



DOAA

Georgia Department
of Audits & Accounts

Greg S. Griffin
State Auditor

March 2, 2026

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

SUBJECT: Fiscal Note
Senate Bill 539 (LC 59 0355)

Dear Chairman Hufstetler:

The bill would create a new sales tax exemption for selected baby and feminine hygiene products. Exempted baby products include children’s diapers, baby formula, and therapeutic or preventive creams and wipes marketed primarily for use on the skin of children. Feminine hygiene products marketed primarily for the purpose of absorbing or capturing menstrual flow are also exempted by this bill. The bill does not include an effective date, but for the purposes of this analysis, the exemption is assumed to be effective from July 1, 2026.

Impact on Revenue

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

Table 1. Estimated State Revenue Effects of SB 539 LC 59 0355

(\$ millions)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
State	(\$19.4)	(\$20.0)	(\$20.5)	(\$21.0)	(\$21.4)
Local	(\$18.9)	(\$19.5)	(\$20.0)	(\$20.4)	(\$20.8)

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

The subject bill proposes to exempt the sale or use of children’s diapers, baby formula, therapeutic or preventive creams and wipes for children, and feminine hygiene products from state and local sales taxes. Baby formula is currently exempt from state sales taxes under O.C.G.A. § 48-8-3(57) but would be exempted from local sales taxes as well under this bill.

According to Statista, the total US market for feminine hygiene products in 2025 was estimated to be \$4.94 billion. Sharing that amount down to Georgia based on the state’s share of the US population of females in the 10–64 age group (approximately 3.44 percent, according to 2024 US Census Bureau estimates), sales in the state for 2025 are estimated to be approximately \$169.8 million. That amount is assumed to grow with inflation and the Georgia female population to the amounts shown in Table 2 below. Projected inflation rates were obtained from the Moody’s December 2025 baseline forecast, 2.1 percent per year on average through 2031. Population-growth estimates for females in Georgia are taken from the Office of Planning and Budget (OPB), an average of approximately 1 percent per year through 2031.

According to data from Statista, the total US market for children’s diapers and therapeutic or preventive creams and wipes in 2025 was estimated to be \$8.5 billion. According to the most recent US Census Bureau data, Georgia accounts for approximately 3.43 percent of the national population under 5 years of age. Using this share to allocate the national market size to Georgia results in estimated state sales of approximately \$290 million in 2025. This amount is assumed to grow with inflation and the population growth rate of the under-5-year-old demographic. Inflation projections were obtained from the Moody’s December 2025 baseline forecast and age-specific population projections from OPB.

According to business research firm IBISWorld, the infant formula manufacturing industry had revenues totaling \$2.13 billion in 2025. A recent report from the US Government Accountability Office suggests that approximately half of wholesale revenues come from sales to the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). These sales are already exempt from both state and local sales taxes under § 48-8-3(53). A recent working paper from the James M. Kilts Center for Marketing at the University of Chicago finds infant formula retailers earn an average markup of 44.8 percent. This markup is applied to the non-WIC half of infant formula manufacturing revenue and is shared to Georgia using the state’s proportion of the under-5-year-old population. This process results in an estimated \$53 million in sales that would be newly taxable on the local level for 2025. This amount is projected forward in the same manner described in the previous paragraph.

Projected exempt sales are summarized in Table 2 below. Calendar years are converted to fiscal years assuming a 50/50 fiscal split. Local revenue effects are calculated using the January 1, 2026, average effective local sales tax rate from the Tax Foundation.

Table 2. Estimated Exempt Spending

(\$ millions)	CY 2026	CY 2027	CY 2028	CY 2029	CY 2030
Baby Diapers, Creams, and Wipes	\$300.8	\$311.5	\$319.0	\$326.7	\$331.9
Non-WIC Formula (Local Impact Only)	\$54.9	\$56.9	\$58.3	\$59.7	\$60.6
Feminine Hygiene Products	\$176.5	\$182.6	\$188.0	\$193.3	\$198.8
Newly Exempt Spending					
State	\$477.4	\$494.1	\$507.1	\$520.0	\$530.6
Local	\$532.3	\$551.0	\$565.3	\$579.7	\$591.2