



## DEPARTMENT OF AUDITS AND ACCOUNTS

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March 5, 2019

Honorable Brett Harrell  
Chairman, House Ways and Means  
133 Capitol  
Atlanta, Georgia 30334

SUBJECT: Fiscal Note  
House Bill 447 (LC 43 1266EC)

Dear Chairman Harrell:

The bill would extend the current state sales tax exemption on jet fuels through FY 2039 and create a new excise tax of \$0.005 per gallon to be collected by the distributor. Absent the exemption, jet fuel sales are generally subject to a four percent state sales tax, with one percentage point dedicated to aviation purposes in accordance with federal regulations and the balance going to the general fund. Under current federal regulations, only state and local taxes in existence prior to 1987 may be charged on jet fuel, and then only at the rate then applicable, unless revenues from a non-grandfathered tax are dedicated to aviation purposes. Therefore, revenue from the new excise tax would be dedicated to aviation. Local tax revenues are not impacted by the bill.

### Impact on State Revenue

Georgia State University's Fiscal Research Center (FRC) estimated that the bill would decrease state revenue by \$42.9 million to \$44.7 million in FY 2020 (Table 1), and the loss would increase in subsequent years. These losses include the \$3.0 million to \$3.3 million in revenue created by the new excise tax. Three-fourths of the revenue loss would be from the general fund, while one-fourth would have been dedicated to aviation. The attached appendix details the analysis.

**Table 1 Revenue Effects Under HB 447 LC 43 1266EC**

(\$ millions)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
<b>Total Revenue Effect:</b>					
High Estimate	(\$44.7)	(\$46.2)	(\$47.8)	(\$49.5)	(\$51.2)
Low Estimate	(\$42.9)	(\$43.7)	(\$44.6)	(\$45.5)	(\$46.4)
<b>General Fund Only:</b>					
High Estimate	(\$35.8)	(\$37.0)	(\$38.2)	(\$39.5)	(\$40.8)
Low Estimate	(\$34.4)	(\$35.1)	(\$35.7)	(\$36.4)	(\$37.1)

Note: Numbers from Table 3 may not total due to rounding

**Impact on State Expenditures**

The Department of Revenue would require no additional funding to implement the provisions of the bill.

Sincerely,



Greg S. Griffin  
State Auditor



Kelly Farr, Director  
Office of Planning and Budget

GSG/KF/mt

### Analysis by the Fiscal Research Center

HB 447 LC 43 1266EC would extend to 2039 the current sales tax exemption on the purchase or use of jet fuel in the state and would create a new ½ cent per gallon excise tax on the fuel. As a newly enacted tax on jet fuel, the excise tax would not be grandfathered under federal regulations that require proceeds of taxes on jet fuel that were enacted after 1987 to be used only for aviation purposes. Thus, revenues from the new excise tax would be dedicated for that purpose rather than going to the general fund. Similarly, a portion of the effect of the exemption from sales tax, 1 percentage point out of the 4 percent state tax, would be a reduction in aviation-dedicated funds while the balance would be a reduction in state general funds.

The following summarizes the analysis and assumptions made in estimating the revenue effects:

- Georgia Department of Revenue (DOR) began in July 2015 requiring separate reporting of jet fuel sales and has provided data on sales tax collections from jet fuel by county for all months from July 2015 through the last month before the suspension took effect, July 2018. These data, along with monthly average fuel prices, were used to estimate the statewide volume of jet fuel sold each month over that period. No DOR data are available after that period due to the suspension of collection of the tax.
- The U.S. Energy Information Administration's (EIA) short-term forecast projects U.S. consumption of jet fuel by the transportation sector to decline by 0.5 percent per year between 2018 and 2020. The estimates assume a high consumption growth estimate of zero percent per year until 2020 and a low consumption growth estimate of -.5 percent annually through 2020. Their long-term outlook forecasts jet fuel consumption in the South Atlantic region to grow by between .67 percent and 1.39 percent annually through 2024. The high and low growth estimates after 2020 bracket these growth rates at a high of 1.5 percent and a low of 0.5 percent.
- According to the EIA, the average price of jet fuel from refiners for FY 2018 was \$1.905 per gallon. Though prices were around 10 percent higher in the fall of 2018, they have since fallen back; the most recent spot price was \$1.905 as well. According to the EIA short-term forecast, the average monthly price of jet fuel is expected to grow by between zero and one percent annually between 2018 and 2020. The estimates assume these growth rates for the low and high cases respectively through 2020. The EIA long-term forecasts project the price of jet fuel to grow by between 1.48 and 1.69 percent annually through 2024. The low- and high-growth estimates after 2020 assume price growth of 1.4 and 1.8 percent per annum respectively.
- The high and low fuel consumption estimates represent the basis for the revenue gained from the newly established excise tax.

Table 2 provides the resulting high and low forecasts of jet fuel consumption and per gallon prices for FY 2020 through FY 2024. Table 3 summarizes the revenue changes for both the extension of the sales tax exemption and the establishment of the .5¢ per gallon excise tax.

**Table 2. High and Low Jet Fuel Consumption and Price Estimates**

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
<b>Millions of Gallons Loaded:</b>					
High Estimate	614.2	623.4	632.8	642.2	651.9
Low Estimate	602.1	605.1	608.1	611.1	614.2
<b>Price per Gallon:</b>					
High Estimate	\$1.94	\$1.98	\$2.01	\$2.05	\$2.09
Low Estimate	\$1.91	\$1.93	\$1.96	\$1.99	\$2.01

**Table 3. High and Low Revenue Estimates of Sales Tax Exemption and Excise Tax**

<i>(\$ millions)</i>	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
<b>Sales Tax Exemption Effects:</b>					
High Estimate – 3% General Fund	(\$35.8)	(\$37.0)	(\$38.2)	(\$39.5)	(\$40.8)
High Estimate – 1% Aviation	(\$11.9)	(\$12.3)	(\$12.7)	(\$13.2)	(\$13.6)
Low Estimate – 3% General Fund	(\$34.4)	(\$35.1)	(\$35.7)	(\$36.4)	(\$37.1)
Low Estimate – 1% Aviation	(\$11.5)	(\$11.7)	(\$11.9)	(\$12.1)	(\$12.4)
<b>½ ¢/gal Excise Revenues:</b>					
High Estimate – Aviation	\$3.1	\$3.1	\$3.2	\$3.2	\$3.3
Low Estimate – Aviation	\$3.0	\$3.0	\$3.0	\$3.1	\$3.1