Adding Up the Fiscal Notes: Sine Die 2019

By: Danny Kanso, Policy Analyst

During the 2019 legislative session, the Georgia General Assembly approved 28 tax bills. Lawmakers will wait until next year to consider the legislature’s most ambitious tax proposals that include significant tax breaks and new revenues to support Georgia’s growing economy.

Georgia’s constitution requires any measure that raises state revenue to originate in the House of Representatives. Nearly all the tax bills that passed were House bills. The lone exceptions with measurable fiscal impact include an iteration of the state’s perennial effort to adjust the formula for taxing new and used vehicles—originally introduced as House Bill 365—and a Senate-led Title Ad Valorem Tax exemption for disabled first responders. Lawmakers ultimately approved bills ranging from an incentive for employers to create quality jobs in Georgia’s most rural communities to a five-year extension of the hospital provider fee that helps to generate nearly $1 billion in Medicaid funding.

Setting the stage for next year, when lawmakers are likely to weigh hundreds of millions of dollars in proposed tax breaks, is the question of how the state’s larger fiscal picture will shape the prospects of these bills and whether revenue collections will exceed Gov. Kemp’s 3.2 percent growth estimate for FY 2020.

Although Georgia’s economy is in its ninth consecutive year of economic expansion, year-over-year state revenue growth for FY 2019 is predicted to slow to its lowest level since the Great Recession. Individual income tax collections decreased by 0.2 percent from March 2018 to March 2019, while overall revenues are up slightly more than 2.3 percent.

Source: Office of Planning and Budget.
Lawmakers would be wise to maintain a cautious and fiscally responsible approach to large-scale budget and tax changes while embracing proposals that allow revenue collections to keep pace with the growth of Georgia’s economy. Maintaining a strong balance sheet will enable the state to make important investments, like securing the remainder of the $5,000 teacher pay raise championed by Gov. Kemp and allowing leaders to continue prioritizing working families in the years ahead.

**Transit-Related Tax Bills Fail to Pass**

Several noteworthy legislative proposals failed to pass after considerable debate. Lawmakers disagreed on an effort to require “marketplace facilitators” (e.g. eBay, rideshare services) to collect sales tax in both retail and online settings. The fiscal note for House Bill 276 estimated that including these retailers in the tax code would increase state revenues by up to $86 million in FY 2020. Lawmakers also debated a flat 50-cent per-trip fee on rideshare services like Uber and Lyft and exempting ridesharing from taxes altogether. In the final hours, legislators considered these provisions in a comprehensive package of transit measures to create a new Department of Mobility and Innovation, dedicate funding toward developing a statewide transit system and clarify the process for regional referenda to approve transit funding. All these measures and Gov. Kemp’s proposed tax exemption for jet fuel comprised Senate Bill 200, which went to a conference committee that was unable to reach an agreement before members adjourned Sine Die.

**Return on Investment of Tax Expenditures Remains Unclear**

Earlier this year, the state Senate advanced two proposals sponsored by Sen. John Albers to help maximize the state’s return on investment when considering tax legislation. SB 119 and SB 120 would have standardized the decision-making process for investments made through the state’s tax code while ensuring that Georgia taxpayers know the return on investment generated by current tax expenditures. These bills would have also authorized the legislature to conduct a full review of Georgia’s tax code, developed a standard process for the General Assembly to consider the impact of future revenue bills and required a comprehensive 10-year fiscal analysis to determine the effects of proposed tax legislation. While SB 119 didn’t pass, the House and Senate agreed on a pared-down version of the legislation passed as a substitute to SB 120. If signed into law, this measure will enable the chairs of the House Ways and Means Committee and Senate Finance Committee to each request up to three comprehensive cost-benefit economic analyses on pending tax legislation annually.
Although the vast majority of tax bills adopted by the General Assembly this year do not have fiscal notes, most are unlikely to change state revenue collections significantly. However, the fact that updated fiscal analyses are not available for major tax bills like HB 224, which makes significant changes to several tax credit provisions, reinforces why the state would be well served by adopting a more comprehensive economic review process to analyze the consequences of potential tax legislation. As the General Assembly appears likely to consider even more complex tax legislation next year, implementing these basic transparency and accountability measures could prove valuable to taxpayers.

