DOAA
Georgia Department of Audits & Accounts

Greg S. Griffin
State Auditor

February 24, 2025

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

SUBJECT: Fiscal Note
House Bill 66 (LC 50 0984)

Dear Chairman Blackmon:

The bill revises the definition of a rental motor vehicle under the title ad valorem tax (TAVT) on motor vehicles to include any motor vehicle that has been significantly modified at a manufacturing facility in Georgia that is operated by the vehicle owner, and then is primarily rented out without a driver, to business end users in transactions subject to sales tax. The bill is assumed to become effective on July 1, 2025.

Impact on 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. Lower-Bound Estimated Revenue Effects of HB 66 LC 50 0984

($ *millions*)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Lower-Bound Estimates					
State	($0.45)	($0.47)	($0.49)	($0.51)	($0.53)
Local	($0.96)	($1.00)	($1.05)	($1.09)	($1.14)

Impact on Expenditures
The Department of Revenue (DOR) would be able to implement 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

The Title Ad Valorem Tax (TAVT) is a one-time tax that is collected when a vehicle is titled, which includes ownership changes of pre-owned vehicles or purchase of new ones. It became effective March 1, 2013. Currently, TAVT is levied on the fair-market value of the vehicle at a combined rate of 7 percent, of which 2.45 percent is the rate charged by the state of Georgia and 4.55 percent by the local government. Passenger vehicles designed to carry up to 15 passengers that are titled for the expressed purpose of serving as rentals are charged at a significantly reduced rate of 1.25 percent, split equally between the state and local governments.

This proposed credit will extend the reduced TAVT rate to qualified non-passenger and larger passenger vehicles based on the following criteria:

- The vehicle has been significantly modified at a manufacturing facility in Georgia,
- Such a motor vehicle must be owned by the operator of such a facility,
- Such an owner must primarily use such motor vehicles for renting or leasing without a driver, and
- Such rentals or lease transactions must be subject to state and local sales taxes.

Significantly modified, a term that is not defined, is assumed to mean any assembly or adjustment made to a delivered vehicle that makes it suited to a new, specific need. Under current law, rental agreements of fewer than 31 days are subject to state and local sales taxes and are exempt from TAVT. Longer rental agreements are considered lease agreements, are deemed ownership changes that are subject to a specific TAVT calculation and are exempt from state and local sales taxes. The last requirement is assumed to require that, to gain the reduced TAVT rate, the non-passenger vehicles must primarily be used for rental agreements of 31 days or less.

The combination of proposed requirements establishes a narrow expansion of rental vehicles that will qualify for the reduced TAVT rate. One business that provides rental vehicles to the film industry in Georgia was identified whose fleet vehicle purchases would qualify, though many other businesses provide vehicles for rentals of less than 31 days. Construction supply, moving, and home improvement represent just a few examples. It is not known if any other firms own a facility used to modify vehicles for their specific uses that would also qualify. Larger fiscal impacts than estimated for this fiscal note are possible based on the potential for other, yet-unknown firms qualifying.

The fiscal impacts here represent lower-bound effects only, based on the available research and legislative sources, as well as the following data and assumptions:

- Film production support is the key user of these types of vehicles. Data obtained from industry sources suggest that about 240 vehicles will be purchased in 2025 for this use. The price of these vehicles ranges from $80,000–$110,000 per truck. Based on the data above, the base year number of vehicles purchased is set at 240 in 2025 at an average fair market value of $100,000 each.

- Based on Georgia's 2026 Tax Expenditure Report, annual growth in the number of rental vehicles titled is estimated to be about 1.80 percent.

- The Producer Price Index for truck, utility trailer, and RV rental and leasing industry from the Bureau of Labor Statistics increased by 4.2 percent between 2023 and 2024. This suggests that inflation from demand for RVs during COVID-19 may still be present, thus we use a lower rate closer to historical growth of 2.4 percent price inflation.

Table 2 describes the baseline estimates for new fleet vehicle expenditures—the number of vehicles multiplied by their assumed average price—and current-law state and local TAVT revenue from these purchases. These purchases represent the basis for the lower-bound estimates, assuming no unknown industry or firm also qualifies.

Table 2. Lower-Bound Estimates for Qualifying Purchases and Current Law TAVT Revenue

($ *thousands*)	CY 2025	CY 2026	CY 2027	CY 2028	CY 2029	CY 2030
Vehicle Expenditures	$24,000	$25,018	$26,080	$27,187	$28,340	$29,543
State Revenue – 2.45%	$588.0	$613.0	$639.0	$666.1	$694.3	$723.8
Local Revenue – 4.55%	$1,092.0	$1,138.3	$1,186.6	$1,237.0	$1,289.5	$1,344.2

For the fiscal impacts estimated in Table 1, these vehicle expenditures were converted into fiscal years using averaging and are net of TAVT at the reduced rate of 1.25 percent, split evenly between state and local.