



# DOAA

Georgia Department  
of Audits & Accounts

Greg S. Griffin  
State Auditor

March 23, 2023

Honorable Chuck Hufstetler  
Chairman, Senate Finance Committee  
121 State Capitol  
Atlanta, GA 30334

SUBJECT: Fiscal Note  
House Bill 283 (LC 43 2768S)

Dear Chairman Hufstetler:

The bill has two provisions related to the purchasing of homes.

- Section one would create an income tax credit equal to 1.2 percent of the value of a single-family residence purchased by first-time home buyers for \$250 thousand or less, to be used as the buyer's primary residence. Credits would be earned for purchases made between July 1, 2023, and June 30, 2024, and may be claimed on their tax return for tax year (TY) 2024. The credit is nonrefundable, but unutilized credits may be carried forward until fully utilized. The tax would be effective January 1, 2024.
- Section two repeals the current 50-percent state sales tax exemption on the sale of manufactured homes and replaces 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 more closely match the taxation of site-built homes. Sales of pre-owned manufactured homes would be exempt. 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. The effective date for this provision is July 1, 2023.

### Impact on State Revenue

Georgia State University's Fiscal Research Center (FRC) estimated that the bill would impact revenue as shown in Table 1. The tax credit is shown to impact state revenue in FY 2025, but a portion could occur in later years for taxpayers who do not have enough tax liability to claim the full amount in a single year. The appendix provides details of the analysis.

**Table 1. Estimated Net Revenue Effects of LC 43 2768S**

(\$ millions)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Manufactured Homes Partial Exemption:					
State Sales Tax	(\$1.6)	(\$1.6)	(\$1.7)	(\$1.8)	(\$1.9)
Local Sales Tax	(\$4.4)	(\$4.6)	(\$4.8)	(\$5.1)	(\$5.4)
Sales Tax Total	(\$6.0)	(\$6.3)	(\$6.5)	(\$6.9)	(\$7.3)
First-Time Home Buyer Credit:					
Personal Income Tax		(\$25.8)			
Totals:					
State	(\$1.6)	(\$27.4)	(\$1.7)	(\$1.8)	(\$1.9)
Local	(\$4.4)	(\$4.6)	(\$4.8)	(\$5.1)	(\$5.4)
Combined Total	(\$6.0)	(\$32.0)	(\$6.5)	(\$6.9)	(\$7.3)

**Impact on State Expenditures**

The Department of Revenue would require an additional tax examiner at an annual cost of \$68,400 (salaries and benefits). The agency noted that changes to its information system would not require additional state funds. However, it would require 11 weeks, equating to approximately \$106,000 in staffing costs.

Respectfully,



Greg S. Griffin  
State Auditor



Kelly Farr, Director  
Office of Planning and Budget

GSG/KF/mt

**Analysis by the Fiscal Research Center**

*Section 1*

HB 283 LC 43 2768S proposes to provide tax credits equal to 1.2 percent of purchase price eligible single family residences. To qualify, a home must be a single-family residence, including a condominium, as defined in O.C.G.A. §44-3-71 and is valued at \$250 thousand or less. Further, to qualify for a credit the purchase must be made by a first-time home buyer, defined as an individual that has not owned a home during the preceding three years. The sale must also occur between July 1, 2023, and June 30, 2024. Taxpayers earning credits can claim the credit in any tax year beginning on or after January 1, 2024. The credit is nonrefundable but may be carried forward until fully utilized.

The high and low estimates are based on the following data and assumptions:

- The Georgia Multiple Listing Service (GMLS) collects and reports data on home sales in Georgia. According to these data, 136 thousand units were sold in FY 2021 and 130 thousand units sold in FY 2022. Approximately 82.7 percent of these sales are for single-family residential units and 28.0 percent sold for less than \$250 thousand.
- GMLS data from February 2023 indicate that the average price of a single family residence that sold for less than \$250 thousand was \$183 thousand.
- Unit sales in FY 2022 were five percent below FY 2021 and the first eight months of FY 2023 are running 25 percent below the comparable months in FY 2022. Assuming that FY 2023, in total, is 25 percent below FY 2022, approximately 97.8 thousand total units and approximately 25.2 thousand priced at \$250 thousand or less are projected for the full fiscal year.
- The recent declining trend in unit sales, largely reflecting pressures from increasing mortgage rates, is likely to interact with behavioral changes from first time home buyers in response to this credit in unpredictable ways, particularly if the rise in rates does not continue in FY 2024. The estimate assumes FY 2024 units, the period of eligibility for the proposed credit, to be 2 percent above FY 2023.
- Home Loan Mortgage Disclosure Act (HMDA) data, from the U.S. Consumer Financial Protection Bureau, breaks down mortgage applicants in Georgia by age and property value. We combined these data with National Association of Realtors (NAR) survey data identifying the shares of first-time homebuyers by age group to estimate the share of purchases of \$250 thousand or less that are first-time homebuyers. On this basis, the estimate assumes 51 percent of home purchases of \$250 thousand or less are by first time home buyers.

The fiscal impact of these credits, claimable against TY 2024 tax liabilities, is assumed to be realized at the time of filing of returns, thus primarily in FY 2025. Revenues impacts may be spread into future years if taxpayers are unable to fully utilize credits against TY 2024 tax liabilities and must carry credits forward. Table 2 details the low and high estimates of affected units sold, aggregate value of homes sold, and the amounts of credits earned.

**Table 2. Units Sold, Aggregate Value and Credits Earned TY 2024**

(units in thousands, \$ millions)	<b>TY 2024</b>
Total Units Sold	99.7
Single Family Residential Units	82.5
Units Below 250K	23.1
Units Sold to First-Time Home Buyers	11.8
Aggregate Value	\$2,151.9
Credits Earned	\$25.8

*Section 2*

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 3 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 3. Current Law and Proforma Taxable Base and Sales Tax Revenue from Manufactured Homes**

(\$ millions)	CY2022	CY2023	CY2024	CY2025	CY2026	CY2027	CY2028
<b>Current Law Estimates:</b>							
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
<b>HB 283 Estimates:</b>							
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