



## DEPARTMENT OF AUDITS AND ACCOUNTS

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February 13, 2019

Honorable Brett Harrell  
Chairman, House Ways and Means  
133 Capitol  
Atlanta, Georgia 30334

SUBJECT: Fiscal Note  
House Bill (LC 43 1174)

Dear Chairman Harrell:

The bill would reduce the threshold above which a remote seller of taxable goods into the state would be obligated to collect and remit Georgia state and local sales tax. The threshold would be reduced from \$250,000 to \$100,000 in Georgia sales. The change would apply to sales made on or after January 1, 2020.

### Impact on Revenue

Georgia State University's Fiscal Research Center (FRC) noted limited information on remote sellers with sales between the current threshold and the proposed threshold. FRC provided an upper bound estimate of additional revenue, assuming that 2.5 percent of currently untaxed sales would be subject to taxation under the bill. FRC estimated up to \$8.9 million in additional state revenue in FY 2021, the first year of the bill's full effect (Table 1). The revenue gain for local governments was estimated at up to \$7.3 million in FY 2021. The revenue gains would increase in subsequent years. The attached appendix details the analysis.

**Table 1. Upper Bound State Revenue Effects of LC 43 1174**

<i>(\$ millions)</i>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
Upper bound revenue gains:					
State	\$3.9	\$8.9	\$10.0	\$11.0	\$12.1
Local	\$3.2	\$7.3	\$8.2	\$9.1	\$10.0

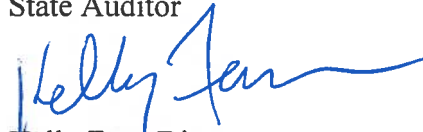
### Impact on State Expenditures

The Department of Revenue would require no additional funds to implement the provisions of this bill. Any additional costs would be marginal in relation to the implementation cost for HB 61 (2018 session), which set the original threshold for remote sellers to remit sales and use tax. The agency has requested FY 2020 funding for HB 61 implementation.

Sincerely,



Greg S. Griffin  
State Auditor



Kelly Farr, Director  
Office of Planning and Budget

GSG/KF/mt

### Analysis by Fiscal Research Center

Based on the recent Fiscal Research Center report, “An Analysis of Georgia’s Economic Nexus Legislation” (FRC pub. No 301, Sept. 11, 2018), internet retailers with annual sales in excess of about \$10 million are estimated to account for 95 percent of business-to-consumer retail sales as of 2016. A firm with \$10 million of e-commerce sales in the U.S., if spread evenly over the states by population, could be expected to sell more than \$300,000 into Georgia, which would exceed both the current law and the proposed threshold. This suggests that a reasonable estimate of sales by firms not meeting the existing dollar threshold would be less than 5 percent; the share not meeting the proposed threshold is likely significantly smaller.

The revenue gains in Table 1A, representing an estimated upper bound of gains from the bill, assume that 2.5 percent of otherwise-taxable sales by remote sellers into the state would be made by firms below the proposed threshold. As a result, newly captured sales would be the difference, 2.5 percent of otherwise-taxable e-commerce sales into the state. This 2.5 percent is applied to the FRC report’s projected high-case e-commerce sales that would likely have remained untaxed absent HB 61 (2018) and the 2018 U.S. Supreme Court ruling in *South Dakota v. Wayfair, Inc.* (*Wayfair*), extended to FY 2024 at trend growth. Local estimates assume an average local sales tax rate of 3.29 percent, based on Tax Foundation estimates. These sales and upper bound revenue gains estimates are presented in Table 1A.

**Table 1A. Upper Bound State Revenue Effects of LC 43 1174**

(\$ millions)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Estimated untaxed online sales absent HB 61 and <i>Wayfair</i> ( <i>FRC Report</i> )	\$7,899	\$8,910	\$9,961	\$11,037	\$12,119
Upper bound revenue gains:					
State	\$3.9	\$8.9	\$10.0	\$11.0	\$12.1
Local	\$3.2	\$7.3	\$8.2	\$9.1	\$10.0