DEPARTMENT OF AUDITS AND ACCOUNTS

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March 14, 2018

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

SUBJECT: Fiscal Note
House Bill 871 (LC 43 0891S)

Dear Chairman Hufstetler:

The bill would create a partial exemption from state sales and use tax for qualified manufactured homes equal to 50 percent of the home's sale price. Qualified manufactured homes are those that are to be converted, and actually converted within 30 days of sale, to real property in the state pursuant to O.C.G.A. 8-2-183.1. If initial eligibility requirements are not met, the taxpayer must pay the exempted tax and an additional 50% penalty. The exemption would not apply to any local sales or use tax. The legislation does not specify an effective date, so this analysis assumes the effective date to be July 1, 2018.

Impact on Revenue

Georgia State University's Fiscal Research Center (FRC) estimated that the bill would result in state revenue loss of $3.3 million in FY 2019 (Table 1). The exemption would increase slightly in subsequent years. This fiscal note estimate is unchanged from a previous version, LC 43 0840. This bill adds the 50 percent penalty to the recovery of exempted tax, but because no data are available on disqualifying events, the previous estimate cannot be revised.

Table 1. Baseline State Revenue and Net Revenue Effect of HB 871

($ *millions*)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Current Law Tax Revenue	$6.7	$6.8	$6.9	$7.1	$7.2
State Revenue Effect of Exemption	($3.3)	($3.4)	($3.5)	($3.5)	($3.6)

FRC noted that the Department of Revenue (DOR) reports that state sales tax collections from manufactured home dealers in FY 2017 was approximately $6.4 million. Using research firm IBISWorld's projected annual growth rate for the industry of 1.9 percent, FRC projected sales tax revenue through FY 2023 on manufactured homes. The revenue loss from the bill was calculated at 50 percent of the current law baseline revenue projections

Based on discussions with DOR, it is assumed that homeowner sales of manufactured homes are generally conducted as real property sales and are thus not subject to sales and use taxes. To the extent there are homeowner-to-homeowner sales of manufactured homes not as real property (i.e. as tangible personal property), the loss from the proposed exemption may be somewhat larger.

Impact on Expenditures
DOR estimated one-time costs of $38,000. The funds would be used for IT system changes, including requirement identification, design/development, and system testing.

Sincerely,

Greg S. Griffin
State Auditor

Teresa A. MacCartney, Director
Office of Planning and Budget

GSG/TAM/mt