



## DEPARTMENT OF AUDITS AND ACCOUNTS

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March 20, 2018

Honorable Kevin Tanner  
Chairman, House Transportation  
614 Coverdell Legislative Office Building  
Atlanta, Georgia 30334

SUBJECT: Fiscal Note  
House Bill 930 (LC 39 1890S)

Dear Chairman Tanner:

The bill would create an Atlanta regional transit governance structure and mechanisms for funding transit projects. Regarding funding provisions, the bill would exempt sales of certain transportation services from the state and local sales tax, including taxi, limousine, ride-sharing, and transportation-referral services, while creating a new excise tax on these same services at a rate of 50 cents per trip or ride. The bill would also create a new 1 percent sales tax on retail activity at Hartsfield-Jackson International Airport. If revenue from the new taxes are not appropriated for defined transit purposes, the tax rates will be reduced by half. After a second year of non-appropriation, the tax will be repealed. The funding provisions are effective January 1, 2019.

### **Impact on Revenue**

Georgia State University's Fiscal Research Center (FRC) provided an estimate of the bill's fiscal impact. The state would lose between \$2.1 million and \$9.7 million in FY 2020 (Table 1 on the following page). The loss would be \$3.5 million to \$20.3 million in FY 2023. The revenue effects shown in Sections 1-2 and 1-7 assume ride-sharing services' compliance with state law. In the HB 225 fiscal note dated March 21, 2017, we assumed that ride-sharing services were not collecting and remitting sales taxes to the state. Details of the analysis are in the attached appendix.

**Table 1. Estimated Revenue Effects of LC 39 1890S**

(\$ millions)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
<b>Section 1-4: 1% Sales Tax at Qualifying Airports</b>					
High	\$3.0	\$6.3	\$6.6	\$7.0	\$7.4
Low	\$2.3	\$4.8	\$5.1	\$5.3	\$5.5
<b>Section 1-2: Sales Tax Exemption for Transportation</b>					
<b>State</b>					
High	(\$9.1)	(\$21.9)	(\$26.2)	(\$31.5)	(\$37.8)
Low	(\$4.7)	(\$10.2)	(\$11.1)	(\$12.1)	(\$13.3)
<b>Local</b>					
High	(\$7.4)	(\$17.8)	(\$21.4)	(\$25.6)	(\$30.8)
Low	(\$3.8)	(\$8.3)	(\$9.0)	(\$9.9)	(\$10.8)
<b>Section 1-7: Excise Tax on Ground Transport Trips</b>					
High	\$2.5	\$5.9	\$7.1	\$8.5	\$10.2
Low	\$1.5	\$3.2	\$3.5	\$3.8	\$4.2
<b>Total State Revenue Effect</b>					
High	(\$3.7)	(\$9.7)	(\$12.5)	(\$16.0)	(\$20.3)
Low	(\$0.9)	(\$2.1)	(\$2.5)	(\$3.0)	(\$3.5)

Note: Under Georgia law, ride-sharing services are currently subject to sales tax. The effects of exempting transportation services includes the estimated tax liability associated with ride-sharing services.

**Impact on Expenditures**

The Department of Revenue estimated \$576,000 in one-time expenditures and \$86,000 in annual costs. The one-time expenditures include \$512,000 for IT system changes, \$39,000 in changes within the Taxpayer Services division (form updates, training and education, system testing), \$23,000 for legal services, and \$2,500 for computers and equipment for a new staff member. The \$86,000 in annual funding would pay the salary and benefits of a new auditor for the excise tax on ride-share companies.

Sincerely,



Greg S. Griffin  
State Auditor



Teresa A. MacCartney, Director  
Office of Planning and Budget

## Analysis by the Fiscal Research Center

### Qualifying Airport Sales Tax – Section 1-4

This section of the bill proposes to establish a new one percent sales tax levy on retail sales at any airport in the state with in excess of 750,000 takeoffs and landings during a calendar year. The tax is imposed on retail purchases only, including vending machine purchases, but not purchases by the airport operator or any provider of travel by air, including purchases of fuel.

Taxes collected under this provision are intended to be made available, subject to annual appropriations, exclusively for transit and transit projects. In the event such revenue is not appropriated for these purposes for any year, the applicable tax rate will then be reduced by half beginning the following year. After a second year of such non-appropriation, this tax and the relevant code section will stand repealed.

