DOAA
Georgia Department
of Audits & Accounts

Greg S. Griffin
State Auditor

March 6, 2025

Honorable Noel Williams
Chairman, House Banks and Banking
133 State Capitol
Atlanta, GA 30334

SUBJECT: Fiscal Note
House Bill 439 (LC 44 3017)

Dear Chairman Williams:

The bill would modify vendor compensation for sales and use tax. Under current law, dealers who collect and remit sales and use tax, in a timely fashion, may deduct a portion before remittance as compensation for administering the tax. Current law allows a deduction of 3 percent of the first $3,000 of the combined total amount of all sales and use taxes reported due on each return for each location and 0.5 percent of the portion of tax collected exceeding $3,000. The bill would increase the deduction, beginning in 2026, as follows:

- Allow dealers to keep 3 percent of the first $10,000 of the combined total amount of all sales and use taxes reported due on each return for each location.
- For 2026, allow dealers to keep 0.5 percent of the portion of tax collected exceeding $10,000.
- For 2027-2030, the amount of compensation for the portion of tax collected exceeding $10,000 will increase 0.25 percentage points annually until it reaches 1.5 percent in 2030

The bill would become effective January 1, 2026.

Impact on Revenue

Georgia State University's Fiscal Research Center (FRC) estimated that the bill would decrease state revenue as shown in Table 1. The additional income tax revenue is due to the vendor compensation increasing their taxable income. The appendix provides details of the analysis.

Table 1. Estimated Revenue Effects of HB 439 LC 44 3017

($ *millions*)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Increased Vendor Compensation	($21.4)	($63.1)	($104.9)	($149.7)	($197.1)
Additional Income Tax Revenue Estimate	$1.2	$3.4	$5.7	$8.1	$10.6
Net Fiscal Impact Estimate	($20.3)	($59.7)	($99.3)	($141.6)	($186.5)

Impact on Expenditures

The Department of Revenue (DOR) would be able to implement provisions of the bill with existing resources. However, changes to information systems will require six weeks, equating to approximately $31,000 in staff time.

Respectfully,

Greg S. Griffin
State Auditor

Richard Dunn, Director
Office of Planning and Budget

GSG/RD/mt

Analysis by the Fiscal Research Center

The subject bill proposes to modify vendor compensation for the state sales and use tax. As compensation for administering the tax, vendors who collect and remit sales tax in a timely fashion may deduct a portion of the tax collected. Under current law this deduction is 3 percent of the first $3,000 of total sales tax collected and 0.5 percent of the portion of tax collected exceeding $3,000. The subject bill proposes to increase the deduction as follows, starting in tax year (TY) 2026:

- Allow vendors to deduct 3 percent of the first $10,000 in tax collected
- For TY 2026, the bill would allow vendors to deduct 0.5 percent of the portion of tax collected exceeding $10,000
- For TY 2027, vendors may deduct 0.75 percent of the portion of tax collected exceeding $10,000
- For TY 2028, vendors may deduct 1.0 percent of the portion of tax collected exceeding $10,000
- For TY 2029, vendors may deduct 1.25 percent of the portion of tax collected exceeding $10,000
- For TY 2030 and beyond, dealers may deduct 1.5 percent of the portion of tax collected exceeding $10,000

Based on 2022 sales tax return data from the Georgia Department of Revenue (DOR), we estimate that under current law, vendor compensation is approximately 1.48 percent of state sales tax collections. This percentage is assumed to remain constant in the baseline scenario. Microsimulations on the DOR data indicate that under the proposed changes, this percentage of state sales tax would increase as follows:

- 1.93 percent in TY 2026
- 2.32 percent in TY 2027
- 2.72 percent in TY 2028
- 3.11 percent in TY 2029
- 3.51 percent in TY 2030

Estimates of total sales tax collections for FY 2025-30 were obtained from the State Economist's December 2024 long range general fund projections. These estimates were converted to TY's using a 50/50 fiscal split. Baseline and proforma vendor compensation projections were then made by applying the percentages produced by the microsimulation to the sales tax projections. Vendor compensation estimates were converted back to fiscal years, assuming the same 50/50 fiscal split. The fiscal impacts presented in table 1 represent the difference between the baseline and proforma scenarios. This analysis is summarized in table 2 below.

Table 2. Projected Current Law and Pro-forma Vendor Compensation

($ *millions*)	TY 2026	TY 2027	TY 2028	TY 2029	TY 2030
Projected Sales Tax Revenue	$9,583.6	$9,893.2	$10,227.7	$10,591.5	$10,916.9
Baseline Vendor Compensation	$142.1	$146.7	$151.6	$157.0	$161.8
Pro-Forma Vendor Compensation	$184.9	$229.9	$278.1	$329.9	$383.2
Difference	($42.8)	($83.3)	($126.5)	($172.9)	($221.3)

The increase of vendor compensation proposed in this bill is assumed to be considered taxable income for state income tax purposes. Thus, the increase in vendor compensation will increase taxable income for vendors in the state, and in turn increase state income tax collections. For this analysis a constant income tax rate of 5.39 percent is assumed. However, if certain conditions are met the state income tax rate will decrease and thus impact these estimates. This impact is summarized in table 3 below.

Table 3. Projected Income Tax Effects of Increased Vendor Compensation

($ *millions*)	TY 2026	TY 2027	TY 2028	TY 2029	TY 2030
Additional Vendor Compensation	$42.8	$83.3	$126.5	$172.9	$221.3
Assumed Tax rate	5.39%	5.39%	5.39%	5.39%	5.39%
Additional Income Tax	$2.3	$4.5	$6.8	$9.3	$11.9

Fiscal impacts shown in Table 1 are converted from TY to FY assuming a 50/50 fiscal split.