### Fiscal Notes Completed for Tax Legislation Passed in 2019

<table>
<thead>
<tr>
<th>Bill</th>
<th>Purpose</th>
<th>Estimated State Revenue Effect, Fiscal Years, in Millions</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td>2020</td>
</tr>
<tr>
<td>Tax Breaks</td>
<td>HB 287</td>
<td>Income tax exemption for preceptorships</td>
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<tr>
<td></td>
<td>HB 352</td>
<td>Extend sales tax exemption for Competitive Projects of Regional Significance</td>
</tr>
<tr>
<td>Revenue</td>
<td>HB 182</td>
<td>Economic nexus - require sales tax from sellers with revenue above $100,000</td>
</tr>
<tr>
<td>Other Changes</td>
<td>HB 365</td>
<td>TAVT car tax revisions</td>
</tr>
<tr>
<td></td>
<td>SB 138</td>
<td>TAVT exemption for disabled first responders</td>
</tr>
<tr>
<td>Combined Net Tax Effects</td>
<td>($3)</td>
<td>($7)</td>
</tr>
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Source: Official fiscal notes as presented by the Georgia Department of Audits and Accounts. 
Note: To be included in the chart above, legislation must have a current fiscal note.
Pending Tax Legislation Could Significantly Reshape State Revenues

Awaiting lawmakers next year are several measures that could cause a significant drop in tax collections or add new resources to the state’s treasury. Legislators appear likely to consider major proposals to lower or restructure the state’s graduated income tax rate of 1–5.75 percent. For FY 2020, the state estimates costs of about $467 million to lower the top income tax rate to 5.5 from 5.75 percent, saving taxpayers $25 on every $10,000 of taxable income. Last year, the General Assembly passed HB 918 to lower the top income tax rate from 6 to 5.75 percent and double the state’s standard deduction. Bipartisan momentum is also building behind several proposals to create a state-level earned income tax credit, which carries a lower fiscal impact but offers greater benefits to working families.

Several bills would modernize sales tax collections by authorizing the state to tax products and services like e-cigarettes, ridesharing apps and lodging services such as Airbnb. The Georgia General Assembly could also revisit the debate over whether to increase what now ranks as the nation’s third lowest cigarette tax, 37-cents per pack, in addition to evaluating other excise taxes. Leaders in both chambers have not yet agreed on a reliable funding source to provide access to broadband services to the estimated 25 percent of rural residents without high-speed internet, and some legislators are likely to renew an effort to advance a referendum to legalize casino gambling.3

Overview of Tax Bills Awaiting Governor’s Signature

The list below summarizes the tax bills that passed during the 2019 session of the Georgia General Assembly. Bills are included if they make changes to state law that fall under Title 48—Revenue and Taxation—of the Official Code of Georgia and/or make a notable change to the state’s tax code.

**House Bills:**

**HB 35** creates a state sales tax exemption for nonprofits that provide poultry diagnostic and disease monitoring services.

**HB 68** prevents any entity that owns, operates or is affiliated with an elementary or secondary educational accreditation agency from operating a student scholarship organization (SSO) to participate in Georgia’s $100 million Private School Tax Credit Program.
HB 101 revises the definition of “all-terrain vehicle” to qualify for the state’s existing ad valorem tax exemption for vehicles that are resold.

HB 168 extends the state’s sales tax exemption for nonprofit health centers through June 30, 2024. The state has offered this exemption since 2015 and the Georgia Tax Expenditure Report estimates it cost taxpayers about $1 million in FY 2019.4

HB 182 requires remote sellers and online retailers to collect and remit state and local sales tax if they exceed $100,000 in Georgia gross revenue, effective January 1, 2020. Georgia State University’s Fiscal Research Center estimates the state could collect up to $3.9 million in 2020 and up to $45.9 million over the next five years, with similar increases in local sales tax revenue.5

HB 183 revises the process to appeal ad valorem property tax assessment decisions.

HB 220 sets the state’s solid waste disposal surcharge at 75 cents per ton through June 30, 2020, when it reduces to 51 cents per ton through June 30, 2022. The bill also sunsets the state’s $1 fee on the retail sale of tires on June 30, 2020 and establishes a lower 38-cent fee per tire to be collected through June 30, 2022.

HB 221 increases the amount of revenue bonds the Georgia World Congress Center can issue from $400 to $500 million.

