



DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 4-114
Atlanta, Georgia 30334-8400

Russell W. Hinton
State Auditor
(404) 656-2174

April 13, 2007

Honorable Chip Rogers, Chairman
Senate Finance Committee
Coverdell Legislative Office Building, Room 325-B
Atlanta, Georgia 30334

SUBJECT: Fiscal Note
House Bill 148 Substitute
(LC 18 6449S)

Dear Chairman Rogers:

This bill has two provisions. It would exempt from state sales tax 25% of the cost of energy used directly or indirectly in the processing of tangible personal property. This exemption would take effect January 1, 2008 and end on December 31, 2008. These energy purchases would not be exempt from local sales tax. It would also exempt from sales taxation purchases of tangible personal property used in the construction or expansion of an aquarium in the state.

The Georgia State University Fiscal Research Center provided the following narrative on the revenue impact of this bill:

The scope of the energy exemption is processing of tangible personal property. This definition would include manufacturing uses and food preparation uses. The estimated energy expenditures by manufacturing businesses in Georgia are \$3.525 billion. In addition, food preparation businesses are estimated to consume \$214 million in energy. Applying the 25% exemption to these purchases would reduce state sales tax revenues by \$18.7 million in each of FY 2008 and FY 2009.

Regarding the second provision, the bill would extend a previously granted sales tax exemption for aquariums owned and or operated by 501(c)(3) organizations. The exemption applies to sales occurring before January 1, 2011. It is assumed that the

legislation applies only to purchases after the enactment of this provision. In addition, it is assumed that the exemption only applies to purchases of property used in the construction or expansion of the existing facility and would not apply to purchases of property used for maintaining or upgrading the existing facility. If the scope of the legislation is broader than that reflected by these assumptions, the revenue loss to the state would be greater.

Based on published estimates in the range of approximately \$100 million of the expected cost of the Georgia Aquarium expansion, the revenue impact to the state from the loss of state sales tax revenue is estimated to be approximately \$4 million over the fiscal year 2007-2011 period. The revenue impact to the local governments from the loss of local sales tax revenue is estimated to be approximately \$4 million over the fiscal year 2007-2011 period. Since no construction date is available for this project it is not possible to determine the exact timing of the revenue loss to the state and local governments.

Sincerely,

/s/ Russell W. Hinton
State Auditor

/s/ Shelley C. Nickel, Director
Office of Planning and Budget