



## DEPARTMENT OF AUDITS AND ACCOUNTS

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February 27, 2020

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

SUBJECT: Fiscal Note  
House Bill 105 (LC 43 1572S)

Dear Chairman Hufstetler:

The bill contains two parts affecting state revenue.

- The first is a state income tax exemption for United States Department of Agriculture (USDA) disaster-relief payments related to Hurricane Michael. The exemption would be applicable for tax years beginning on after January 1, 2019 and ending on or before December 31, 2023.
- The second provides a sales tax exemption for-hire passenger vehicle transportation services (taxi, limousine, ride-sharing, and transportation-referral services) and imposes a new excise tax of \$0.50 per trip (\$0.25 per shared trip) on those services. The tax would increase annually for inflation and be appropriated for the construction of transportation infrastructure. The excise tax would go into effect April 1, 2020.

### **Impact on Revenue**

Georgia State University's Fiscal Research Center (FRC) estimated that the disaster relief provision would result in annual state revenue reductions of \$7.3 million to \$9.8 million in FY 2021 through FY 2023 (**Table 1**); however, important limitations on the estimate are noted in the appendix beginning on page 3. The transportation section of the bill would result in revenue increases of \$4.4 million to \$13.0 million in FY 2021, the first full year of the bill's effect. The revenue gain is expected to increase in subsequent years. Local revenue is expected to decline by \$16.3 million to \$26.5 million in FY21, with the loss increasing in subsequent years.

This bill eliminates the current sales tax on ride-sharing companies. Because this tax is owed under current law, the analysis assumes that state and local governments will lose revenue by the elimination of the sales tax provision on these services. If ride-sharing companies are not collecting

and paying these taxes, the actual revenue impact of the bill would be higher. State revenue gains would be higher and local revenue losses would be significantly lower.

Details of the analysis are included in the appendix.

**Table 1. Estimated State and Local Revenue Effects of LC43 1572S**

(\$ millions)	FY 2020*	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
<b>Part I: Disaster Relief</b>						
Low	-	(\$7.3)	(\$6.9)	(\$5.5)	-	-
High	-	(\$9.8)	(\$9.2)	(\$7.5)	-	-
<b>Part II: For-hire Transport</b>						
<b>State Revenue Effect</b>						
Low	\$1.1	\$4.4	\$4.8	\$5.1	\$5.5	\$5.9
High	\$3.1	\$13.0	\$13.9	\$14.8	\$15.7	\$16.6
<b>Local Revenue Effect</b>						
Low	(\$3.7)	(\$16.3)	(\$17.3)	(\$18.2)	(\$19.2)	(\$20.2)
High	(\$6.1)	(\$26.5)	(\$28.1)	(\$29.7)	(\$31.3)	(\$32.9)

\*Reflects effective date of April 1, 2020

**Impact on State Expenditures**

The Department of Revenue (DOR) estimated the need for two tax examiners to manage and monitor the excise tax at an annual cost of \$116,186. The agency noted that additional costs to implement the bill’s provisions would come from redirecting existing resources. Most notably, changes to DOR’s information systems would require approximately six months and 5,000 hours of existing personnel time at an estimated cost of \$472,000.

Sincerely,



Greg S. Griffin  
State Auditor



Kelly Farr, Director  
Office of Planning and Budget

## Analysis by the Fiscal Research Center

### Part I: Hurricane Michael Relief

The USDA has several disaster assistance programs to help agricultural producers after natural disasters or similar unexpected losses. Major USDA disaster relief or assistance programs through which Georgia producers have received payments eligible for the proposed exemption include:

- Tree Assistance Program (TAP), for crop producing trees, bushes, or vines
- Livestock Indemnity Program (LIP), for livestock deaths above normal levels
- Noninsured Crop Disaster Assistance Program (NAP), for crops not eligible for the Federal Crop Insurance (FCI) program
- Emergency Forest Restoration Program (EFRP)
- Emergency Conservation Program (ECP)
- Wildfires and Hurricanes Indemnity Program Plus (WHIP+)

FCI is delivered to producers through private insurance companies and thus is assumed not to be eligible for the proposed exemption.

