



DOAA

Georgia Department
of Audits & Accounts

Greg S. Griffin
State Auditor

February 21, 2023

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

SUBJECT: Fiscal Note
House Bill 283 (LC 43 2616)

Dear Chairman Blackmon:

The bill would repeal the current 50-percent state sales tax exemption on the sale of manufactured homes and replace it with a new partial exemption. The bill is intended to tax only the approximate cost of construction materials and other tangible items used in the construction and installation of new manufactured homes to match the taxation of site-built homes more closely. The taxable sales price of a new manufactured home would be limited to 60 percent of the manufacturer’s invoice amount, as defined. The proposed partial exemption would also apply to otherwise applicable local sales taxes. Sales of pre-owned manufactured homes would be exempt. The bill does not contain an effective date but is assumed to be July 1, 2023 for purposes of the fiscal note.

Impact on State Revenue

Georgia State University’s Fiscal Research Center (FRC) estimated that the bill would decrease state revenue by the amounts shown in Table 1. The revenue effect is the difference between the loss created by the repeal of the current taxation method and the revenue gained under the method included in the bill. The appendix provides details of the analysis.

Table 1. Estimated Net Revenue Effects of HB 283 LC 43 2616

(\$ millions)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
State	(\$1.6)	(\$1.6)	(\$1.7)	(\$1.8)	(\$1.9)
Local	(\$4.4)	(\$4.6)	(\$4.8)	(\$5.1)	(\$5.4)
Total	(\$6.0)	(\$6.3)	(\$6.5)	(\$6.9)	(\$7.3)

Impact on State Expenditures

The Department of Revenue would be able to implement the provisions of the bill with existing resources.

Respectfully,



Greg S. Griffin
State Auditor



Kelly Farr, Director
Office of Planning and Budget

GSG/KF/mt

Analysis by the Fiscal Research Center

HB 283 proposes to modify the taxation of manufactured homes sold in the state, first by repealing the existing partial sales tax exemption, provided for in O.C.G.A. §48-8-3(102), that exempts 50 percent of the sales price of a manufactured home from the state sales tax. Current law does not exempt sales of pre-owned manufactured homes and the exemption does not apply to local sales taxes. The bill then creates a new, partial exemption in O.C.G.A. §48-8-3.6 that would tax only new manufactured homes and only upon 60% of the manufacturer's invoice amount (MIA), defined as the sale price charged by the manufacturer in connection of the wholesale sale of the structure to a reseller or developer, net of intangible charges, transportation costs, and permit costs.

Historical and forecasted revenue for manufactured home dealers, NAICS code 453930, by research firm IBISWorld were used to estimate the amount of retail sales of manufactured homes. In 2022, U.S. sales of manufactured home were estimated to be approximately \$8.4 billion, of which approximately \$184 million or 2.2 percent occurred in Georgia. Single-family manufactured homes accounted for approximately 89.8 percent of dealer sales in 2022, including pre-owned homes; new manufactured homes accounted for approximately 76.8 percent. Under current law, 89.8 percent of total dealer sales or about \$165.5 million in 2022, would be taxed at 2 percent at the state level and at an estimated 3.4 percent at the local level (the Tax Foundation's estimate of average local rates as of January 2023).

IBISWorld projects industry sales growth averaging approximately 2.1 percent per year in inflation-adjusted terms from 2022 through 2028, down from 2017-22 average growth of 4.9 percent. In nominal dollars, dealer sales grew at an average rate of about 9.1 percent nationally and 10.1 percent in Georgia over the 2017-22 period, according to IBISWorld. For purposes of this note, Georgia dealer sales are assumed to grow at the sum of the IBISWorld inflation-adjusted national forecast rate and the Congressional Budget Office's February 2023 forecast of CPI inflation, the result multiplied by 1.1 to account for the relatively faster growth of Georgia sales in the last five years.

According to IBISWorld, wholesale purchases of manufactured homes by dealers accounted for approximately 49.6 percent of total dealer sales in 2022, after deducting a small amount of contract labor costs (0.7 percent of purchases) included in the IBISWorld estimate. To estimate the tax base under the proposed law, we multiply total 2022 Georgia dealer sales by 49.9 percent and then adjust for the estimated 14.4 percent of home sales that are of pre-owned homes. This results in a taxable base of approximately \$78.3 million in 2022 on a proforma basis. We apply the same growth-rate assumptions to wholesale purchases as for retail sales.

Resulting current-law estimates of the taxable base, and of state and local revenues, are presented in the first section of Table 2 below. Estimates of the taxable base and state and local revenues under HB 283 are presented in the second section of the table. Net revenue effects are presented in Table 1.

Table 2. Current Law and Proforma Taxable Base and Sales Tax Revenue from Manufactured Homes

<i>(\$ millions)</i>	CY2022	CY2023	CY2024	CY2025	CY2026	CY2027	CY2028
Current Law Estimates:							
GA Retail Sales	\$165.5	\$177.3	\$185.2	\$195.8	\$200.6	\$216.0	\$226.1
Real Growth (IBISWorld)		1.7%	1.0%	3.0%	0.2%	4.9%	2.0%
CPI Inflation (CBO)		4.8%	3.0%	2.2%	2.1%	2.1%	2.2%
Total * 1.1		7.1%	4.4%	5.7%	2.5%	7.7%	4.7%
State revenue @ 2%		\$3.5	\$3.7	\$3.9	\$4.0	\$4.3	\$4.5
Local revenue @ 3.40%		\$6.0	\$6.3	\$6.7	\$6.8	\$7.3	\$7.7
HB 283 Estimates:							
GA Wholesale Sales	\$78.3	\$83.9	\$87.6	\$92.6	\$94.9	\$102.2	\$106.9
Taxable Base (60%)		\$50.3	\$52.5	\$55.6	\$56.9	\$61.3	\$64.2
State revenue @ 4%		\$2.0	\$2.1	\$2.2	\$2.3	\$2.5	\$2.6
Local revenue @ 3.40%		\$1.7	\$1.8	\$1.9	\$1.9	\$2.1	\$2.2