELOST) are not the same amount.

Although each local sales tax is imposed at 1%, the amounts distributed each month to the county or school system will rarely be exactly the same. The differences are typically minor (less than 1% per year) but they do occur. There are several potential reasons why a local jurisdiction's monthly distribution for SPLOST and ELOST will not be the same including refunds, audits, and use tax.

The DOR allocates equally to each local jurisdiction imposing a tax whatever taxes are reported and paid to a jurisdiction. When a taxpayer underpays their total tax due, the DOR will bill the taxpayer for any shortage. Once the assessment is collected, we incorporate these revenues (tax, penalty and interest) into the next distribution equally for the proper taxes and jurisdictions previously under-paid. With the implementation of the Integrated Tax System (hereinafter "ITS") in May 2009, some of the previous differences attributed to the timing of payments and collections have been reduced.

Taxpayer refunds and audits are another cause for amount differences. For example, when a taxpayer over pays their taxes they are distributed to the local jurisdictions. If the taxpayer later files a refund claim, we confirm the validity of the claim, refund the taxes and interest to the taxpayer, and then adjust or subtract the amount previously distributed (plus interest) from the jurisdiction. This reduces that month's distribution for the affected tax type. If a county imposed 3 taxes, but their SPLOST wasn't in effect during the original over-payment, then that tax type would not have an adjustment, causing a difference among the distribution amounts. Similarly, audits are conducted to ensure that the taxpayer has properly reported and remitted all state and local sales and use taxes. These audits cover at least a three (3) year period. If it's determined from this audit that additional taxes are due, then the taxpayer is billed and collections are incorporated into the subsequent distributions. Again if one of the local taxes was not in effect at the time of the deficiency, then no adjustment or collection is due for that tax or affected jurisdiction causing differences among the tax distributions.

Use tax occurs when a purchaser takes possession of the product in one location, pays the sales tax, and then transports the product to another location where it's used; such as construction companies buying materials and delivering them to several construction sites throughout the region or state. Since the purchaser took possession of the materials at the point of sale, a sales tax would apply in that jurisdiction. When the sales tax rate in the origin location is lower than the destination site (where the product is used), then the additional tax would apply, in an amount equal to the tax that had not already been paid as a sales tax. For example, the origin sales tax rate is 6% (SPLOST and LOST) and the destination tax rate is 7% (SPLOST, LOST, and ELOST), then the Use tax of 1% would apply to the Education Local Option Sales Tax (ELOST), but not the other two taxes because they were paid originally as a sales tax and distributed to the origin jurisdiction. The 7% jurisdiction would only receive revenue on 1 of their 3 local taxes; thus causing a difference in their distribution by tax type.

6. What impact does filing electronic returns and payments have on local distributions.

The major impact electronic filing has on distributions is that returns and remittances are processed faster and more efficiently. However, there was an unintended consequence to faster processing; month-to-month local distributions became more volatile during the initial phase of implementation. In July 2006 the DOR required certain dealers to report their sales taxes electronically. Up until June 2009 the due date for these returns was the same as our processing close date (20th of the month), which caused some taxpayers to have two returns processed during the same distribution period (e.g. July and August). Local jurisdictions began noticing increased distributions in September, October, and November 2006 because of these doubled returns. In December 2006 the holidays reduced the number of processing days and with so many returns processed in those prior months, there were fewer returns available to process. This resulted in lower distributions for the month of December for the State and all local governments. So while local governments were receiving their tax proceeds earlier than ever before, the monthly distributions were becoming less meaningful for trend analysis. Distribution trends are much more relevant when viewed over a six month period. In June 2009, the DOR moved the processing close date to the end of the month enabling the majority of returns received in a month (due the 20th) to be processed and distributed to the local jurisdictions in the same month. This also reduced the likelihood of two returns being processed for the same taxpayer in the same month thus reducing volatility in distribution amounts.

7. What reports can DOR provide local governments that can assist them in understanding their revenue trends and projections?

Because the DOR is bound by current law to protect the taxpayer's confidential tax information (O.C.G.A 48-2-15), the DOR cannot identify specific taxpayer information, even to local governments receiving these tax proceeds.

However, the DOR has developed a report that compares tax distributions by county and major commodity sector for different periods. Prior to May 2009 this commodity data was maintained using Standard Industry Classification codes (SIC), after the ITS implementation this commodity data is maintained using the North American Industrial Classification System (NAICS). The NAICS codes are more detailed and are used by most economists and industries today.

The report segregates your monthly distributions into major industry sectors. For example, we can report the amount of distributions for a six or 12 month period by commodity sector (Accommodations, Automotive, Food, General Merchandise, Manufacturing, Other Retail, Home Furnishings, Utilities, etc.). Comparing these amounts by economic sector can give a very good picture of your local economy. It is difficult to compare periods maintain by SIC data versus NAICS data because the major sectors are slightly different. We recommend you request distribution data prior to or after May 2009. The SIC and NAICS codes and sectors can be seen at the Local Government Services Distribution web page (below).

The DOR can also provide a listing of each sales tax dealer registered in each county with name, address, and Sales Tax Certificate number (We are unable to provide Federal Employers Identification Numbers or Social Security Numbers).

8. Who can I contact in the Department of Revenue to answer other Sales Tax questions related to my distributions?

The DOR has additional information for local government officials on our website under the Local Government Services Division page, Distributions Section http://www.dor.georgia.gov/distributions-section , Sales Tax Information for Taxing Authorities. If you have additional questions or need more detailed information, please contact our office at 404-724-7004 or e-mail localgovt.services@dor.ga.gov .