



FAITH,
JUSTICE
& TRUTH
PROJECT

Georgia Sales Tax Erosion: Big Retailers Are Not Paying Their Fair Share

June 11, 2019

Georgia Sales Tax Erosion

Big Retailers Are Not Paying Their Fair Share

June 11, 2019

Executive Summary

This report reveals that despite recent changes to Georgia law, Georgia is still losing a half billion to nearly three-quarters of a billion dollars in e-commerce and other remote seller sales tax revenue, which appears to contribute to an overall erosion in sales tax in Georgia. The report focuses on Walmart as an example because it is the largest private employer in the state and holds the unique position of generating billions in retail sales revenue from both brick and mortar stores and e-commerce.

Georgia's new internet law was enacted to substantially resolve the state's e-commerce tax sales issues. However, this report finds that grey areas in the legislation are being exploited by marketplace facilitators to avoid collecting and remitting sales on internet purchases. Marketplace facilitators are large, sophisticated e-commerce retailers, like Walmart.com and Etsy, that advertise and facilitate the transaction of products from third parties on their website.

For example, it is estimated that 90% of Walmart.com e-commerce sales are third party sales. Sales tax is not collected on these transactions, unless third-party sellers request that it be collected. Untaxed e-commerce sales on Walmart.com alone are estimated to be costing Georgia and local governments up to \$82 million a year. In 2019, Walmart remittances are estimated to be less than \$10M in sales tax on more than \$1.2B in online sales in Georgia.

This loss of revenue from e-commerce may be part of or in addition to what appears to be an overall loss of revenue in sales taxes. The State of Georgia produces annual data regarding sales taxes collected by various business segments. These data show that Georgia's sales tax growth has lagged Georgia's economic growth and the personal income growth of Georgians. This report delves into this issue and asserts, based upon analysis findings, that if sales tax revenue amounted to the same percentage of personal income as customary in prior years, then Georgia should have collected an additional estimated \$1.1 billion or more in annual sales tax from taxpayers in 2018. This could mean that the Georgia sales tax erosion issue could actually approach an amount close to \$1.8 billion a year. Notwithstanding the amount, Georgia should strive to collect all sales tax that are owed, regardless of source, to eliminate sales tax favoritism.

The full report will be available on June 11 at www.FaithTruthJustice.org.

Georgia Sales Tax Erosion:

Up to \$1.8 billion in Estimated State and Local Sales Tax Losses

Walmart Estimated Under Remittance of up to \$186 million in State & Local Sales Tax Revenue, & Evidence of Walmart Property Tax Assessment Undervaluation

June 11, 2019

Introduction

This report discusses potential Georgia state and local sales tax erosion of up to \$1.8 billion a year. Recent 2018 Georgia e-commerce sales tax legislation may alleviate up to an estimated \$500 million of sales tax leakage problems. However, the new legislation did not rectify all sales tax erosion issues. For example, this report discusses that Walmart the largest private sector employer in the state in 2017,¹ is estimated to under-collect sales tax to Georgia and its localities from \$82 million to \$186 million a year regarding e-commerce and other issues.

Two sales tax erosion segments are discussed in this report. First, the e-commerce issue is discussed and an estimated \$500 million to \$700 million is lost annually thanks to existing policy. Second, an overall sales tax erosion amount is estimated based upon sales tax growth versus income growth of Georgians over time. This amount is estimated to be \$1.1 billion and may or may not include e-commerce losses. If e-commerce losses are included in the overall sales tax erosion, then it is estimated that Georgia has a \$600 million sales tax erosion problem. If the e-commerce losses are in addition to the overall sales tax erosion issue, then total losses to state and local governments could be as much as \$1.8 billion.

Regarding property tax, Walmart property valuations in three of the states largest counties have experienced lower valuation increases than other taxpayers and would pay tax on \$120 million more in property value if the company's properties had experienced the same valuation growth as other taxpayers.

Report Key Findings:

- ❖ **Georgia is estimated to continue experiencing e-commerce sales tax losses despite passing legislation to address the issue.** It is estimated that Georgia is losing \$500 million to \$700 million a year in e-commerce & other remote seller sales tax revenue even after e-commerce sales tax legislation was enacted by the State of Georgia in 2018.

