DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington St., S.W., Suite 1-156
Atlanta, Georgia 30334-8400

Greg S. Griffin
STATE AUDITOR
(404) 656-2174

January 14, 2019

Honorable Penny Houston
State Representative
245 Capitol
Atlanta, Georgia 30334

SUBJECT: Fiscal Note
House Bill (LC 33 7525)

Dear Representative Houston:

The bill would provide a sales tax exemption for purchases made by qualified organ procurement organizations beginning January 1, 2020. The exemption would be automatically repealed on December 31, 2025.

Impact on State Revenue
Georgia State University's Fiscal Research Center (FRC) estimated that the bill would reduce state sales tax revenue by $114,000 to $171,000 in fiscal year 2021, the first full year of the exemption (**Table 1**). Local sales tax revenue would be reduced by $92,000 to $138,000 in the same year. The losses are estimated to slightly increase over time. Details of the analysis are included in the appendix.

Table 1: Net Revenue Effect of LC 33 7525 Sales Tax Exemption

($ *thousands*)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
High Estimate					
State	($83)	($171)	($176)	($182)	($188)
Local	($67)	($138)	($142)	($147)	($152)
Low Estimate					
State	($55)	($114)	($118)	($121)	($125)
Local	($45)	($92)	($95)	($98)	($101)

Impact on State Expenditures
The Department of Revenue stated it would require no additional funding to implement the bill.

Sincerely,

Greg S. Griffin
State Auditor

Kelly Farr, Director
Office of Planning and Budget

GSG/KF/mt

Analysis by the Fiscal Research Center

Organ procurement organizations (OPOs) must be certified by the Centers for Medicare and Medicaid Services (CMS) and abide by CMS regulations. By federal law, all OPOs must be members of the Organ Procurement and Transplantation Network (OPTN). There are 58 OPOs in the United States, each with its own designated service area. Currently, Georgia is served predominantly by one OPO, LifeLink of Georgia, an affiliate of LifeLink of Florida (collectively, LifeLink). Tennessee Donor Services is the OPO for three counties in the northwest corner of the state, Catoosa, Dade and Walker, representing about 0.7 percent of the state population, thus it is assumed that they would not expend sufficient taxable amounts in Georgia to be material to the analysis.

Expenditure data provided by LifeLink from the organization's 2016 IRS 990 form were used to estimate the cost of the proposed sales tax exemption. To estimate the relevant taxable expenditures for Georgia, LifeLink's total relevant expenditures were prorated based on Georgia's share of the total population in the areas served by LifeLink.

Table 1A lists the relevant expenses estimated from the IRS 990 form. Georgia primarily taxes the purchase of physical goods and not services, but several of the categories, including advertising and promotion, information technology, and communications may be a combination of goods and services. For these services, it is assumed that 50 percent of the expenditures would be subject to sales tax. For the remaining categories, sales tax applies to the full amount of expenditures.

Table 1A: LifeLink Purchases Subject to Georgia Sales Tax CY 2016

Type of Spending	GA Est. Spending
Advertising and promotion	$ 142,536
Office expenses	$ 678,965
Information Technology	$ 124,337
Medical Supplies	$ 2,141,947
Donated property exp.	$ 2,608
Relevant Spending Total	$ 3,090,394

Source: LifeLink IRS form 990

To generate the estimates in Table 1, the 3.2 percent annual average growth rate of sales tax collections in Georgia from 2014-2017 is applied to grow the taxable base year spending from Table 1A. As there is uncertainty in the amount of goods purchased by the Georgia OPO as well as annual fluctuations in OPO activity, a high and low estimate is generated assuming variation of 20 percent from the baseline, the results shown as the high and low estimates in Table 1. Local sales tax estimates assume a 3.23 percent average local rate, the population-weighted average local rate as of July 1, 2018, according to the Tax Foundation. FY 2020 estimates are for a partial year, reflecting the effective date of the new law.