DOAA
Georgia Department
of Audits & Accounts

Greg S. Griffin
State Auditor

March 4, 2025

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

SUBJECT: Fiscal Note
House Bill 165 (LC 50 0947)

Dear Chairman Blackmon:

The bill contains four revenue-impacting provisions. The bill would:

- Repeal a tax credit for leased motor vehicles used by business enterprises, changing the sunset date from December 31, 2029, to December 31, 2025.
- Repeal two sales tax exemptions currently in effect: one for the lease or rental of motion picture films to any person who charges an admission fee to view such film, and another for the sale of certain machinery and equipment incorporated into any telecommunications manufacturing facility and used for the primary purpose of improving air quality in advanced technology cleanrooms of Class 100,000 or less.
- Create a sales tax exemption for the sale of tangible personal property used in direct connection with the construction, renovation, or rehabilitation of affordable housing by an organization that is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code.

The bill has no effective date.

Impact on Revenue

Georgia State University's Fiscal Research Center (FRC) estimated that the bill would increase state and local revenue as shown in Table 1 (continued on the following page). The appendix provides details of the analysis.

Table 1. Estimated State Revenue Effects from HB 165 LC 50 0947

($ *millions*)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Repealing STE for Film Leasing					
State Estimate	$6.0	$6.2	$6.5	$6.7	$7.0
Local Estimate	$5.1	$5.3	$5.5	$5.7	$6.0
State Effect of Repealing STE for Certain Cleanroom Equipment					
High Estimate	$0.2	$0.2	$0.2	$0.2	$0.3
Low Estimate	$0.1	$0.1	$0.1	$0.1	$0.1
Local Effect of Repealing STE for Certain Cleanroom Equipment					
High Estimate	$0.2	$0.2	$0.2	$0.2	$0.2
Low Estimate	$0.1	$0.1	$0.1	$0.1	$0.1
State Effect of STE for LIH Materials					
High Estimate	($4.3)	($4.5)	($4.7)	($5.0)	($5.2)
Low Estimate	($3.0)	($3.1)	($3.3)	($3.4)	($3.6)

Local Effect of STE for LIH Materials					
High Estimate	($3.7)	($3.9)	($4.0)	($4.2)	($4.4)
Low Estimate	($2.5)	($2.7)	($2.8)	($2.9)	($3.1)
Net State Revenue Effects:					
High Estimate	$3.1	$3.2	$3.3	$3.4	$3.5
Low Estimate	$1.9	$1.9	$2.0	$2.0	$2.0
Net Local Revenue Effects					
High Estimate	$2.6	$2.7	$2.8	$2.9	$3.0
Low Estimate	$1.6	$1.6	$1.7	$1.7	$1.7

Impact on Expenditures

The Department of Revenue (DOR) 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

Section 1. Repeal Business Enterprise Vehicle Tax Credit

O.C.G.A. § 48-7-40.22 allows a tax credit for leased motor vehicles used by business enterprises. The credit amount is $3,000 per vehicle for businesses in Tier 1 counties and $2,000 per vehicle for those in Tier 2 counties. Originally, the credit was set to expire after tax year (TY) 2029. The proposed bill repeals the credit earlier, starting in TY 2026.

According to DOR data, utilization of this credit has been zero since TY 2022 and averaged only $4,500 per year over the prior five years. Therefore, the repeal of this credit is projected to generate a zero or negligible fiscal impact through TY 2029.

Section 2.1 Repeal Sales Tax Exemption for Film Leasing

O.C.G.A. § 48-8-3(24) currently creates a sales tax exemption for the rental of videotape or motion picture film to any person who charges an admission fee to view such film or videotape. The subject bill would eliminate this provision and leave the code section reserved. The estimated fiscal impacts of this provision are based on the following data and assumptions:

- There is a general consensus among various industry sources that movie theaters pay approximately 50 percent of ticket sales revenue to lease films from studios. This is supported by financial statements filed with the Securities and Exchange Commission by AMC Entertainment Holdings and Cinemark Holdings, two of the largest movie theater companies in the United States, both of which spend an average of 50 percent of admissions revenues on film rentals.
- Historical data on box office revenues were obtained from The Numbers, a film industry database and website.
- IBISWorld projects industry revenue to grow by 1.7 percent annually, in inflation-adjusted terms, through 2030.
- The Congressional Budget Office (CBO) projects an average inflation rate of 2.3 percent through 2030.
- CBO and IBISWorld projections were used to project box office revenues forward.
- Box office revenues were shared down to Georgia using the state's share of the national population, approximately 3.3 percent, per the US Census Bureau.
- Estimated Georgia box office revenues were multiplied by 0.5 to estimate spending in the state on film leasing.
- This base is then multiplied by the state 4-percent sales tax rate to estimate the fiscal impact. The local impact is calculated using the statewide average local rate of 3.42% as of January 2025, according to the Tax Foundation.

The analysis is summarized in Table A1 below.

