DEPARTMENT OF AUDITS AND ACCOUNTS

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December 19, 2019

Honorable Kevin Tanner
Chairman, House Transportation Committee
416 State Capitol
Atlanta, Georgia 30334

SUBJECT: Fiscal Note
House Bill 511 (LC 39 2407S)

Dear Chairman Tanner:

This bill would impose an excise tax on for-hire ground transport trips of $0.25 for pooled trips and $0.50 for individual trips, with the intent that collections be appropriated for transit and transit projects. It would also create the Division of Transit and Mobility Innovations within the Georgia Department of Transportation (GDOT) to oversee transit planning and funding for the state. The division would review regional transit plans developed by each of the state's nine Mobility Zones. It would also develop and administer pilot programs for transit vouchers for individuals in selected counties, tax credits for employers that provide employees with transit program benefits, and grants for microtransit projects. Existing transit functions in the Department of Human Services and Department of Community Health would be transferred to GDOT. The Atlanta-area Transit Link Authority would be administratively attached to GDOT. The new division would be created July 1, 2021.

Impact on State Revenue

Georgia State University's Fiscal Research Center (FRC) estimated that the bill would increase dedicated transportation fee revenue by $4.1 million to $12.5 million in FY 2022, the first year of the bill's full effect (**Table 1**). Revenue would decline slightly over time. Local governments would lose $17.2 million to $28.0 million in FY 2022, with the loss slightly increasing over time. Details of the FRC analysis are included in the appendix.

Table 1. Estimated State and Local Revenue Effects of HB 511 LC 39 2407S[1]

($ *millions*)	FY 2021*	FY 2022	FY 2023	FY 2024	FY 2025
State Revenue Effect					
High	$6.5	$12.5	$11.8	$11.6	$11.8
Low	$2.2	$4.1	$3.7	$3.5	$3.4
Local Revenue Effect					
High	($13.2)	($28.0)	($29.5)	($31.1)	($32.7)
Low	($8.1)	($17.2)	($18.1)	($19.0)	($20.0)

*Reflects January 1, 2021 effective date

[1]Figures may not add due to rounding

Impact on State Expenditures
The new division would impact the Atlanta-area Transit Link (ATL) Authority, Georgia Department of Transportation (GDOT) and Department of Revenue (DOR), with the Department of Transportation incurring an additional $11.3 million in annual costs, of which $6.8 million is new costs. This does not include one-time costs of $1.1 million for buildout and other services. DOR will incur an additional $73,000 in annual costs for one position and $53,000 in one-time costs.

Department of Transportation Costs
In FY 2021, the Division would be established within GDOT, and transit staff from other agencies would be transferred. As shown in **Table 2**, the division would employ a director, an office head, a transit planner, two strategic program analysts, and eight mobility zone managers. GDOT has 23 existing staff that would be assigned to the new division. To accommodate new staff, GDOT will incur one-time expenses for additional office space, furniture, and equipment as well as IT equipment, and vehicles.

Table 2. Estimated State Costs of the Division of Transit and Mobility Innovations

Additional Costs	**Annual Costs**	**One-Time Costs**
Division Director	$195,000	
Office Head	170,000	
Mobility Managers (8)	842,000	
Transit Planner	105,000	
Strategic Program Analysts (2)	146,000	
Operating Costs (Supplies, Motor Vehicle Expenses, Travel, Other)	75,000	
Office Space	125,000	
Transit Voucher Program (21)*	2,605,060	
Income Tax Credit	1,000,000	
Microtransit Grant Program	1,500,000	
Vehicles (8 Sedans)		$143,000
IT Equipment		152,000
Office Build-out, Furniture, Equipment		800,000
Additional Costs - Sub-Total	$6,763,060	$1,095,000
Existing Costs and Transfers		
Current GDOT Transit Staff (23)	$2,620,440	
Transfers – DHS (27)	1,931,721	
Existing Costs and Transfers - Sub-Total	$4,552,161	$0
Total Costs	$11,315,221	$1,095,000

*This amount consists of voucher staff, space, and operating expenses including the grants management system and IT infrastructure.

It should be noted that an excess of $100 million in estimated grant program activity between the state agencies with programs would fall into the administration of the newly created division. The voucher program is estimated at $2,605,060 in annual costs with an estimated 21 employees. The amounts were taken from staffing patterns of state agencies operating a similar sized program. These costs include space, employee salaries, a grants management system, and technology services. Additional annual costs to consider include vehicle/fleet management, insurance premiums, board and travel costs, regular operating expenses, administrative costs of attached agencies and mobility zones, and marketing budget.