The only currently qualifying airport is Hartsfield-Jackson International Airport (ATL). Inside concession sales at ATL provide a significant source of revenue to ATL under its lease agreements with retailers located there. Inside concessionaires sell taxable food and beverage, and tangible retail goods as well as some services to travelers and airport workers. In 2016, Atlanta's Department of Aviation Concessions Management Unit (DACMU) produced a performance audit of the concessionaire's revenue reporting at ATL. Data from this performance audit indicate that concessionaires had gross receipts of \$556 million in FY 2015, which included duty-free sales and the purchase of services. It also indicated that ATL concessions sold, on average, \$9.11 per enplaned passenger of retail goods, food, and beverages, excluding duty-free and services sales.

The high and low estimates shown in Table A1 are based on the following:

- The estimates assume taxable retail sales per enplanement at a range of  $\pm 10$  percent around the \$9.11 FY 2015 base year estimate, grown after that for inflation. Retail price inflation in the projection periods is assumed to range from 1.5 to 2.5 percent per annum.
- According to U.S. Department of Transportation, 49.3 million passengers departed from ATL in 2015. Passenger growth is assumed to be between 2.0 and 3.0 percent per annum, based on the 2.5 percent average growth rate of passenger departures from ATL for 2012-17.

**Table A1. Retail Sales at ATL**

	FY 2019*	FY 2020	FY 2021	FY 2022	FY 2023
Taxable Sales per Departing Passenger					
High	\$5.53	\$11.34	\$11.62	\$11.91	\$12.21
Low	\$4.35	\$8.83	\$8.97	\$9.10	\$9.24
Departing Passengers ( <i>millions</i> )					
High	26.8	55.3	56.9	58.6	60.4
Low	26.6	54.7	56.4	58.1	59.8
Total Taxable Sales (\$ <i>millions</i> )					
High	\$297	\$627	\$662	\$699	\$738
Low	\$231	\$484	\$506	\$528	\$553

\* Reflects Jan 1 effective date.

**Taxis and Limousines**

**Section 1-2**

This section of the bill proposes to exempt all transportation services subject to the new excise tax in Section 1-7 of the bill from the state and local sales tax. The current revenue-producing transportation services to be subject to the proposed excise tax include taxi and limousine services. The high and low revenue losses from the exemption of taxi and limo services are based on the following:

- The Georgia Department of Revenue (DOR) reports that annual state sales tax collections for the taxi and limousine industry (NAICS 4853) averaged \$1.3 million per year between 2013 and 2017.
- The average implies annual average industry taxable sales of about \$31.4 million over the period, though collections have been slowly declining. DOR data suggests industry taxable sales for FY 2017 of about \$29.7 million.
- DOR data suggest an annual average growth rate of -0.7 percent from 2013 to 2017. The estimates assume a high growth rate in taxable sales after 2017 of zero percent and a low growth rate of -1.0 percent per year. Projected taxable taxi and limo sales are provided in Table A2 below.
- DOR also provided the annual local sales taxes collected from these industries, the data implying an average effective local sales tax rate of 3.26 percent. Estimated local revenue effects assume this effective local rate to remain unchanged for the periods projected.

**Table A2. Taxi and Limousine Services, Projected Current Law Taxable Sales**

(\$ in millions)	FY 2019*	FY 2020	FY 2021	FY 2022	FY 2023
High	\$14.8	\$29.7	\$29.7	\$29.7	\$29.7
Low	\$14.5	\$28.8	\$28.5	\$28.2	\$27.9

\* Reflects Jan 1 effective date.

**Section 1-7**

This section of the bill establishes a 50 cent per-trip excise tax on for-hire ground transportation services, including trips provided by a taxi or limousine service. The revenues generated from this tax are intended, subject to appropriations, for transit or transit projects as defined in the bill. In the event such revenue is not appropriated for these purposes for any year, the applicable tax rate will then be reduced by half to 25 cents per trip. After a second year of such non-appropriation, this tax and the relevant code section will stand repealed.

The high and low revenue gains to the state from this excise tax on taxis and limousines are based on the following:

- According to the latest U.S. Economic Census, taxi fares accounted for about 35.4 percent of combined taxi and limo sales in Georgia in 2012, about \$21 million from taxi services out of \$59 million in combined sales. Note that this Census estimate is considerably larger than the roughly \$30 million of taxable sales implied by DOR reported sales tax collections data. The reason for such a discrepancy is unclear, but for purposes of this fiscal note, figures implied by actual sales tax collections are used to estimate the number of rides likely to be successfully

taxed under the proposed excise tax. The Census estimate of the relative sizes of the taxi and limousine markets in Georgia is nevertheless assumed to hold.

