



DOAA

Georgia Department
of Audits & Accounts

Greg S. Griffin
State Auditor

March 14, 2024

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

SUBJECT: Fiscal Note
House Bill 1192 (LC 50 0792S)

Dear Chairman Hufstetler:

The bill would make two changes to the existing sales tax exemption for High Technology Data Centers (HTDC) provided for in O.C.G.A. § 48-8-3(68.1). Between July 1, 2024, and June 30, 2026, the commissioner must suspend the issuance of new exemption certificates under the paragraph, HTDC customers have an ongoing contract entered into before July 1, 2024 and an application for an exemption is submitted prior to July 1, 2024. The second change would alter the definition of a “New Quality Job,” increasing the pay threshold from 110 percent to 150 percent of the average county wage in the county in which the HTDC is located. Finally, the bill would create the Special Commission on Data Center Energy Planning to conduct an in-depth evaluation of the HTDC industry in Georgia and specifically focus on the industry’s relationship with the state’s electric grid and power supply. The bill would be effective July 1, 2024.

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 appendix provides details of the analysis.

Table 1. Estimated State Revenue Effects of HB 1192 LC 50 0792S

(\$ millions)	FY 2025	FY 2026
State Revenue Effect	\$5.5	\$6.3
Local Revenue Effect	\$4.6	\$5.3

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 \$50.2 million in FY 2025, increasing to \$56.2 million in FY 2029, as shown in Table 2.

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

<i>(\$ millions)</i>	FY 2025	FY 2026
State Revenue Effect	(\$50.2)	(\$56.2)

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.

The maintenance and expansion related exempted costs are assumed to grow with price inflation only, as no new data centers 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 of HTDCE Purchases Total and Impacted by HB 1192 LC 50 0792S

<i>(\$ millions)</i>	FY 2025	FY 2026
HTDCE Purchases (68.1)	\$1,254.4	\$1,404.1
Not Also HTCE (68)	\$170.6	\$191.0
Maintenance and Expansion at Current HTDC Not Also HTDCE	\$34.1	\$34.7
Now Taxable HTDCE Purchases	\$136.5	\$156.3

State Revenue impact estimates after FY 2026 are not included, as the suspension of new certificates will be automatically repealed on the first day of FY 2027, or the exemption will be altered based on the findings of the Special Commission on Data Center Energy Planning.