Transit staff from at least one state agency would transfer to the new Division in FY 2021. The Department of Human Resources (DHS) would transfer 27 FTE. It should be noted that Table 2 does not include the transfer of two staff from DCH who oversee the non-emergency medical transportation (NEMT) program. Given federal regulations that require the state Medicaid agency to oversee the program to draw down federal funds, we assumed that the positions and funding would remain with DCH under a memorandum of understanding. According to DCH, the federal government is expected to provide approximately $71 million in FY 2021.

The Atlanta-area Transit Link (ATL) Authority, which is eligible to receive funds from the new excise tax applied to for-hire ground transport trips, would become administratively attached to GDOT. The legislation does not transfer ATL positions to GDOT. Currently, administrative costs for the agency are facilitated by the State Road and Tollway Authority (SRTA). Once transferred, these costs may be incurred by GDOT and the new Division of Transit and Mobility Innovations.

Department of Revenue Costs

The Department of Revenue (DOR) would be responsible for administering the proposed income tax credit, collecting and distributing the new excise tax on for-hire ground transport trips, and processing the new employer tax credit. DOR will incur one-time estimated costs of $38,000 for changes to its information technology systems and $25,000 for changes to tax forms, system testing, communicating the law, and educating staff. The agency would also have annual costs of approximately $73,000 for an auditor responsible for the additional taxpayers subject to the excise tax and tax credit(s).

Sincerely,

Greg S. Griffin
State Auditor

Kelly Farr, Director
Office of Planning and Budget

GSG/KF/jca

Analysis by the Fiscal Research Center

Taxis and Limousines

Section 1-1 of the bill proposes to exempt all transportation services subject to the new excise tax imposed by Section 1-10 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) were $1.34 million in FY 2019. Tax collections have been declining since 2013 for taxis. However, limousine tax revenue has grown since 2013, surpassing that of taxi revenue in FY 2019.
- Historical DOR data suggests that limousine service will account for any revenue growth in this sector, with taxi revenue continuing to decline. The steep rise in limousine revenue from FY 2018-19 seems to be an outlier given historical data. The most recent 5 years captures the decline in taxi revenue and the increase in limousine revenue. Thus, we use the 5-year average growth rate of 1.1 percent for the sector as the high growth estimate and a growth rate of zero as our low estimate. Note that in FYs 2010-13, prior to the ascendance of ride-sharing services, taxi revenue grew.
- Local sales tax estimates assume an average effective local sales tax rate of 3.29 percent, the population-weighted average local rate as of January 2019, according to the Tax Foundation.

Table A1. Taxi and Limousine Services, Projected Current Law Revenue Loss

($ millions)	FY 2021*	FY 2022	FY 2023	FY 2024	FY 2025
State Revenue					
High	($0.69)	($1.39)	($1.40)	($1.42)	($1.43)
Low	($0.67)	($1.34)	($1.34)	($1.34)	($1.34)
Local Revenue					
High	($0.56)	($1.14)	($1.15)	($1.17)	($1.18)
Low	($0.55)	($1.10)	($1.10)	($1.10)	($1.10)

* Reflects revenues only after Jan 1, 2021, the effective date of the proposed bill.

Section 1-10

This section of the bill establishes two new excise taxes. The first excise tax is a 50 cent per-trip excise tax on for-hire ground transportation services, including trips provided by taxi or limousine service and standard ride sharing provided by Uber and Lyft. The second excise tax is a 25-cent excise tax per shared ride or trip. The 25-cent tax applies to services in which individual riders are matched with other riders for a shared ride, but who pay separate fares. The two major ride-share services offer this option as UberPOOL and Lyft Shared. The 25-cent tax is discussed further in the section on ride-sharing services.

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 excise tax rates will then be reduced by half. 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:

- Projected taxable sales underlying the estimates in Table A1 are generated from the DOR data discussed above, using the reported taxable sales 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 2018 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 2018 in estimating, respectively, the low and high numbers of limousine rides.

Table A2. Taxi and Limousine Trips

(in thousands)	FY 2021*	FY 2022	FY 2023	FY 2024	FY 2025
Taxis					
High	498	1,006	1,017	1,028	1,040
Low	398	797	797	797	797
Limousines					
High	62	126	127	129	130
Low	50	100	100	100	100

* Reflects Jan 1, 2021 effective date.

