



DEPARTMENT OF AUDITS AND ACCOUNTS

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March 2, 2020

Honorable Chuck Hufstetler
Chairman, Senate Finance
121-C State Capitol
Atlanta, Georgia 30334

SUBJECT: Fiscal Note
House Bill 105 (LC 43 1601S)

Dear Chairman Hufstetler:

While this bill clarifies the disaster relief payments subject to the income tax exemption, the fiscal note is unchanged from the previous version. The assumptions in the LC 43 1572S fiscal note were consistent with the clarifications made in the new version, such as the inclusion of block grant funds and the exclusion of payments and benefits from social service programs.

The bill contains two parts affecting state revenue.

- The first is a state income tax exemption for United States Department of Agriculture (USDA) disaster-relief payments related to Hurricane Michael. The exemption would be applicable for tax years beginning on after January 1, 2019 and ending on or before December 31, 2023.
- The second provides a sales tax exemption for-hire passenger vehicle transportation services (taxi, limousine, ride-sharing, and transportation-referral services) and imposes a new excise tax of \$0.50 per trip (\$0.25 per shared trip) on those services. The tax would increase annually for inflation and be appropriated for the construction of transportation infrastructure. The excise tax would go into effect April 1, 2020.

Impact on Revenue

Georgia State University's Fiscal Research Center (FRC) estimated that the disaster relief provision would result in annual state revenue reductions of \$7.3 million to \$9.8 million in FY 2021 through FY 2023 (**Table 1**); however, important limitations on the estimate are noted in the appendix beginning on page 3. The transportation section of the bill would result in revenue increases of \$4.4 million to \$13.0 million in FY 2021, the first full year of the bill's effect. The

revenue gain is expected to increase in subsequent years. Local revenue is expected to decline by \$16.3 million to \$26.5 million in FY21, with the loss increasing in subsequent years.

This bill eliminates the current sales tax on ride-sharing companies. Because this tax is owed under current law, the analysis assumes that state and local governments will lose revenue by the elimination of the sales tax provision on these services. If ride-sharing companies are not collecting and paying these taxes, the actual revenue impact of the bill would be higher. State revenue gains would be higher and local revenue losses would be significantly lower.

Details of the analysis are included in the appendix.

Table 1. Estimated State and Local Revenue Effects of LC43 1572S

(\$ millions)	FY 2020*	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Part I: Disaster Relief						
Low	-	(\$7.3)	(\$6.9)	(\$5.5)	-	-
High	-	(\$9.8)	(\$9.2)	(\$7.5)	-	-
Part II: For-hire Transport						
State Revenue Effect						
Low	\$1.1	\$4.4	\$4.8	\$5.1	\$5.5	\$5.9
High	\$3.1	\$13.0	\$13.9	\$14.8	\$15.7	\$16.6
Local Revenue Effect						
Low	(\$3.7)	(\$16.3)	(\$17.3)	(\$18.2)	(\$19.2)	(\$20.2)
High	(\$6.1)	(\$26.5)	(\$28.1)	(\$29.7)	(\$31.3)	(\$32.9)

*Reflects effective date of April 1, 2020

Impact on State Expenditures

The Department of Revenue (DOR) estimated the need for two tax examiners to manage and monitor the excise tax at an annual cost of \$116,186. The agency noted that additional costs to implement the bill's provisions would come from redirecting existing resources. Most notably, changes to DOR's information systems would require approximately six months and 5,000 hours of existing personnel time at an estimated cost of \$472,000.

Sincerely,



Greg S. Griffin
State Auditor



Kelly Farr, Director
Office of Planning and Budget

Analysis by the Fiscal Research Center

Part I: Hurricane Michael Relief

The USDA has several disaster assistance programs to help agricultural producers after natural disasters or similar unexpected losses. Major USDA disaster relief or assistance programs through which Georgia producers have received payments eligible for the proposed exemption include:

- Tree Assistance Program (TAP), for crop producing trees, bushes, or vines
- Livestock Indemnity Program (LIP), for livestock deaths above normal levels
- Noninsured Crop Disaster Assistance Program (NAP), for crops not eligible for the Federal Crop Insurance (FCI) program
- Emergency Forest Restoration Program (EFRP)
- Emergency Conservation Program (ECP)
- Wildfires and Hurricanes Indemnity Program Plus (WHIP+)

FCI is delivered to producers through private insurance companies and thus is assumed not to be eligible for the proposed exemption.

Funding for TAP, LIP, NAP, EFRP, and ECP is not subject to annual appropriations as the programs were permanently authorized by the 2014 U.S. Farm Bill (or the Agricultural Credit Act of 1978, in the cases of ECP and EFRP). WHIP+ was authorized in June 2019 for payments to producers with losses from hurricanes and wildfires in 2018 and 2019.

According to estimates from the U.S. Farm Services Administration (FSA), payments made to Georgia producers under the various USDA disaster relief programs as a result of Hurricane Michael have totaled about \$133.3 million to date. Table A1 breaks this figure down by program. However, applications for disaster relief programs for Hurricane Michael are open until May 1, 2020. FSA field offices expect a significant increase in payments from new applications as work is completed that qualifies for reimbursements. For programs that require replanting, producers have until December 2020 to submit their invoices. For the three largest programs, applications for payments are still being submitted and approved, which will likely extend payments made through 2020.

Table A1. Georgia Payments Relating to Hurricane Michael.
(\$ millions)

Tree Assistance Program (TAP)	\$0.07
Livestock Indemnity Program (LIP)	\$0.56
Noninsured Crop Disaster Program (NAP)	\$1.5
Emergency Forest Restoration Program (EFRP)	\$4.9
Emergency Conservation Program (ECP)	\$42.0
Wildfires and Hurricanes Indemnity Program Plus (WHIP+)	\$84.3
Total	\$133.33

Unfortunately, estimates are not available as to the like amounts of Hurricane Michael relief payments remaining to be made under these programs. It is assumed, however, that payments made