HB 224 is one of the most significant tax bills to pass both chambers this legislative session. It makes several changes to Georgia’s tax code aimed at encouraging economic development in rural areas. HB 224 amends the state’s Historic Rehabilitation Credit, expands the Quality Jobs Tax Credit in Georgia’s rural counties and makes changes to the Manufacturer’s Investment Tax Credit for qualifying rural projects with a total $10 million annual cap.

Section one of the bill allows recipients of the state’s Historic Rehabilitation Credit to use the credit up to two years after they place a certified structure or historic home into service. A House amendment removed language that sunset the credit in 2024.

Section two outlines an expansion of the state’s Quality Jobs Tax Credit. To qualify for the credit under current law—valued at approximately $79 million in FY 2020—employers must create more than 50 new jobs paying more than 110 percent of the average county wage. HB 224 lowers the job creation threshold for employers in rural areas to obtain the Quality Jobs Tax Credit, which escalates in annual value from $2,500 to $5,000 depending on how much each employee’s compensation exceeds the average wage.6

The Department of Community Affairs uses a weighted formula to rank all 159 counties from Tier 1 to Tier 4 based on unemployment, income and the percentage of residents
living below poverty. Under HB 224 employers would be eligible for the Quality Jobs Tax Credit if they create at least 10 new jobs within one year in the 71 Tier 1 counties. In the next 35 Tier 2 counties, employers can qualify for the credit by creating at least 25 new jobs.\(^7\)

Finally, section three creates guidelines for qualifying manufacturing or telecommunications facilities that locate in one of the state’s rural counties to obtain the state’s Manufacturing Investment Tax Credit. The bill allows taxpayers to apply tax credits earned to payroll withholdings if they exceed 50 percent of their income tax liability. The value of this provision is limited to $1 million per employer and $10 million in total. This credit is set to expire on December 31, 2024.

**HB 266** doubles the income tax deduction allowed under state law for contributions to 529 savings trust accounts from $2,000 to $4,000 per beneficiary for single filers and $4,000 to $8,000 per beneficiary for married couples filing jointly.\(^8\) The federal 2017 Tax Cuts and Jobs Act expanded the tax benefits of 529 savings plans to allow filers to exempt up to $10,000 of private school tuition for beneficiaries in grades K-12. Since 1996, federal law allowed taxpayers to deduct 529 contributions for postsecondary educational expenses.

**HB 279** allows law enforcement officers appointed by the Department of Revenue to use department motor vehicles or equipment for approved off-duty jobs.

**HB 287** replaces the state’s tax deduction for community-based preceptorships with a non-refundable tax credit. This incentive is available to faculty who help train medical professionals at qualifying clinical programs. Each calendar year, physicians would be eligible for $500 for their first three rotations and $1,000 for the fourth through tenth rotations. Advanced practice registered nurses and physician assistants would receive $375 for the first three rotations and $750 for the fourth through tenth rotations. If signed into law, this provision will be applicable beginning January 1, 2019 and expires on December 31, 2023.\(^9\)

**HB 314** requires all boats and watercraft operating in the state to be titled and provides rules for the Department of Natural Resources to maintain title records and procedures.

**HB 321**, extends Georgia’s hospital provider fee through June 30, 2025, to help finance the state’s Medicaid program. In FY 2020, the state expects to collect more than $310 million from the provider fee which it will use to draw down more than $650 million in federal funds. HB 321 also includes new financial disclosure and transparency requirements for nonprofit hospitals and a five-year extension of the state’s $60 million rural hospital tax credit. The tax credit, which began in 2017, offers a dollar-for-dollar tax credit to individuals or corporations that donate to eligible rural hospitals. Under HB 321, the tax credit will expire at the end of 2024.
requires the state health agency to post more information about the tax credit on their website, including monthly progress reports on contribution amounts.\textsuperscript{10}

\textbf{HB 344} creates a 2020 statewide election ballot item asking Georgia voters to approve a tax exemption for nonprofits like Habitat for Humanity on property being used to build, repair or lease single-family homes to further the organization’s charitable mission.\textsuperscript{11}

\textbf{HB 352}, extends the sunset date for the sales tax exemption provided to “competitive projects of regional significance” through June 30, 2021. The original legislation proposed a five-year extension through 2024. To qualify for the exemption, another state or nation must be competing to secure a large-scale project with a significant impact on a Georgia region. In March, state leaders joined executives of the company SK Group to break ground on one of the most recent beneficiaries of the tax credit – an electric vehicle battery factory that is expected to invest $1.7 billion to create 2,000 jobs in Jackson County by 2025.\textsuperscript{12}

\textbf{HB 379} revises annual reporting requirements for county special purpose local option sales tax (SPLOST) funds.

