



# DOAA

Georgia Department  
of Audits & Accounts

**Greg S. Griffin**  
State Auditor

January 23, 2025

Honorable Nabilah Islam Parkes  
State Senator  
320-B Coverdell Legislative Office Building  
Atlanta, GA 30334

SUBJECT: Fiscal Note  
Senate Bill (LC 50 0979)

Dear Senator Islam Parkes:

The bill would create a recurring sales tax holiday from August 7 to August 13 of each year. During these periods, clothing, clothing accessories and equipment, footwear, computer equipment and components, prewritten software, and general school supplies would be exempt from state and local sales taxes. Exempt purchases are subject to per-item price limits. The bill does not specify an effective date, so would become effective upon signing.

### Impact on State Revenue

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

**Table 1. Estimated State and Local Revenue Effects of LC 50 0979**

(\$ millions)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
High Estimate					
State	(\$69.3)	(\$71.4)	(\$73.5)	(\$75.6)	(\$77.9)
Local	(\$59.3)	(\$61.1)	(\$62.9)	(\$64.7)	(\$66.7)
Low Estimate					
State	(\$61.1)	(\$63.0)	(\$64.8)	(\$66.7)	(\$68.7)
Local	(\$52.3)	(\$53.9)	(\$55.5)	(\$57.1)	(\$58.8)

### 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**

Informally referred to as “back-to-school” sales tax holidays (STH) because of the typical timing and the types of goods that qualify, this bill differs from similar ones in the past in that the STH would be for a full week and would occur annually, on the same dates each year. However, empirical literature has found that the duration of STH’s has a minimal impact on fiscal effects.

The proposed STH would exempt purchases during August 7-13 each year of the following:

- clothing, with a sales price of \$100.00 or less per item;
- computers, computer components, and prewritten computer software purchased for noncommercial home or personal use with a sales price of \$1,000.00 or less per item; and
- school supplies, school art supplies, school computer supplies, and school instructional materials purchased for noncommercial use with a sales price of \$20.00 or less per item.

Eligible items are defined in detail in the existing subparagraph (B) of O.C.G.A. § 48-8-3(75).

High and low revenue loss estimates due to this legislation were calculated using differing methodologies. The high case estimates utilize the methodology detailed in the Fiscal Research Center Policy Report No. 228 by the *Fiscal Research Center* at Georgia State University. The empirical strategy detailed in this report was updated using the most recently available data. These data include monthly sales tax collections from 1997-2023, indicators of STH’s in a given month, and controls for personal income and home values. The results of this model indicate that, all else the same, the presence of a sales tax holiday within a month can be expected to reduce that month’s sales tax collections by up to approximately 8.3 percent. For the proposed STH, sales and use tax collections for the month of August in CY 2025 are estimated assuming a linear trend from FY 2017-23 reported collections. The 8.3 percent revenue reduction estimate is then applied to these figures. State revenue losses are then projected forward through FY 2030 using population projections from the Governor’s Office of Planning and Budget and expected retail inflation based on the Congressional Budget Office’s (CBO) projection of the Personal Consumption Expenditures (PCE) price index, which is two percent average annual growth through 2030.

The low case revenue loss estimates are derived from estimated average expenditures per day in Georgia for the aforementioned exempt items during August, using data from the U.S. Bureau of Economic Analysis (BEA). First, average daily expenditure on computers, computer software, calculators, clothing and footwear, educational books, and other eligible items for the months surrounding the STH dates are estimated from BEA data (NIPA Table 2.4.6U). National figures are shared down to Georgia based on the state’s share of national population and projected to CY 2025 assuming a simple linear trend from 2017-23 data. To estimate the state and local revenue loss, it is assumed that consumers who would otherwise purchase eligible items during the weeks surrounding the STH would shift those purchases to take advantage of the holiday. One would expect greater shifting of purchases the closer the otherwise-planned purchase is to the STH and the greater the amount of planned spending is. For this case, it is assumed that 15 days of average spending on eligible items occurs during the STH. State revenue losses are projected forward through FY 2030 using population projections from the Governor’s Office of Planning and Budget and expected retail inflation based on CBO’s current PCE projections, referenced above.

Local effects are calculated using the July 1, 2024 average effective local sales tax rate from the Tax Foundation.