- Projected taxable sales from Table A2 are split into separate estimates for taxis and limos, then divided by estimated average fares or booking charges to estimate the numbers of taxable rides.
- The average taxi fare in Georgia was estimated to be about \$16.45 currently, based on data from taxifarefinder.com. High and low fares of \$18.10 and \$14.80 are assumed for FY 2017 in estimating, respectively, the low and high numbers of rides.
- The current average booking for limousine service was estimated to be about \$174, based on industry data from IBISWorld, broken down by type service provided, as well as an internet search for prices for those services in Georgia. High and low prices for limousine trips of about \$192 and \$157 are assumed for FY 2017 in estimating, respectively, the low and high numbers of limousine rides.

**Table A3. Taxi and Limousine Trips**

<i>(in thousands)</i>	<b>FY 2019*</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
<b>Taxis</b>					
High	355	709	709	709	709
Low	284	563	558	552	546
<b>Limousines</b>					
High	61	122	122	122	122
Low	49	97	96	95	94

\* Reflects Jan 1 effective date.

**Section 1-2**

This section of the bill proposes to exempt all transportation services subject to the new excise tax in Section 1-7 of the bill from the state and local sales tax. The currently-taxed transportation services to be subject to the proposed excise tax include taxi and limousine services.

- Research by Kruger and Hall, using Benson Strategy Group Data, indicate that Uber drivers received \$657 million in earnings for the fourth quarter of 2014. This figure is multiplied by 4 to represent a full year of earnings and is also grossed up to account for the 25 percent share distributed to Uber before payments were made to the drivers.
- Reporting by the Wall Street Journal and others suggests that Uber’s U.S. ride-sharing market share was approximately 85 percent in 2016.
- The Kruger and Hall research indicates that 3.14 percent of U.S. Uber drivers are in the Atlanta Metro Area. The estimates assume a Georgia share of ride-share sales of 3.0-4.0 percent, resulting in estimated Georgia ride-share sales of \$124-\$165 million in 2014.
- Market research suggests continuing rapid growth of ride-sharing services through 2022, averaging as high as about 23 percent per annum in revenues. Holding the average cost per trip constant (after adjusting for inflation, assumed at 2 percent p.a.), high growth in Georgia ride-share sales over the projections period is assumed to be about 21 percent and the low growth is assumed to be half that or 10.5 percent.

**Table A4. Projected Georgia Ride-Sharing Sales**

<i>(millions)</i>	<b>FY 2019*</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
High	\$213.8	\$258.7	\$313.0	\$378.7	\$458.3
Low	\$101.8	\$112.5	\$124.3	\$137.4	\$151.8

\* Reflects Jan 1 effective date.

**Section 1-7**

This section of the bill establishes a 50 cent per-trip excise tax on for-hire ground transportation services, including any ride-sharing provider or a transportation referral service. The high and low revenue gains to the state from this excise tax on ride-sharing services are based on the following:

- Uber indicated that its driver partners completed one million trips per day on average worldwide in 2016.
- According to Uber data reported by Bloomberg the U.S. represents 30 percent of Uber's trips.
- Reporting by the Wall Street Journal and others suggests that Uber's U.S. ride-sharing market share was approximately 85 percent in 2016.
- Based on these data, the estimates assume that the number of trips in the U.S. for all ride-sharing applications was 128.8 million. Recent research by Kruger and Hall using Benson Strategy Group Data indicate that 3.14 percent of U.S. Uber drivers are in the Atlanta Metro Area. The estimates assume a Georgia share of ride-share trips of 3.5 percent, resulting in estimated Georgia ride-share trips of 4.5 million in 2016.
- Market research suggests continuing rapid growth of ride-sharing services through 2022, averaging as high as about 23 percent per annum in revenues. Holding the average cost per trip constant (after adjusting for inflation), high growth in Georgia ride-share trips over the projections period is assumed to be about 21 percent and the low growth is assumed to be 10.5 percent. Resulting upper-bound ride-sharing trips are projected as shown in Table A5.

**Table A5. Projected Georgia Ride-Sharing Trips**

<i>(millions)</i>	<b>FY 2019*</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
High	4.6	11.0	13.4	16.2	19.6
Low	2.6	5.8	6.4	7.0	7.8

\* Reflects Jan 1 effective date.