DOAA
Georgia Department
of Audits & Accounts

Greg S. Griffin
State Auditor

April 2, 2025

Honorable Chuck Hufstetler
Chairman, Senate Finance
121-C State Capitol
Atlanta, GA 30334

SUBJECT: Fiscal Note
House Bill 66 (LC 50 1265S)

Dear Chairman Hufstetler:

Section 1 of the bill would create a 1 percent local sales and use tax that counties in Georgia may adopt, subject to voter approval, in conjunction with the floating homestead exemption. AHOST revenues would be local only, except that the bill requires that 1 percent of AHOST revenues be remitted to the state general fund to cover administrative costs.

Section 2 would extend the title ad valorem tax (TAVT) treatment of for-hire charter buses and motor coaches to vehicles meeting the definition of a 'special modified rental vehicle.' This would include any motor vehicle that has been significantly modified at a manufacturing facility in Georgia that the vehicle owner operates, and then is primarily rented out, without a driver, to business end users in transactions subject to sales tax. The title ad valorem tax (TAVT) on such motor vehicles would be payable in two installments, 50 percent of TAVT due at registration and the remaining 50 percent due within 12 months. This portion of the bill is assumed to become effective on July 1, 2025.

It should be noted that line 306 refers to repealing paragraph 7.1 in subsection (b) of 48-5C-1. The paragraph is actually in subsection (d).

Impact on Revenue
Georgia State University's Fiscal Research Center (FRC) estimated that the TAVT portion of 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 Substitute HB 66 LC 50 1265

($ millions)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Lower-Bound Estimates					
State	($0.30)	($0.01)	($0.01)	($0.01)	($0.01)
Local	($0.56)	($0.02)	($0.02)	($0.03)	($0.03)

The fiscal note does not include a review of revenue provisions related to local governments only; therefore, the AHOST provision is not included in the analysis.

Impact on Expenditures
The Department of Revenue (DOR) would be able to implement the provisions of the bill with existing resources. Changes to information systems would require approximately 30 weeks of staff time, equating to approximately $372,000.

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. Under current law, for-hire charter buses and motor coaches, as defined in O.C.G.A. § 48-5C-1(d), are allowed to pay TAVT in two installments, with 50 percent due at registration and remaining 50 percent due within 12 months.

This proposed credit will extend the modified TAVT payment schedule to certain vehicles, defined as special modified rental vehicles, meeting the following criteria:

- The vehicle has been significantly modified at a manufacturing facility in Georgia that is operated by the owner of the vehicle;
- Such an owner must primarily use such motor vehicles for renting or leasing without a driver; and
- Such rental 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 vehicles that will qualify for the modified TAVT schedule. 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 as a lower bound 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.
- Calendar year expected vehicle expenditures based on these data and assumptions are converted into FY's using a 50-50 fiscal split.

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. Since the source of reduced revenue is the timing difference between collections upon sale, under current-law, and delayed payments under the bill, revenue impacts are the difference in projected collections between current-law and proforma expected revenues. The first-year impact is larger because proforma TAVT collections during that year are half of the current-law baseline. Additionally, 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*)	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
Vehicle Expenditures	$24,509	$25,549	$26,633	$27,763	$28,941
Baseline Revenues:					
State – 2.45%	$600.5	$626.0	$652.5	$680.2	$709.1
Local – 4.55%	$1,115.2	$1,162.5	$1,211.8	$1,263.2	$1,316.8
Proforma Revenues:					
State – 2.45%	$300.2	$613.2	$639.2	$666.4	$694.6
Local – 4.55%	$557.6	$1,138.8	$1,187.1	$1,237.5	$1,290.0

The difference between current-law baseline and proforma state and local revenues are the estimated fiscal impacts in Table 1 for FY 2026–30.