



DOAA

Georgia Department
of Audits & Accounts

Greg S. Griffin
State Auditor

January 9, 2023

Michelle Au
Representative-Elect
Atlanta, GA 30334

SUBJECT: Fiscal Note
House Bill (LC 43 2474)

Dear Representative Au:

The bill would exempt diapers and other absorbent garments for babies and adults from state and local sales and use taxes. The bill does not specify an effective date, but the exemption is assumed to be effective July 1, 2023.

Impact on State Revenue

Georgia State University’s Fiscal Research Center (FRC) estimated the bill would decrease state and local revenue as shown in Table 1. The table also includes FRC’s estimate of the sales that would be exempt as a result of the bill. The increase in sales is a result of inflation and population growth among affected age groups—ages 0 to 4 and over 65. The appendix provides details of the analysis.

Table 1. Estimated Revenue Effects of LC 43 2474

(\$ millions)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Exempt Sales	\$385.0	\$398.0	\$411.4	\$425.7	\$440.5
Revenue Effects:					
State	(\$15.4)	(\$15.9)	(\$16.5)	(\$17.0)	(\$17.6)
Local	(\$13.0)	(\$13.4)	(\$13.9)	(\$14.3)	(\$14.8)
Total	(\$28.4)	(\$29.3)	(\$30.3)	(\$31.4)	(\$32.5)

Impact on State Expenditures

The Department of Revenue (DOR) did not anticipate any costs associated with the bill.

Respectfully,

Greg S. Griffin
State Auditor

Kelly Farr, Director
Office of Planning and Budget

GSG/KF/st

Analysis by the Fiscal Research Center

The total U.S. market for baby diaper products in 2022, according to Statista, is estimated to be approximately \$7.37 billion. The total U.S. market for adult incontinence products in 2022, also according to Statista, is estimated to be approximately \$3.73 billion. Scaling those amounts down to Georgia based on the state population shares of age groups 0-4 years and above 65 years in the 2020 U.S. Census (approximately 3.5 percent and 2.8 percent respectively), Georgia sales for 2022 are estimated to be approximately \$256 million of baby diapers and \$105 million of adult products. These amounts are assumed to grow with inflation and the growth of the two Georgia population groups: 0-4 years and over 65 years. Inflation is assumed at the rates currently forecast by the OECD for the U.S. in 2023 and 2024, and for the remaining years at the rates forecast by the Congressional Budget Office in May 2022. Population-growth estimates are from the Office of Planning and Budget (2021 vintage estimates).

Resulting projected revenue losses to the state and to local governments are provided in Table 1, with local revenues calculated at 3.37 percent, the population-weighted average local rate of as of July 1, 2022, according to the Tax Foundation.