December 12, 2025

Honorable Dar'shun Kendrick
State Representative
411 Coverdell Legislative Office Building
Atlanta, GA 30334

SUBJECT: Fiscal Note
House Bill (LC 59 0201)

Dear Representative Kendrick:

The bill has two revenue provisions that would impact state revenue. First, it creates a recurring annual sales tax holiday for the month of August. The covered items—clothing, clothing accessories and equipment, footwear, computer equipment, prewritten software, and general school supplies—will be exempt from state and local sales taxes and are subject to per-item price limits. The bill would also annually suspend the state motor fuel excise tax during the month of August.

The bill does not specify an effective date but is assumed to become effective upon signing.

Impact on Revenue
Georgia State University's Fiscal Research Center (FRC) estimated that the bill would decrease revenue as shown in Table 1. The analysis assumes the first tax reductions would occur in August 2026. The appendix provides additional details the analysis.

Table 1. Estimated State and Local Revenue Effects of LC 59 0201

($ millions)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
State Effect of Recurring Back-to-School Sales Tax Holiday					
High Estimate	($187.8)	($193.8)	($199.5)	($205.3)	($211.3)
Low Estimate	($134.1)	($138.4)	($142.5)	($146.7)	($150.9)
Local Effect of Recurring Back-to-School Sales Tax Holiday					
High Estimate	($161.5)	($166.6)	($171.5)	($176.6)	($181.7)
Low Estimate	($115.4)	($119.0)	($122.5)	($126.1)	($129.8)
Revenue Effect of Recurring Motor Fuel Tax Suspension					
State Impact	($205.3)	($212.5)	($219.6)	($226.7)	($233.9)
Total State Revenue Effects					
High Estimate	($393.1)	($406.3)	($419.0)	($432.0)	($445.2)
Low Estimate	($339.4)	($350.9)	($362.0)	($373.3)	($384.9)
Total Local Revenue Effects					
High Estimate	($161.5)	($166.6)	($171.5)	($176.6)	($181.7)
Low Estimate	($115.4)	($119.0)	($122.5)	($126.1)	($129.8)

Impact on Expenditures
The Department of Revenue would be able to implement the bill's provisions 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. Back-to-School Sales Tax Holiday

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 this STH would be for a considerably longer period of time, the month of August, and would occur annually.

The proposed STH would exempt purchases of the following:

- Clothing, with a sales price of $100 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 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 or less per item.

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

The revenue effect estimates for this provision are derived from the estimated average expenditures per day in Georgia for the aforementioned exempt items during August and are based on the following data and assumptions:

- Data from the U.S. Bureau of Economic Analysis (BEA) are used to estimate average daily expenditure on computers, computer software, calculators, clothing and footwear, educational books, and other eligible items for the month of August (NIPA Table 2.4.6U).
- These national 2025 figures are shared down to Georgia based on the state's share of total personal consumption expenditures on goods (BEA Table SAPCE1).
- Projections to 2026 are based on forecasted population growth and retail inflation.
- The low estimate assumes no behavioral response to the STH and is formed by multiplying the estimated average daily expenditure times the 31 days in August and then by the relevant sales tax rate.
- The high estimate assumes that consumers who would otherwise purchase eligible items during the weeks surrounding the month of August would shift those purchases to take advantage of the holiday.
    - This estimate assumes that greater shifting of purchases would occur the closer in time the otherwise-planned purchase is to the STH and the greater the amount of planned spending is. This is based on empirical research published by the Federal Reserve and in the *American Economic Journal*, which find that daily average spending on exempt items can increase by as much as 40 percent during STH.
    - The high estimate is based on a 40-percent increase in average daily spending—or the equivalent of 13 days of retail spending on eligible items shifting from days just before and just after the STH period.
- High and low estimates are projected forward through FY 2031 using population projections from the Governor's Office of Planning and Budget and expected retail inflation based on the Congressional Budget Office's (CBO) most recent projection of the Personal Consumption Expenditures (PCE) price index.
- Local effects are calculated using the July 1, 2025, average effective local sales tax rate of 3.44 percent from the Tax Foundation.

Table 2 summarizes the estimated high and low exempted spending under Section 1 of this bill for tax years (TY) 2026–30 based on these data and assumptions.

Table 2. Estimated Spending Exempted by Proposed STH

($ millions)	TY 2026	TY 2027	TY 2028	TY 2029	TY 2030
Exempted Spending					
High Estimate	$4,694.8	$4,844.0	$4,986.4	$5,133.5	$5,283.2
Low Estimate	$3,353.4	$3,460.0	$3,561.7	$3,666.8	$3,773.7

Section 2. Motor Fuel Tax Suspension

Section 2 of the subject bill proposes to suspend the collection of the state's motor fuel excise tax during the month of August each year. The revenue impact is based on the following data and assumptions:

- Estimates of total motor fuel tax collections for FY 2025–30 were obtained from the State Economist's December 2024 long-range general fund projections. FY 2031 motor fuel tax collections were projected assuming the same growth rate forecast for FY 2030.
- Projected annual motor fuel sales were shared to August using data from the Energy Information Administration (EIA) on monthly sales and deliveries of regular gasoline by prime suppliers in Georgia. These data indicate that from 1983 to 2022, August averaged approximately 8.6 percent of annual gasoline sales and deliveries.
- These estimates assume no behavioral response to the tax suspension and are formed by sharing the revenue projections using August's historical proportion of annual sales.
- Table 3 summarizes the estimates of exempted gallons consumed during the August motor fuel tax holiday for calendar years 2026–30 based of these data and assumptions. The estimated exempted gallons use projections of the average effective excise tax rate based on Moody's most recent baseline CPI forecast.

Table 3. Estimated Exempted Gallons

(in millions)	TY 2026	TY 2027	TY 2028	TY 2029	TY 2030
Exempted Gallons	591.5	590.4	595.0	602.8	610.7

Absent the motor fuel excise tax, consumers in Georgia will pay less per gallon and may respond to this lower price by increasing or shifting fuel consumption. Any shifting of purchases from late July and early September into the suspension period would increase the state's revenue loss. However, such shifting is expected to be limited, based on the inelastic demand for gasoline. Other potential behavioral responses, if they were to happen, would not effectively impact state revenues, like cross-border shopping. These are possible but expected to be limited. Thus, the above estimates may be considered a conservative revenue impact estimate, as they do not include potential behavioral response to the price change.

Because both of these tax holidays are scheduled for the month of August, each year's activity is assumed to fully impact the following fiscal year.