



## DEPARTMENT OF AUDITS AND ACCOUNTS

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**Greg S. Griffin**  
STATE AUDITOR  
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February 11, 2021

Honorable Shaw Blackmon  
Chairman, House Ways and Means  
133 State Capitol  
Atlanta, Georgia 30334

SUBJECT: Fiscal Note  
House Bill 122 (LC 43 1790)

Dear Chairman Blackmon:

The bill would reinstate the sales tax exemption for the maintenance and replacement parts for equipment used to mix, agitate, and transport freshly mixed concrete that expired on June 30, 2020. The exemption would be in place through June 30, 2026. The bill does not provide an effective date but is assumed to be July 1, 2021 for the purposes of this fiscal note.

### Impact on State Revenue

Georgia State University's Fiscal Research Center (FRC) estimated that the bill would reduce state revenue by \$1.2 million to \$1.5 million annually between FY 2022 and FY 2026 (Table 1). Local revenue would decline \$1.0 million to \$1.2 million over the same period. The attached appendix provides details of the analysis.

**Table 1. Estimated State and Local Revenue Effects from LC 43 1790**

(\$ millions)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
State Revenue Effects:					
High	(\$1.4)	(\$1.4)	(\$1.4)	(\$1.5)	(\$1.5)
Low	(\$1.2)	(\$1.2)	(\$1.2)	(\$1.3)	(\$1.3)
Local Revenue Effects*:					
High	(\$1.2)	(\$1.2)	(\$1.2)	(\$1.2)	(\$1.2)
Low	(\$1.0)	(\$1.0)	(\$1.0)	(\$1.0)	(\$1.1)

\* Assumes a 3.32% average local rate.

### Impact on State Expenditures

The Department of Revenue (DOR) would implement the provisions of the bill with existing resources.

Sincerely,

A handwritten signature in blue ink that reads "Greg S. Griffin". The signature is fluid and cursive, with the first name "Greg" being more prominent.

Greg S. Griffin  
State Auditor

A handwritten signature in black ink that reads "Kelly Farr". The signature is in a bold, slightly stylized font.

Kelly Farr, Director  
Office of Planning and Budget

GSG/KF/mt

### Analysis by the Fiscal Research Center

The proposed bill would amend O.C.G.A. §48-8-3.2(e)(12) to extend the expiration of the sales and use tax exemption for maintenance and replacement parts for equipment used to mix, agitate, and transport freshly mixed concrete (understood to consist primarily of concrete mixing trucks, and components and equipment thereof). Under current law, the exemption expired on July 1, 2020; the bill would extend it until July 1, 2026.

According to the National Ready Mixed Concrete Association (NRMCA) 2020 Fleet Benchmarking survey, there were an estimated 75 thousand concrete mixing trucks in the U.S. in 2019. Based on Census County Business Patterns data on industry establishments and employment for 2014-18, Georgia's share of the national ready mixed concrete fleet is assumed to be between about 3.2 and 3.7 percent.

The same survey reported that maintenance costs for the industry's truck fleet nationally were estimated to be \$4.03 per cubic yard in total and \$2.26 per cubic yard for parts and components the purchase of which would be taxable in Georgia under current law. This latter figure is assumed, for purposes of this fiscal note, to represent taxable maintenance costs per cubic yard delivered in Georgia as of calendar 2019. Growth in maintenance costs over the period of the estimates is assumed to equal the 1.0 percent average annual increase from 2013 to 2019, the rate implied by costs reported in the 2014 and 2020 NRMCA surveys.

NRMCA also reports that the average annual volume of concrete delivered per truck was 4,897 cubic yards in 2013. No comparable figure is available for more recent years, so the same figure is assumed for subsequent periods. This figure is multiplied by the estimated taxable maintenance cost per cubic yard to estimate the annual cost per truck.

Expected fleet growth through 2026 is uncertain. IBISWorld estimates that industry sales declined by nearly 13 percent in 2020. Though they project a rebound of over 6 percent growth the next three years, average annual growth from 2019 through 2025 is projected at only about 1.4 percent. At recent inflation rates for the industry (1.86 percent for 2020 per BLS), this implies average U.S. industry volume growth of -0.4 percent annually for 2019-25. For purposes of the estimates herein, a modest, above-average volume (and thus fleet size) growth rate is assumed for Georgia, 0.5 percent annually. Table 2 summarizes the fleet and maintenance cost estimates.

**Table 2. Georgia Ready Mixed Truck Fleet and Taxable Maintenance Costs**

<i>(millions except cost/truck)</i>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>
GA Mixing Truck Fleet:					
High	2,780	2,794	2,808	2,823	2,837
Low	2,400	2,412	2,425	2,437	2,449
Taxable Maintenance Cost/Truck	\$12,552	\$12,681	\$12,811	\$12,943	\$13,076
Total Taxable Maintenance Costs:					
High	\$34.9	\$35.4	\$36.0	\$36.5	\$37.1
Low	\$30.1	\$30.6	\$31.1	\$31.5	\$32.0