\textbf{HB 405} adds a new definition for the Level 1 Freeport Property Tax Exemption.

\textbf{HB 406} requires joint authorities and participating local governments to furnish information to the state revenue commissioner or state auditor as it relates to associated tax digests.

\textbf{HB 419} is the annual update to bring the state’s tax code into conformity with federal law. The bill contains minor changes relating to partnership income.

\textbf{HB 446} makes changes to the Hurricane Michael Timber Tax Credit to clarify that credits that have been transferred are not refundable and adds additional guidance for timber farmers to claim the tax credit for necessary expenses.

\textbf{HB 507} revises the criteria used by tax assessors to determine the fair market value of real property.\textsuperscript{13}

\textbf{Senate Bills:}

\textbf{SB 65} reduces the Title Ad Valorem Tax (TAVT) rate from 7 percent to 6.6 percent of the fair market value of a motor vehicle for transactions between January 1, 2020 and June 20, 2023. The bill also modifies the formula used to calculate the fair market value of new motor vehicles and taxes certain used motor vehicles and modified, or “kit”, cars at a new rate. A state fiscal analysis on similar legislation (HB 365) determined that the legislation’s modifications to vehicle valuations would essentially offset losses from the TAVT rate reduction.\textsuperscript{14}
SB 120 would have directed the state auditor to conduct a full economic analysis of the state’s tax code on an annualized basis through 2025. As passed, SB 120 borrows language from a companion bill—SB 119—that enables the chairs of the House Ways and Means committee and Senate Finance committee to each request up to three cost-benefit analyses of tax expenditures each year. Lawmakers removed the original language that would have required a review of the state’s tax code and shortened the timeframe for required economic analyses from 10 to five years.

SB 127 requires electronic filing of reports for Motor Fuel Tax distributors.

SB 138 allows disabled first responders, their surviving spouses and minor children to free vehicle license plates. The legislation also exempts up to $50,000 in aggregate costs for vehicles purchased by a disabled first responder or surviving spouse to be exempt from the state’s title ad valorem tax. Lawmakers added a provision to provide for a special license plate to support the Sickle Cell Foundation of Georgia.15

SB 183 requires any taxpayer filing a Form 1099-K with the Internal Revenue Service to electronically file a copy of the same form with the state’s commissioner of revenue and establishes penalties for failure to comply with annual deadlines.

SB 216 enables local governments to accept prepayments of ad valorem taxes.

Endnotes

1 Georgia Department of Revenue, “Comparative Summary of State General Fund Receipts for the Month Ended March 2019,” April 8, 2019.


4 Georgia General Assembly, HB 168 (As passed House and Senate), 2019; “Georgia Tax Expenditure Report for FY 2020,” prepared by Georgia State University on behalf of the Department of Audits and Accounts, December 10, 2018.

6 “Georgia Tax Expenditure Report for FY 2020,” prepared by Georgia State University on behalf of the Department of Audits and Accounts, December 10, 2018.

7 Georgia General Assembly, HB 224 (As passed House and Senate), 2019; “Georgia Tax Expenditure Report for FY 2020,” prepared by Georgia State University on behalf of the Department of Audits and Accounts, December 10, 2018.

8 Georgia General Assembly, HB 224 (As passed House and Senate), 2019.

9 Georgia General Assembly, HB 287 (As passed House and Senate), 2019; State Auditor Greg S. Griffin, “Fiscal Note House Bill (LC 43 1215,)” Georgia Department of Audits and Accounts, February 26, 2019.


13 Georgia General Assembly, HB 446 (As passed House and Senate), 2019.

14 Georgia General Assembly, SB 65 (As passed House and Senate), 2019; State Auditor Greg S. Griffin, “Fiscal Note House Bill (LC 28 9258S,)” Georgia Department of Audits and Accounts, March 7, 2019.

15 Georgia General Assembly, SB 138 (As passed House and Senate), 2019; State Auditor Greg S. Griffin, “Fiscal Note House Bill (LC 43 1258,)” Georgia Department of Audits and Accounts, March 5, 2019.