Table A1. Fiscal Impact of Repealing STE for Film Leasing

($ *millions*)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
GA Box Office Revenues	$298.9	$311.0	$323.5	$336.2	$349.4
Spending on Film Rentals	$149.5	$155.5	$161.7	$168.1	$174.7
Fiscal Impact					
State Estimate	$6.0	$6.2	$6.5	$6.7	$7.0
Local Estimate	$5.1	$5.3	$5.5	$5.7	$6.0

Section 2.2 Repeal Sales Tax Exemption for Certain Cleanroom Equipment

O.C.G.A. § 48-8-3(60) currently provides a sales tax exemption for the sale of machinery and equipment incorporated into any telecommunications manufacturing facility and used for the primary purpose of improving air quality in advanced technology cleanrooms of Class 100,000 or less, provided such cleanrooms are used directly in the manufacture of tangible personal property. The subject bill would eliminate this provision and leave the code section reserved.

It is important to note that § 48-8-3(69) provides a sales tax exemption for the sale of machinery, equipment, and materials incorporated into and used in the construction or operation of a cleanroom of Class 100 or less in this state, not to include the building or any permanent, nonremovable component of the building that houses such cleanroom, provided that such cleanroom is used directly in the manufacture of tangible personal property in this state. This section would not be repealed by the subject bill.

Class 100 cleanrooms are significantly more restrictive than Class 100,000 cleanrooms. Reliable data on the number of Class 100,000 cleanrooms in telecommunications manufacturing facilities and costs of associated machinery and equipment were not found. However, the available evidence indicates that the revenue impact of repealing this exemption would be relatively small. The estimated fiscal impacts of this provision are based on the following data and assumptions:

- Telecommunications manufacturing most closely corresponds to NAICS codes 3342 and 3343.
- Using data from the U.S. Census Bureau's most recent Capital Expenditure Survey, it is estimated that these NAICS codes spent approximately $2.1 billion on equipment capital expenditures in 2022.
- Based on the latest U.S. Census Bureau's County Business Patterns data, Georgia's share of this industry is approximately 2.2 percent.
- Based on the available information pertaining to operating and maintenance costs for cleanrooms, we estimate that between 3 and 10 percent of equipment capital expenditures would be exempt under this provision.
- The market for cleanroom technology is expected to grow 5.9 percent annually from 2025 to 2030.
- The state revenue impact is calculated using the 4-percent state sales tax rate while local effects are calculated using an average local rate of 3.42 percent.

The fiscal impacts of this proposed repeal are summarized in Table A2.

Table A2. Fiscal Impact of Repealing Sales Tax Exemption for Cleanroom Equipment

($ *millions*)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
State Fiscal Impact					
High Estimate	$0.20	$0.21	$0.22	$0.24	$0.25
Low Estimate	$0.06	$0.06	$0.07	$0.07	$0.08
Local Fiscal Impact					
High Estimate	$0.17	$0.18	$0.19	$0.20	$0.21
Low Estimate	$0.05	$0.05	$0.06	$0.06	$0.06

Section 2.3 Sales Tax Exemption for Low-Income Housing Construction Materials

Finally, the subject bill would create a sales tax exemption for sales of tangible personal property used in direct connection with the construction, renovation, or rehabilitation of affordable housing by an organization which is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code.

The estimated fiscal impacts of creating a sales tax exemption for materials used in the construction of affordable housing are based on the following data and assumptions:

- The Georgia Department of Community Affairs (DCA) funded 6,163 affordable housing units in 2024 through its Low-Income Housing Tax Credits (LIHTC) program.

- Of these 6,163 units, 1,764 were 9-percent credits and 4,399 were 4-percent credits.
- Based on data from DCA, the share of units which are operated by tax exempt organizations is between 15 and 23 percent for the 4-percent credits and between 23 and 30 percent for the 9-percent credits.
- These data are used to create high and low estimates of the number of qualifying units that could use the proposed sales tax exemption in 2024.
- Detailed DCA project construction data shows the average total cost of constructing an affordable housing unit, for nonprofit tax-exempt organizations, is $171,000.
- The same data indicates that approximately 38 percent of total construction costs are for materials that would be exempted from state sales tax by the proposed bill.
- Together, the number of qualifying units, the average total cost of such units, and the proportion of costs spent on materials gives us high and low estimates of the base that would be exempted by the subject provision.
- These costs are assumed to grow at the rate at which the Georgia Tax Expenditure Report for FY 2026 projects LIHTC's to grow, approximately 4.8 percent per year.
- This base is multiplied by the 4-percent state sales tax rate to estimate the fiscal impact. Local effects are calculated using an average local rate of 3.42 percent.
- Calendar years are converted to fiscal years using averaging.

Table A3 summarizes the analysis.

Table A3. Projected Exempt Materials Cost and Fiscal Impact

($ *millions*)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Exempt Materials Cost					
High Estimate	$107.50	$112.70	$118.10	$123.80	$129.80
Low Estimate	$74.30	$77.90	$81.70	$85.60	$89.70
State Fiscal Impact					
High Estimate	($4.30)	($4.50)	($4.70)	($5.00)	($5.20)
Low Estimate	($3.00)	($3.10)	($3.30)	($3.40)	($3.60)
Local Fiscal Impact					
High Estimate	($3.68)	($3.85)	($4.04)	($4.23)	($4.44)
Low Estimate	($2.54)	($2.66)	($2.79)	($2.93)	($3.07)