Funding for TAP, LIP, NAP, EFRP, and ECP is not subject to annual appropriations as the programs were permanently authorized by the 2014 U.S. Farm Bill (or the Agricultural Credit Act of 1978, in the cases of ECP and EFRP). WHIP+ was authorized in June 2019 for payments to producers with losses from hurricanes and wildfires in 2018 and 2019.

According to estimates from the U.S. Farm Services Administration (FSA), payments made to Georgia producers under the various USDA disaster relief programs as a result of Hurricane Michael have totaled about \$133.3 million to date. Table A1 breaks this figure down by program. However, applications for disaster relief programs for Hurricane Michael are open until May 1, 2020. FSA field offices expect a significant increase in payments from new applications as work is completed that qualifies for reimbursements. For programs that require replanting, producers have until December 2020 to submit their invoices. For the three largest programs, applications for payments are still being submitted and approved, which will likely extend payments made through 2020.

**Table A1. Georgia Payments Relating to Hurricane Michael.**

<i>(\$ millions)</i>	
Tree Assistance Program (TAP)	\$0.07
Livestock Indemnity Program (LIP)	\$0.56
Noninsured Crop Disaster Program (NAP)	\$1.5
Emergency Forest Restoration Program (EFRP)	\$4.9
Emergency Conservation Program (ECP)	\$42.0
Wildfires and Hurricanes Indemnity Program Plus (WHIP+)	\$84.3
<b>Total</b>	<b>\$133.33</b>

Unfortunately, estimates are not available as to the like amounts of Hurricane Michael relief payments remaining to be made under these programs. It is assumed, however, that payments made

to date represent 80-90 percent of the final total. On this basis, total payments eligible for the exemption are projected to be between about \$148 million and \$167 million, with most paid in tax year 2019 and the balance in 2020.

Finally, according to the Georgia Dept. of Agriculture (GDA), the Additional Supplemental Appropriations for Disaster Relief Act of 2019 appropriated an additional \$800 million for the USDA to make block grants to states impacted by the various disasters of 2018-19, to provide further relief to affected producers. \$347 million of that has been block-granted to Georgia and GDA will be accepting applications between March 18 and April 8, 2020. Otherwise unreimbursed losses to beef, dairy, fruit and vegetable, pecan, poultry, timber, and uninsured infrastructure are eligible for recovery. GDA indicates that eligible losses should absorb available funds, though uncertainty remains due to limits on individual claims and as to actual applications that will be made in the 21-day window. Thus, it is assumed that between 70 and 100 percent of the available funds, \$243-347 million, will ultimately be paid out to Georgia producers, with all payments made in tax year 2020.

Taken together, payments from USDA programs and the block grant program are estimated to total between \$391 and \$514 million. Assuming average effective tax rates of between 4.70 percent and 5.15 percent, based on microsimulation results under current law, the impact on state revenues from exemption of these payments would be between \$18.4 million and \$26.5 million.

Estimating the timing of these revenue effects is complicated by a few factors. First, even if the bill is enacted before the end of the current session, may 2019 payment recipients will have already filed their 2019 tax returns and would need to file amended returns to benefit from the exemption. Also, those who hadn't yet filed may take filing extensions. In either case, the effects on their final tax payment or refund is likely to fall in FY 2021 rather than 2020. Payments received in 2020 would be reflected as lower taxable income on returns filed in FY 2021 or, with extensions, in FY 2022. Second, given that estimated direct losses to Georgia agriculture from Hurricane Michael, over \$2 billion according to the University of Georgia Extension Service, far exceed the actual and anticipated payment amounts, it seems likely that many payment recipients will have net operating loss carryforwards from the year of the storm (and possibly continuing) and thus little or no taxable income for some period even absent the proposed exemption. Given this uncertainty, the state revenue impact is assumed to be spread over FY 2021-23. Exemptions of USDA program payments are assumed to have a larger impact in the first two years, tapering off into FY 2023, while payments under the block grant program are assumed to impact collections evenly over the three fiscal years. Resulting estimates are provided in Table 1.

## **Part II: For-Hire Transportation**

### ***Taxis and Limousines***

Section 2-1 of the bill proposes to exempt all transportation services subject to the new excise tax imposed by Section 2-2 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 3.31 percent, the population-weighted average local rate as of January 2020, according to the Tax Foundation.