Ride-Sharing

Purchases of transportation through ride-sharing services such as Uber and Lyft are taxable transportation services under the current-law state sales and use tax, though press reports indicate that at least one network disputes that they are obligated to collect and remit the tax. The estimates herein assume that the state is able to enforce, collect and remit obligations on ride-sharing networks under the sales tax absent the proposed bill or under the excise tax should the bill be enacted.

Section 1-1

This section would exempt ride-sharing services from the sales tax along with taxi and limousine services. Taxable ride-sharing sales and implied state and local sales taxes due absent the proposed bill are estimated as follows:

- Uber Technologies Inc. SEC filings since going public show U.S. ridesharing revenue in CY 2018 of $19.4 billion with 2.4 billion trips taken, implying revenue of about $7.94 per ride. Based on 3 quarters of CY 2019 SEC filings, it is estimated that for CY 2019, Uber had U.S. revenue of $23.4 billion from 3.3 billion rides, generating about $7.15 per ride.
- Lyft Inc. SEC filings indicate that U.S. ridesharing revenue in CY 2018 was $2.0 billion with 62.8 million active riders. Based on 3 quarters of CY 2019 filings, it is estimated that for CY 2019, Lyft will have U.S. revenue of $3.5 billion with 86.1 million active riders. Note that an active rider can take more than one trip, thus using the 10-Q data, it is not possible to estimate the number of trips Lyft made in the U.S.
- A 2019 estimate from research firm Second Measure suggests that Uber and Lyft control all but 2% of the U.S. ride hailing market.
- Using the available financial data for Uber and Lyft and grossing up for smaller providers based on market share, it is estimated that U.S. ride-sharing industry revenue was $21.8 billion in CY 2018 and $27.4 billion in CY 2019.
- To determine a low case amount that is associated with Georgia services, we multiply the figure of $27.4 billion by 1.50 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 2017. This results in an estimated sales tax base of $411.1 million for Georgia in CY 2019 and represents the low estimate for ride-sharing revenues in Georgia for the year.

- The Contingent and Alternative Workforce Arrangements data from the Bureau of Labor Statistics indicate that Georgia's share of the U.S. population reporting earning income through an app or website that connected them directly with consumers, including but not limited to ride-sharing services, was approximately 1.9 percent in 2018. Other data suggest that larger population and car-ownership markets tend to user ride-sharing services instead of taxis relatively more often (i.e. ride-sharing market shares vs. taxis is greater), thus for the high estimate. Thus, for high case estimates, Georgia is assumed to represent about 2.5 percent of the national ride-sharing market, resulting in estimated Georgia gross fares of $685.2 million for CY 2019.
- According to market research firm eMarketer, the number of U.S. adult users of Uber grew by about 17.4 percent annually from 2016 to 2018, but growth is expected to decelerate over the subsequent years. The estimates assume, based on eMarketer's forecast, annual growth rates for Uber of 11 percent for 2019, trending down to 3.0 percent for years 2023-25. The same article also projected Uber and Lyft's U.S. market shares for the same period. By combining the users and market share projections for Uber, approximate Lyft growth rates were also estimated, trending from approximately 20 percent in 2019 to 5.0 percent in 2023-25. As these growth rates represent growth in users, 2 percent inflation per year has been added to allow for growth in average fares. Though data are insufficient to estimate this, it is also possible that the numbers of rides purchased by the average user may grow for the periods of the projections, resulting in faster growth of gross bookings and greater revenue than is shown in Table 2.
- For all estimates, the state and average local sales tax rate is applied to the forecasted sales tax base, converted into state fiscal years, and the estimated revenue is adjusted to reflect the timing of receipts based on the state fiscal calendar. The local rate assumed, again, is 3.29 percent.

Table A3. Projected Georgia Ride-Sharing Sales and Sales Tax Revenue Loss

(*$ millions*)	FY 2021*	FY 2022	FY 2023	FY 2024	FY 2025
Taxable Sales					
High	$382.8	$815.8	$861.0	$908.8	$959.2
Low	$229.7	$489.5	$516.6	$545.3	$575.5
State Sales Tax Rev.					
High	($15.3)	($32.6)	($34.4)	($36.4)	($38.4)
Low	($9.2)	($19.6)	($20.7)	($21.8)	($23.0)
Local Sales Tax Rev.					
High	($12.6)	($26.8)	($28.3)	($29.9)	($31.6)
Low	($7.6)	($16.1)	($17.0)	($17.9)	($18.9)

* Reflects revenues only after Jan 1, 2021, the effective date of the proposed bill.

