



February 16, 2022

Honorable Shaw Blackmon
Chairman, House Ways and Means
133 State Capitol
Atlanta, GA 30334

SUBJECT: Fiscal Note
House Bill (LC 43 2265)

Dear Chairman Blackmon:

The proposal exempts certain civil rights museums from paying sales and use taxes on the purchase of tangible personal property made for expansions or renovations. Only one existing museum qualifies for the exemption based on the language in the bill: The National Center for Civil and Human Rights. The exemption would begin July 1, 2022 and end June 30, 2025.

Impact on State Revenue

The University of Georgia’s Department of Agricultural and Applied Economics estimated that the bill would decrease state revenue by approximately \$675,000 over the three years that the bill is effective. The local revenue loss would total approximately \$825,000 over the time frame. The appendix provides details of the analysis.

Table 1. Estimated Revenue Effects of LC 43 2265

	FY 2023	FY 2024	FY 2025	Total
State Revenue Loss	\$154,420	\$336,920	\$182,500	\$673,840
Local Revenue Loss	\$189,170	\$412,730	\$223,560	\$825,460

Impact on State Expenditures

The Department of Revenue (DOR) would be able to implement the bill’s provisions with existing resources.

Respectfully,

Greg S. Griffin
State Auditor

Kelly Farr, Director
Office of Planning and Budget

GSG/KF/mt

Analysis by the UGA Department of Agricultural and Applied Economics

The proposal exempts certain civil rights museums from paying Sales and Use taxes on tangible personal property if those expenditures are made to renovate or expand. We reviewed civil rights museums in the State for eligibility and found one that qualified. We requested and financial data relating to its planned expansion (and timing) and based our calculations on Georgia’s 2022 statewide (local Fulton/Atlanta) Sales and Use tax rate of 4% (4.9%), which is assumed to prevail over the forecasting window. We further assume that relevant expenditures are spread evenly over the museum’s expected construction period, and that no new museums will be constructed before the exemption in the proposed legislation expires on July 30, 2025.

Identifying Entities Eligible for the Exemption, and Estimating their Foregone Sales & Use Taxes

Nine civil rights museums are located in Georgia. The proposed legislation defines eligibility according to (1) construction date (after July 1, 2009), (2) square footage (at least 40,000), (3) containing special event space, and (4) containing retail space. All entities in the table are exempt from taxation under Section 501(c)(3) of the Internal Revenue Code. After reviewing the websites and building plans for these entities, we concluded that just one existing museum—The National Center for Civil and Human Rights (NCCHR)—satisfies all of these criteria, as shown in table A1.

Several media reports indicate that the NCCHR intends to expand in the near future. We contacted the museum and its staff shared with us financial details related to the planned expansion. As detailed in table A2, the expansion is expected to total \$38.7 million. The table spreads the expenditures evenly by month according to the planned expansion schedule: commencement in the middle of the first quarter of 2023, and completion in 24 months (before the proposed exemption is set to expire). Of that \$38.7 million total, the museum expects \$16.8 million, or about 44%, to be spent on materials (i.e., not services). We assume that these expenditures would qualify for the Sales and Use tax exemption on tangible personal property. Table A3 adjusts the materials expenditures from table A2 to a fiscal year basis and applies the statewide (local Fulton/Atlanta) 4% (4.9%) Sales and Use tax rate to arrive at the forecasted foregone State (local) revenue.

Table A1. Civil Rights Museums in the State of Georgia and their Eligibility to Claim the Exemption

Name	Date Opened	Total Sq. Ft.	Retail Space	Special Events Space
National Center for Civil and Human Rights	June 23 2014	63000	Yes	Yes
Ralph Mark Gilbert Civil Rights Museum	August 1 1996	6000	Yes	Yes
Atlanta History Center	1926	Largest building ~20000	Yes	Yes
Apex Museum	1978	16000	Yes	Yes
Albany Civil Rights Museum	2008	12000	Yes	Yes
Dorchester Academy	1986	10000	Yes	No
Tubman Museum	2015	8500	Yes	Yes
King Center, MLK National Historic Park	1981	55000	Yes	Yes
Columbus Museum	1989	89000	Yes	Yes

Note: Shading indicates that the eligibility requirement is satisfied.

Table A2. NCCHR’s Expected Expansion Costs, by Calendar Year

Year	Months of construction	Project Costs	Materials Cost	Non-materials cost
2023	10.5	\$16,929,063	\$7,370,176	\$9,558,887
2024	12	\$19,347,500	\$8,423,058	\$10,924,442
2025	1.5	\$2,418,438	\$1,052,882	\$1,365,555
<i>Totals</i>	24	\$38,695,000	\$16,846,116	\$21,848,884

Table A3. NCCHR's Expected Expansion Costs for Materials and Implied Foregone State Sales and Use Revenue, by Fiscal Year

Fiscal Year	Months of construction	Materials Cost	Foregone State Revenue	Foregone Local Revenue
2023	5.5	\$3,860,568.25	\$154,423	\$189,167.84
2024	12	\$8,423,058.00	\$336,922	\$412,729.84
2025	6.5	\$4,562,489.75	\$182,500	\$223,562.00
<i>Totals</i>	24	\$16,846,116	\$673,845	\$825,460