**Table A2. Taxi and Limousine Services, Projected Current Law Revenue**

(\$ millions)	FY 2020*	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
<b>State Revenue</b>						
High	\$0.34	\$1.37	\$1.39	\$1.40	\$1.42	\$1.43
Low	\$0.34	\$1.34	\$1.34	\$1.34	\$1.34	\$1.34
<b>Local Revenue</b>						
High	\$0.28	\$1.13	\$1.15	\$1.16	\$1.17	\$1.19
Low	\$0.28	\$1.11	\$1.11	\$1.11	\$1.11	\$1.11

\*Reflects effective date of April 1, 2020

Section 2-2 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 bill stipulates that the excise tax should be increased annually by the rate of inflation from the previous calendar year, using the CPI-U. The method for accounting for inflation is discussed further in the section preceding Table A5.

The revenues generated from this tax are intended for the construction of transportation infrastructure. The high and low revenue gains to the state from this excise tax on taxis and limousines are based on the following:

- Projected taxable rides underlying the estimates in Table A3 are generated from the DOR data discussed above, using the reported taxable sales for taxis and limos, then dividing 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 services 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 A3. Taxi and Limousine Trips**

<i>(in thousands)</i>	<b>FY 2020*</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>FY 2025</b>
<b>Taxis</b>						
High	246	995	1,006	1,017	1,028	1,040
Low	199	797	797	797	797	797
<b>Limousines</b>						
High	31	124	126	127	129	130
Low	25	100	100	100	100	100

\*Reflects effective date of April 1, 2020

### ***Ridesharing***

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-remittance obligations on ride-sharing networks under the sales tax absent the proposed bill or under the excise tax should the bill be enacted.

Section 2-1 of the bill would also 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 US 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 use 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 A4.
- 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 3.31 percent.

**Table A4. Projected Georgia Ride-Sharing Sales and Sales Tax Revenues**

(\$ millions)	FY 2020*	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
<b>Taxable Sales</b>						
High	\$174.7	\$765.6	\$815.8	\$861.0	\$908.8	\$959.2
Low	\$104.8	\$459.3	\$489.5	\$516.6	\$545.3	\$575.5
<b>State Sales Tax Revenue</b>						
High	\$7.0	\$30.6	\$32.6	\$34.4	\$36.4	\$38.4
Low	\$4.2	\$18.4	\$19.6	\$20.7	\$21.8	\$23.0
<b>Local Sales Tax Revenue</b>						
High	\$5.8	\$25.3	\$27.0	\$28.5	\$30.1	\$31.8
Low	\$3.5	\$15.2	\$16.2	\$17.1	\$18.0	\$19.1

\* Reflects effective date of April 1, 2020

As for taxis and limos, section 2-2 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 bill stipulates that the excise tax should be increased annually by the rate of inflation from the previous calendar year, using the CPI-U. The method for accounting for inflation is discussed further in the section preceding Table A5.

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 A5. Projected Georgia Ride-Sharing Trips**

<i>(millions)</i>	<b>FY 2020*</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>FY 2025</b>
High	22.9	98.7	103.2	106.8	110.6	114.6
Low	13.8	59.2	61.9	64.1	66.4	68.7

\*Reflects effective date of April 1, 2020

Table A6 summarizes the revenues from the proposed excise tax on the estimated taxi, limousine, and ride-sharing trips reported in Tables A3 and A4.

- Because FY 2021 is the first full fiscal year that the excise tax will be in place, this analysis assumes that the excise tax will be increased by the rate of inflation, as stipulated by the bill, beginning in FY 2022 and in each subsequent fiscal year.
- The rate of inflation is assumed to be 2 percent, which is obtained by averaging the CPI-U “percent change over 12 months ago” measure for January of the last 5 years. This measure is released by the Bureau of Labor Statistics.

**Table A6. Projected Excise Tax Revenue on For-Hire Ground Transportation**

<i>(\$ millions)</i>	<b>FY 2020*</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>FY 2025</b>
High	\$10.5	\$45.0	\$47.9	\$50.6	\$53.4	\$56.4
Low	\$5.6	\$24.1	\$25.7	\$27.1	\$28.7	\$30.2

\*Reflects effective date of April 1, 2020