



## DEPARTMENT OF AUDITS AND ACCOUNTS

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**Greg S. Griffin**  
STATE AUDITOR  
(404) 656-2174

February 5, 2018

Honorable John Wilkinson  
Chairman, Senate Agriculture and Consumer Affairs  
421-A Capitol  
Atlanta, Georgia 30334

SUBJECT: Fiscal Note  
Senate Bill (LC 34 5296)

Dear Chairman Wilkinson:

The bill would provide a sales and use tax exemption for sales to or by a nonprofit organization with a primary purpose of presentation of horse shows, rodeos, or livestock events and exhibits. The bill has no effective date.

### Impact on State Revenue

The University of Georgia's Carl Vinson Institute of Government (CVIOG) estimated that the bill would reduce state revenue by approximately \$72,000 annually, while local governments would experience a revenue decrease of \$54,000 a year (Table 1). CVIOG noted that these amounts assume that the organizations currently collect and pay sales and use taxes in accordance with law; however, noncompliance with current law is likely. If organizations are not collecting the taxes now, the actual effect on state and local revenue will be less than the amounts in Table 1. Details of CVIOG's analysis are in the appendix.

**Table 1. State and Local Government Revenue Loss**

	<u>FY2019</u>	<u>FY2020</u>	<u>FY2021</u>	<u>FY2022</u>	<u>FY2023</u>
State Revenue Loss	\$72,000	\$72,000	\$72,000	\$72,000	\$72,000
Local Revenue Loss	\$54,000	\$54,000	\$54,000	\$54,000	\$54,000

### Impact on State Expenditures

The Department of Revenue stated that the bill would have no significant impact on its expenditures.

Sincerely,

A handwritten signature in blue ink that reads "Greg S. Griffin". The signature is written in a cursive style with a large initial "G".

Greg S. Griffin  
State Auditor

A handwritten signature in blue ink that reads "Teresa A. MacCartney". The signature is written in a cursive style with a large initial "T".

Teresa A. MacCartney, Director  
Office of Planning and Budget

GSG/TAM/mt

### **Analysis by the Carl Vinson Institute of Government**

The ProPublica Nonprofit Explorer database was used to identify nonprofit organizations in Georgia that have as their primary purpose the presentation of horse shows, rodeos, or livestock events and exhibits. A sample of such organizations, along with venues that typically host such events, were contacted to inquire as to their sales and use tax collection and remission procedures. For those organizations that were determined to meet the eligibility requirements of the proposed tax exemption, IRS Form 990 filings were reviewed for the period 2011 – 2016 to determine income amounts deemed to be subject to sales and use tax under current law.

Based on IRS Form 990 filings, it was determined that an average of approximately \$1.8 million per year would be subject to sales and use tax across all organizations eligible for the exemption. No discernable trend was apparent in year-to-year fluctuations of the total, hence no attempt was made to apply a trend to estimated totals for future years.

Estimated state sales and use tax collections for FY2019 through FY2023 are based on application of the 4% state sales and use tax rate to projected taxable sales and expenses. Local sales and use tax rates in Georgia vary depending upon the aggregate local option sales and use tax rates imposed within any particular local jurisdiction. The most common local sales and use tax rate is 3%, which was used to estimate local government sales and use tax collections based on projected taxable sales and expenses.