



## DEPARTMENT OF AUDITS AND ACCOUNTS

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**Greg S. Griffin**  
STATE AUDITOR  
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January 25, 2017

Honorable Jay Powell  
Chairman, House Ways and Means  
133 Capitol  
Atlanta, Georgia 30334

SUBJECT: Fiscal Note  
House Bill (LC 43 0442)

Dear Chairman Powell:

The bill would clarify the responsibility of app-based, ride share network services, defined by O.C.G.A. § 40-1-190, regarding the collection and remittance of sales taxes. Transportation services, which include taxis, limousines, and ride share services, are already subject to state and local sales tax under current law, according to the Department of Revenue. The bill would clarify that obligation.

### Impact on State and Local Revenue

Georgia State University's Fiscal Research Center (FRC) estimated that the bill would increase state revenue by \$6.1 million in FY 2018, growing to \$7.6 million by FY 2022. Local sales tax revenue would increase \$4.5 million in FY 2018 and \$5.6 million in FY 2022. These estimates assume that app-based, ride share network services are not currently collecting sales tax from their customers. To the extent that any of these services are already collecting and remitting taxes, the effect would be lower. The assumptions used by FRC are included in the appendix.

**Table 1. Estimated State and Local Revenue Increases from LC 43 0442**

| (\$ millions)          | FY 2018 | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|------------------------|---------|---------|---------|---------|---------|
| State Revenue Increase | \$6.1   | \$6.5   | \$6.9   | \$7.2   | \$7.6   |
| Local Revenue Increase | \$4.5   | \$4.8   | \$5.1   | \$5.3   | \$5.6   |

### Impact on State Agency Costs

The Department of Revenue estimated one-time costs of \$5,875. The costs include \$4,820 for internal and external training and \$1,055 for taxpayer outreach.

Sincerely,

A handwritten signature in blue ink that reads "Greg S. Griffin".

Greg S. Griffin  
State Auditor

A handwritten signature in blue ink that reads "Teresa A. MacCartney".

Teresa A. MacCartney, Director  
Office of Planning and Budget

GSG/TAM/mt

### Analysis by the Fiscal Research Center

The following summarizes the facts and assumptions used in the above estimates:

- State and local sales tax is applied to the gross payment for service.
- Because data on gross payment for services provided only in Georgia was not available, we estimate the tax base as follows:
  - According to financial data from Uber, drivers received \$657 million in earnings for the fourth quarter of 2014.<sup>1</sup>
  - This figure is multiplied by 4 to represent a full year of earnings and is also adjusted to account for the 25 percent share distributed to Uber before payments were made to the drivers.<sup>2</sup>
  - This figure is then adjusted further to account for the operations of other ridesharing services, such as Lyft. Uber is estimated to have about an 81 percent market share as of 2016.<sup>3</sup>
  - These adjustments produce a U.S. tax base of \$4.2 billion for 2014.
  - To determine the amount that is associated with Georgia services, we multiply the figure of \$4.2 billion by 1.70 percent, which represents Georgia's share of the national employment in the taxi and limousine service industry based on data from the Quarterly Census of Employment and Wages for 2015. This results in an estimated sales tax base of \$70.8 million for Georgia in 2014.
- Based on news reports, Uber revenues grew at an annual average of 137 percent worldwide between 2014 and 2016. However, this represents global expansion rather than U.S. user growth. According to market research firm eMarketer, U.S. adult users of "sharing economy" transportation services grew by 82.4 percent cumulatively from 2014 to 2016. This growth rate is applied to the 2014 tax base to estimate a 2016 sales tax base for ride sharing services of \$129.1 million for Georgia. Our estimates assume, based on eMarketer's forecast, annual growth rates of 13.3 percent for 2017, trending down to 5 percent for years 2020 through 2022.<sup>4</sup> Although there is some argument for expecting higher growth rates in the next several years due to the infancy of this industry, the eMarketer's forecast points to increased competition from taxi services and heavier regulations as reasons to expect more limited growth. If higher growth rates are experienced, state and local revenues will be higher than shown in Table 1.

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<sup>1</sup> "An Analysis of the Labor Market for Uber's Driver-Partners in the United States", by Jonathan V. Hall and Alan B. Krueger, January 22, 2015

<sup>2</sup> Several sources state that the company's share of the gross charge is 25 percent including a Bloomberg news article from April 4, 2016 and the Uber Statistics Report for 2016 produced by Business Of Apps at [www.businessofapps.com](http://www.businessofapps.com).

<sup>3</sup> See SurveyMonkey data on Uber vs Lyft: Share of Car Transport App Market for July 2016. Available at <https://www.surveymonkey.com/business/intelligence/uber-statistics/>. Because no data was found for the market share in 2014, we assume this market share existed in 2014.

<sup>4</sup> <https://www.emarketer.com/Article/How-Much-More-Ride-Sharing-Services-Grow-US/1013963>.

- The state and average local sales tax rate is applied to the forecasted sales tax base and the estimated revenue is adjusted to represent the timing of receipts based on the state fiscal calendar. The fiscal year local revenue estimate is adjusted to reflect the timing of receipts under the current distribution system of local revenues from the state to the local governments.