



## DEPARTMENT OF AUDITS AND ACCOUNTS

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**Greg S. Griffin**  
STATE AUDITOR  
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January 31, 2018

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

SUBJECT: Fiscal Note  
House Bill 723 (LC 34 5265)

Dear Chairman Powell:

The bill would provide a sales tax exemption to qualified nonprofit organization that have a primary purpose of providing veterinary diagnostic and disease monitoring services. The bill states that an organization must be exempt from income taxes as a 501(c)(3) organization. However, for the purpose of this analysis, we assumed that the bill is intended to target 501(c)(5) nonprofit agricultural sector organizations.

### Impact on Revenue

The Carl Vinson Institute of Government (CVIOG) estimated that the bill would result in a reduction in state revenue of \$83,000 in FY 2019, growing to \$103,000 in FY 2023 (Table 1). The reduction in local government revenue is estimated at \$62,000, growing to \$78,000 in FY 2023. Details of the analysis are in the attached appendix.

**Table 1. Estimated State and Local Revenue Loss**

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
State Revenue Loss	\$83,000	\$88,000	\$93,000	\$98,000	\$103,000
Local Revenue Loss	\$62,000	\$66,000	\$69,000	\$73,000	\$78,000

### Impact on Expenditures

The bill would not result in significant new expenditures by the Department of Revenue.

Sincerely,

A handwritten signature in blue ink that reads "Greg S. Griffin". The signature is written in a cursive style with a horizontal line at the end.

Greg S. Griffin  
State Auditor

A handwritten signature in blue ink that reads "Teresa A. MacCartney". The signature is written in a cursive style.

Teresa A. MacCartney, Director  
Office of Planning and Budget

GSG/TAM/mt

### **Analysis by the Carl Vinson Institute of Government**

Using the legislation's eligibility criteria, we identified only one organization engaged in veterinary diagnostic and disease monitoring activities in Georgia that would meet all of the specified requirements. While there may be some other small nonprofit veterinary practices that meet the criteria, none were identified.

According to the entity's most recent IRS Form 990, it is organized as a nonprofit, Section 501(c)(5) agricultural organization. The organization reports purchasing supplies for poultry disease testing and monitoring, as well as other tangible personal property related to office expenses, information technology, and other functional expenses. It also resells some testing supplies and educational materials that would be subject to sales and use tax. For the years 2015, 2016, and 2017, the entity reports remitting a combined total of \$117,347, \$134,188, and \$130,108, respectively, in state and local sales and use tax. Total remitted state and local sales and use taxes increased at an average annual rate of 5.7% between 2015 and 2017. This 5.7% average annual increase was used to project sales and use taxes on tangible personal property for subsequent years.

Estimated sales and use taxes for FY2019 through FY2023 are based on the actual figures obtained from the entity using a 6% growth rate. Local sales and use tax rates in Georgia vary from 2% to 4%, depending upon the aggregate local option sales and use tax rates imposed within any particular local jurisdiction. The most common local sales and use tax rate is 3%, which was used to estimate the local government portion of the total. Actual expenses eligible for the exemption in any future year could vary significantly due to unforeseen circumstances associated with random outbreaks of avian diseases, which increase the demand for additional monitoring services.