



# DOAA

Georgia Department  
of Audits & Accounts

Greg S. Griffin  
State Auditor

December 20, 2022

Honorable Viola Davis  
State Representative  
404-D Coverdell Legislative Office Building  
Atlanta, GA 30334

SUBJECT: Fiscal Note  
House Bill (LC 43 2491)

Dear Representative Davis:

The bill would eliminate the current state sales tax exemption on the sale of jet fuels effective July 1, 2023. The bill does not affect local sales tax revenues as those applicable to the sale of jet fuel were not suspended along with the state tax.

### Impact on State Revenue

Georgia State University's Fiscal Research Center (FRC) estimated that the bill would increase state revenue as shown in Table 1. The difference between total revenue and general fund revenue is the 1%-point portion of the state's 4% sales tax that, by federal law, must be used only for aviation purposes. Details of the analysis are included in the appendix.

**Table 1: Revenue Effects from Sales Tax on Jet Fuel**

(\$ millions)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
<b>Total Revenue Effect:</b>					
Low Case	\$59.3	\$62.7	\$66.1	\$69.8	\$73.7
High Case	\$62.6	\$69.6	\$75.9	\$82.8	\$90.3
<b>General Fund Only:</b>					
Low Case	\$44.5	\$47.0	\$49.6	\$52.4	\$55.3
High Case	\$46.9	\$52.2	\$56.9	\$62.1	\$67.7

### Impact on State Expenditures

The Department of Revenue would be able to implement the bill's provisions with existing resources. However, statutory changes would require 12 weeks of IT staff resources, which equates to approximately \$73,000.

Respectfully,

Greg S. Griffin  
State Auditor

Kelly Farr, Director  
Office of Planning and Budget

GSG/KF/mt

### **Analysis by the Fiscal Research Center**

The subject bill would eliminate the current state sales tax exemption for jet fuel beginning on July 1, 2023, the first day of FY 2024. The bill has no effect on local sales taxes or any revenues related to sales of jet fuel before FY 2024.

The following summarizes the analysis and assumptions made in estimating the revenue effects:

- Georgia Department of Revenue (DOR) reporting of state sales tax collections from the sales of jet fuel is available from July 2015 through July 2018; only county collections data where a local tax applies are available after the current law suspension took effect. These pre-suspension state data, along with jet fuel historical and forecast price data from the U.S. Energy Information Administration (EIA) and jet fuel consumption forecasts for domestic flights from the National Department of Transportation (DOT) form the basis of the estimate.
- National fuel consumption data for domestic flights from the DOT was shared down for Georgia by using the ratio of implied gallons from the DOR jet fuel reports to national fuel consumption for the same periods. Implied gallons are calculated from the sales tax base implied by the DOR reported tax collections and historical price data from EIA. In FY 2018, an implied 579 million gallons of jet fuel were purchased in Georgia, representing 4.9 percent of national jet fuel consumption. This share applied to the national fuel consumption data implies that about 401 million gallons of jet fuel were purchased in Georgia in FY 2021 and 569 million in FY 2022.
- The Federal Aviation Administration's (FAA) fuel consumption forecast for US airlines engaged in domestic travel expects fuel consumption to increase by 5.9 percent per year between FY 2022 and FY 2028. According to EIA's short term forecast FY 2023 jet fuel consumption is expected to be 3.4 percent below FY 2022. The high consumption estimates assume FY 2023 fuel purchases will be 1 percent above FY 2022 and to grow by 5.9 percent thereafter, the FAA's current long run airline forecast. The low consumption estimates assume FY 2023 will be 1 percent below FY 2022 fuel purchases and grow at 2.5% thereafter.
- According to the EIA the average per gallon price of jet fuel in November 2022 was \$3.16 and prices have increased to unusually high prices due to macro-economic factors influencing energy prices. According to observed prices and EIA's short-run forecast, the average price was \$2.74 during FY 2022 and expected to be \$3.11 during FY 2023. The International Air Transport Association (IATA), the trade association for the world's airlines, expects jet fuel prices to decline by 19.4% during calendar year 2023 as the price of crude oil falls from historic highs. EIA's short-run outlook forecasts jet fuel prices during the first half of FY 2024 at an average about \$2.90 per gallon. We average this price with EIA's long-run outlook reference case price for CY 2024 of \$2.23 per gallon, resulting in an assumed price for all of FY 2024 \$2.57 per gallon. For subsequent periods, the low case assumes that jet fuel price growth of 3 percent per year while the high case assumes of 5 percent per year, approximately the range in price growth across the different EIA forecast scenarios.

Table 2 provides the resulting high and low forecasts of jet fuel consumption and prices for FY 2023 through FY 2027.

**Table 2. High and Low Jet Fuel Consumption and Price Estimates**

(\$ and gallons in <i>millions</i> )	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
<b>Consumption</b>					
Low Case	578	592	607	622	638
High Case	609	645	683	723	766
<b>Price Per Gallon</b>					
Low Case	\$2.57	\$2.64	\$2.72	\$2.81	\$2.89
High Case	\$2.57	\$2.70	\$2.78	\$2.86	\$2.95
<b>Jet Fuel Expenditures</b>					
Low Case	\$1,484	\$1,566	\$1,654	\$1,746	\$1,843
High Case	\$1,564	\$1,739	\$1,897	\$2,069	\$2,257