



# DOAA

Georgia Department  
of Audits & Accounts

**Greg S. Griffin**  
State Auditor

March 28, 2024

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

SUBJECT: Fiscal Note  
Senate Bill 340 (LC 50 0869S)

Dear Chairman Blackmon:

The bill would amend the agricultural sales tax exemption provided for in O.C.G.A. §48-8-3.3 (GATE) to include diesel exhaust fluid (DEF). With no effective date given, the bill is assumed to become effective on July 1, 2024.

### Impact on State Revenue

Georgia State University’s Fiscal Research Center (FRC) estimated that the bill would decrease state revenue as shown in Table 1. The appendix provides details of the analysis.

**Table 1. Estimated Revenue Impact of SB 340 LC 50 0869S**

(\$ millions)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
State Estimate	(\$0.17)	(\$0.18)	(\$0.18)	(\$0.18)	(\$0.19)
Local Estimate	(\$0.15)	(\$0.15)	(\$0.15)	(\$0.16)	(\$0.16)

### 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

Federal EPA regulations, effective in 2011, changed emission standards for nonroad diesel engines of 175 horsepower or larger. Certain manufacturers adjusted to these standards by implementing new modifications to their engines that required the use of diesel exhaust fluid (DEF). Many tractors and other large machines used in the agriculture and forestry industries require the use of DEF. SB 340 proposes to exempt the purchase of DEF, when used in these industries, from state and local sales taxes by adding it to the definition of exempted spending under GATE.

The high and low fiscal effect estimates in Table 1 are based on the following data and assumptions:

- The U.S. Department of Agriculture (USDA) National Agricultural Statistics Service collects data on diesel fuel consumption from crop and animal farming. These data indicate that Georgia farmers spent \$249 million on diesel fuel in 2022.
- U.S. Energy Information Administration (EIA) data indicates that the average price of diesel fuel in 2022 was \$4.92 per gallon. Based on these prices, the estimate assumes that animal and crop farming in Georgia consumed 48.7 million gallons of diesel in 2022.
- The U.S. Forest Service Research (USFS) collects data on the timber output of Georgia’s forestry industry. These data indicated that 1.38 billion cubic feet of timber products were harvested during 2022.
- A published PhD dissertation from the forestry department at Auburn University indicated that timber harvesting equipment primarily used diesel engines above 175 horsepower. This research indicated that this equipment used 17.92 gallons of diesel to harvest 1,000 cubic feet of timber in Georgia. Based on these findings and the USFS data, the estimates assume that the forestry industry in Georgia consumed 28.1 million gallons of diesel in 2022.
- While most heavy agricultural and forestry equipment is likely using DEF, fleet data describing the share using DEF was not found. The estimates assume that 90 percent of agriculture and forestry-based diesel consumption used DEF.
- Based on industry information and the common engine sizes of equipment used in these industries, the estimate assumes that one gallon of DEF is used for every 100 gallons of diesel fuel.
- The wholesale price per gallon of DEF was \$1.59 at the beginning of 2022, according to Argus, a firm that maintains proprietary DEF price monitoring data. At this price, the high estimate for agriculture and forestry spending on DEF in 2022 was \$4.2 million.
- Data and projections from USDA indicate that agricultural fuel spending had a long-run annual growth trend between 2015 and 2024 of 1.55 percent per year. The estimate assumes this growth rate will continue through 2029.

Table 2 shows high and low estimates for DEF spending for 2024 through 2029 based on these data and assumptions. For the revenue impacts in Table 1, calendar years were converted to fiscal years using averaging. The 4-percent state rate and the average local rate of 3.4 percent, which is the Tax Foundation estimate from January 1, 2023, were used.

**Table 2. Estimated DEF Ag-Forestry Spending, CY 2024–29**

(\$ millions)	CY 2024	CY 2025	CY 2026	CY 2027	CY 2028	CY 2029
DEF Spending	\$4.3	\$4.4	\$4.5	\$4.5	\$4.6	\$4.7