



DOAA

Georgia Department
of Audits & Accounts

Greg S. Griffin
State Auditor

February 21, 2024

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

SUBJECT: Fiscal Note
House Bill 1192 (LC 50 0700)

Dear Chairman Blackmon:

The bill would make two changes to the existing sales tax exemption for High Technology Data Centers (HTDC) equipment provided for in O.C.G.A. § 48-8-3(68.1). The commissioner of the Department of Revenue cannot issue new certificates of exemption under the paragraph once the bill is signed, though HTDCs that already have a certificate can continue to benefit. The second change is to alter the definition of a “New Quality Job,” increasing the pay threshold from 110 percent to 200 percent of the average county wage in the county in which the HTDC is located.

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. For purposes of the fiscal note, the estimate assumes an effective date of July 1, 2024. The appendix provides details of the analysis.

Table 1. Estimated State Revenue Effects of HB 1192 LC 50 0700

(\$ millions)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
State Revenue Effect	\$5.5	\$6.3	\$7.0	\$7.8	\$8.6
Local Revenue Effect	\$4.6	\$5.3	\$6.0	\$6.7	\$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

Richard Dunn, Director
Office of Planning and Budget

GSG/RD/mt

Analysis by the Fiscal Research Center

A detailed evaluation study of the HTDC exemption, conducted in accordance with the Tax Credit Return on Investment Act of 2021 (SB 6), was completed in December 2022 by the Carl Vinson Institute of Government at the University of Georgia and published by the Georgia Department of Audits and Accounts. The evaluation projected the state revenue impact of the existing HTDC exemption, and foregone state sales tax revenue from the exemption was estimated to be \$50.1 million in FY 2025, increasing to \$74.3 million in FY 2029, as shown in Table 2.

Table 2. Estimated State Revenue Effects of HTDC Exemption Prior to Changes

(\$ millions)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
State Revenue Effect	(\$50.2)	(\$56.2)	(\$62.2)	(\$68.1)	(\$74.1)

Computer purchases over \$15 million are exempt from state and local sales taxes under the high-technology computer equipment (HTCE) exemption provided for under § 48-8-3(68). Based on data obtained from the evaluation study, 86.4 percent of high-technology data center equipment (HTDCE) exempted purchases are also exempted by this provision.

High-Technology Data Center Equipment purchases at centers that currently hold exemption certificates will continue to gain exemption under § 48-8-3(68.1) through 2031, subject to the proposed increase in the pay threshold for qualifying quality jobs. Industry sources cited in the evaluation study indicated that 20 percent of data center equipment requires replacement every year. The estimate assumes that the total HTDCE related to maintaining HTDC is \$251 million in 2025, 86.4 percent of which is also exempt as HTCE.

The maintenance-related exempted costs are assumed to grow with price inflation only, as no new data centers center gain exemption. The goods input price inflation for the data processing, hosting, and related services industry (NAICS 518) grew on average by 1.16 percent between 2019 and 2023. The estimate assumes this as the price inflation.

Table 3. Estimates HTDCE Purchases Total and Impacted by HB 1192 LC 50 0700

(\$ millions)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
HTDCE Purchases (68.1)	\$1,254.4	\$1,404.1	\$1,553.9	\$1,703.6	\$1,853.4
Not Also HTCE (68)	\$170.6	\$191.0	\$211.3	\$231.7	\$252.1
Maintenance at Current HTDC Not Also HTDCE (86)	\$34.1	\$34.7	\$35.2	\$35.8	\$36.4
Now Taxable HTDCE Purchases	\$136.5	\$156.3	\$176.1	\$195.9	\$215.7