Section 1-10

This section of the bill establishes a 50 cents per-trip excise tax and a 25 cents per ride excise tax on services such as UberPOOL and Lyft Shared. The high and low revenue gains to the state from this excise tax on ride-sharing services are based on the following:

- Using the estimates above, the high value for revenue for all ride-hailing services in Georgia is assumed to be $614.7 million and the low estimate $368.8 million in FY 2019.
- High and low estimates of the number of riders in Georgia in FY 2019 are 82.2 million and 49.3 million, respectively.
- Average revenue per ride in FY 2019 is assumed to be $7.48.
- Finally, Uber estimated that 20 percent of all its rides were UberPOOL in 2016. It is likely that the use of UberPOOL and other shared ride services has grown since 2016, as revenue per ride continues to decline. Thus, a range is used for the estimates, with 20 percent used in the high revenue case estimate and 40 percent used in the low estimate.

- These 2019 ride values were then used to estimate FY 2021-2025 values, based on the growth in ride sharing users previously used to project revenues, before adjusting for inflation. Rides were estimated to grow by about 20 percent in 2019 with growth declining to five percent between 2023-2025.

Table A4. Projected Georgia Ride-Sharing Trips

(millions)	FY 2021*	FY 2022	FY 2023	FY 2024	FY 2025
High	49.3	103.2	106.8	110.6	114.6
Low	29.6	61.9	64.1	66.4	68.7

* Reflects Jan 1, 2021 effective date.

Table A5 summarizes the revenues from the proposed excise tax on the estimated taxi, limousine, and ride-sharing trips reported in Tables A3 and A4.

Table A5. Projected Excise Tax Revenue on For-Hire Ground Transportation

($ *millions*)	FY 2021*	FY 2022	FY 2023	FY 2024	FY 2025
High	$22.5	$47.0	$48.6	$50.4	$52.1
Low	$12.1	$25.2	$26.1	$27.0	$27.9

* Reflects Jan 1, 2021 effective date.

Section 2-3

The bill also creates a three-year pilot program for employers in each mobility zone to design a transit benefit program for new employees to encourage use of transit to travel to work. The comprehensive program from one mobility zone will be chosen to participate in the pilot program based on criteria set out in the bill. Upon the award of a pilot program to a mobility zone, the employers listed in the proposal shall be eligible for an income tax credit of $100 per month per newly hired employee enrolled in the transit benefit program. The credit is capped at $1 million annually and is nonrefundable and not retroactive. It can be carried forward.

The bill creates nine mobility zones. Each zone is anchored by at least one metropolitan statistical area (MSA). To estimate the cost to the state of the tax credit pilot program, the number of jobs in the core urban counties of these anchor MSAs is used from the Georgia Department of Labor (DOL). The following zone characteristics were used to estimate the proposed tax credit utilization:

- Zone 9, with the Atlanta MSA has the most jobs with 2.35 million in 2017, as all the counties in zone 9 are considered core urban counties by the Census.
- Zone 7, anchored by the Albany MSA, with 2 core urban counties Lee and Dougherty, has the least, with 54,298 jobs in 2017.
- To reach the $1 million cap 833 employees per month must participate in the program.

Given the employment of 2.35 million in zone 9, if it is selected it is assumed that at least 833 employees will participate, and the $1 million cap will be reached annually. Using the average number of jobs per county for the 13 core counties in zone 9 yields 0.5 percent employee participation rate. If zone 7 is selected, due to the lower number of jobs in the anchor MSA of Albany, it is possible that fewer than 833 employees participate per month and the cap of $1 million is not reached. Given the criteria outlined in the bill, it is assumed that a relatively high number of employees would be eligible to participate, or the mobility zone proposal would not have been chosen. Applying the 0.5 percent participation rate from zone 9 yields 275 employees, about a third of the maximum of 833. This number of employees is used to estimate the low amount for the pilot program tax credit utilization. Table A6 below, shows the estimated cost in FY over the relevant 3 years as specified in the bill, beginning January 1, 2022, and ending December 31, 2024.

Table A6. Projected Pilot Project Tax Credit Utilization

($ *millions*)	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
High	$0.00	($0.50)	($1.00)	($1.00)	($0.50)
Low	$0.00	($0.17)	($0.33)	($0.33)	($0.17)

Reflects Jan 1, 2021 effective date.

Note that the bill also establishes a pilot program to provide transit vouchers to unemployed and underemployed people in designated economically depressed counties. Another section creates grants for Microtransit initiatives. However, both these programs rely on funding to be appropriated by the General Assembly at some future date and as such are not analyzed here.