



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

December 27, 2019

Honorable Matthew Gambill
State Representative
601-E Coverdell Legislative Office Building
Atlanta, Georgia 30334

SUBJECT: Fiscal Note
House Bill (LC 43 1442)

Dear Representative Gambill:

The bill would provide a sales tax exemption on food and lodging purchases for certain civic engagement organizations. The organization must be a 501(c)(3) or 501(c)(19) nonprofit and must spend at least 95 percent of its total budget providing programs to increase students' interest in government. The bill does not include an effective date but is assumed to take effect July 1, 2020 for the purposes of this fiscal note.

Impact on State Revenue

Georgia State University's Fiscal Research Center (FRC) estimated the bill would decrease state revenue approximately \$28,000 in FY 2021 (**Table 1**). Local sales tax revenue loss is estimated at \$22,000. The attached appendix details the analysis.

Table 1: Net Revenue Effect of LC 43 1442 Sales Tax Exemption

(\$ thousands)	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Low Estimate					
State	(\$28)	(\$29)	(\$30)	(\$30)	(\$31)
Local	(\$22)	(\$22)	(\$23)	(\$24)	(\$24)

Impact on State Expenditures

While some costs will be incurred, the Department of Revenue would not require additional funding to implement the bill.

Sincerely,

A handwritten signature in blue ink that reads "Greg Griffin".

Greg S. Griffin
State Auditor

A handwritten signature in blue ink that reads "Kelly Farr".

Kelly Farr, Director
Office of Planning and Budget

GSG/KF/mt

Analysis by the Fiscal Research Center

FRC found one nonprofit in the state that would meet the criteria for this tax exemption.

The estimates assume that around 7,500 students participate in the organization’s programs each year, based on self-reported attendance figures. Of those, 6,000 attended in-state programs that would have required payment of state and local sales taxes on food and lodging. The estimates assume \$112 in qualified spending on food and lodging per participant. These estimates were based on a room rate of \$175, with four kids staying to a room for an average two-night stay. Because the nonprofit’s events are held in the Atlanta metro area, this estimate assumed an average local tax rate of 3.12% for Atlanta and its largest surrounding counties.

Around 500 educators attend teacher workshops through this organization each year. A \$20 registration fee includes lunch for participants, which is assumed to be about \$12 per person.

This analysis assumes the following adjustments for forecasted growth after 2019:

- 2.13% annual inflation, based on the average Atlanta regional inflation over the last 5 years.
- Small increases in Georgia’s population of youths aged 5 to 19 from through 2022, followed by small decreases in 2023 through 2025, based on state demographic projections.

Table 2. Estimated Participation and Qualifying Expenses

	CY 2020	CY 2021	CY 2022	CY 2023	CY 2024	CY 2025
Student participants	6,031	6,062	6,094	6,125	6,113	6,101
Costs per student	\$114	\$116	\$119	\$121	\$124	\$127
Teacher workshop expenses (<i>thousands</i>)	\$6.2	\$6.3	\$6.5	\$6.7	\$6.8	\$6.9

It should be noted that these estimates represent a lower bound of what might occur. Other entities have civic engagement programs that could potentially qualify for these tax breaks if they set up their own qualifying nonprofit organizations to handle program expenses. This fiscal note does not include a high-end estimate because of significant uncertainty about how other groups might behave once this tax exemption takes effect. Because the state has a number of policies to encourage youth civic engagement, including a special diploma that requires a certain number of hours of civic participation, it is also possible that student interest in such programs will increase over time.

The lodging expenses for teacher workshops through the aforementioned nonprofit could also increase if they required all participants to pay hotel costs directly to the nonprofit. Currently, student lodging costs are bundled with their program registration fee, with the organization reserving the hotel rooms. Teachers, however, are asked to pay lodging costs directly to the hotel.