¹ Walmart is the Largest Private Sector Employer in 19 States, Quartz.com, March 7, 2017, <https://qz.com/924056/walmart-wmt-is-the-largest-private-employer-in-19-states/>

- Previous studies estimated that Georgia has been losing over \$800 million from non-taxed remote sales. Adjusting said amount by updating e-commerce sales estimates places the estimated revenue loss at over \$1 billion before considering recoupment of revenue from 2018 Internet sales tax legislation. Estimates are that the 2018 Internet sales tax legislation is addressing \$300 million to \$500 million of the e-commerce/remote seller sales tax leakage. Even after the 2018 legislation, e-commerce sales tax erosion is estimated to be costing Georgia \$500 million to \$700 million a year.
- Federal data attributed to the nation and to Georgia, coupled with assumptions used in prior studies, are used to develop sales tax loss estimates from e-commerce. Similar to previous studies, the estimates derived from such data suggest that the overall e-commerce sales tax issue costs Georgia \$1 billion a year less the positive tax collection effects associated with Georgia's 2018 legislation estimated to be \$300 million to \$500 million.
- Even with Georgia's new Internet sales tax law it is believed that businesses like Walmart are still not collecting tax on most Internet sales.
- ❖ **Georgia is estimated to be experiencing general sales tax erosion that may be inclusive of e-commerce estimated sales tax losses or in addition to such losses.** It is estimated that Georgia is losing \$600 million² to \$1.1 billion a year or more in sales tax revenue via analysis of personal income growth as compared to sales tax growth (after considering recent legislation to tax certain Internet sales).
 - Over time, sales tax revenue as a percentage of Georgian's personal income has declined.
 - Sales tax collection growth have not kept pace with Georgia's portion of Gross National Product (GNP) growth, nor has sales tax collection growth kept up with personal income growth of Georgians.
 - If sales tax revenue amounted to the same percentage of personal income as customary in prior years, then Georgia would be collecting an additional \$1.1 billion a year in sales tax revenue.
 - A prior Georgia study also found well over \$1 billion, and close to \$2 billion, in unexplained sales tax erosion when adjusted for local sales taxes and growth since the study was published.
 - It is possible that this \$1.1 billion estimated sales tax erosion amount may include or be in addition to e-commerce estimated sales tax losses. This could mean that the Georgia sales tax erosion issue could be between \$600 million and \$1.8 billion a year after taking into account that Georgia's 2018 sales tax legislation that is estimated to address \$300 million to \$500 million of the overall sales tax erosion problem.

² The \$600 million figure is derived by assuming the possibility that a portion of the erosion, up to \$500 million, may be being recouped via Georgia's new 2018 Internet Sales Tax Act. It is unknown whether e-commerce losses explain some, or most, of the overall sales tax erosion as estimated by this report.

- ❖ It is estimated that Walmart is not collecting an estimated \$82 million to \$186 million in Georgia sales tax. Such sales tax loss range incorporates both potential over-exemption of sales and estimated non-taxation of e-commerce third-party sales. Concerning Walmart, estimated e-commerce losses may be part of or in addition to other potential Walmart sales tax losses. Walmart potential sales tax losses are separated into two categories, e-commerce and general exemptions. Both categories are discussed as follows:
 - **E-Commerce.** It is estimated that Walmart is under-remitting up to \$82 million in sales tax revenue associated with e-commerce third-party sellers. The \$82 million may be in addition to, or included in, the \$48 million to \$104 million mentioned above; however, this report asserts that the e-commerce portion of estimated sales tax loss may be in addition to the overall estimated sales tax loss figures.
 - Walmart's e-commerce sales have increased substantially in recent years.
 - Walmart.com does not collect sales tax on certain sales to Georgians even though such sales would be taxable in any Georgia Walmart Supercenter, Sam's Club, or Neighborhood Market.
 - It is estimated that 90% of Walmart's e-commerce sales are by third-party sellers – outside sellers that advertise and sell their products on Walmart.com. Walmart does not collect sales tax on such sales.
 - **General Exemptions.** It is estimated that Walmart is generally under-remitting sales tax by \$48 million to \$104 million a year based upon a sales revenue and tax exemption analysis.
 - Walmart remits over \$600 million in sales tax to Georgia.
 - Walmart sells both taxable and non-taxable items.
 - This report estimates Walmart revenue and non-taxable sales and finds that the taxes remitted to the state are lower than what is suggested to be due based upon revenue and non-taxed sales estimates.
 - Such amount may include e-commerce sales tax loss or be in addition to estimated Walmart e-commerce sales tax collection loss.
- ❖ Walmart property tax valuation growth has been dramatically lower than the valuation growth of commercial and all taxpayers in certain locales. In just three major counties, if Walmart experienced the same valuation growth as other taxpayers, then Walmart would pay property tax on an additional \$120 million of property value.

The report is separated into three segments. The first segment addresses statewide e-commerce estimated sales tax losses, and is followed by estimated e-commerce sales tax losses attributed to Walmart. The second portion of the report provides an analysis of statewide estimated sales tax erosion exceeding \$1 billion (before considering 2018 legislation impact), and thereafter includes an assessment of Walmart sales tax remittance and the company's apparent contribution to the sales tax erosion issue

which is estimated to be \$82 million to \$186 million a year, in addition to, or inclusive of, the e-commerce issue. The third section of the report discusses Walmart property valuations in three of the state's largest counties and finds that Walmart valuations have not experienced the same increase in valuations of other taxpayers and would pay property tax on \$120 million more in assessed value if Walmart's properties had experienced the same growth as other taxpayers.

Table of Contents

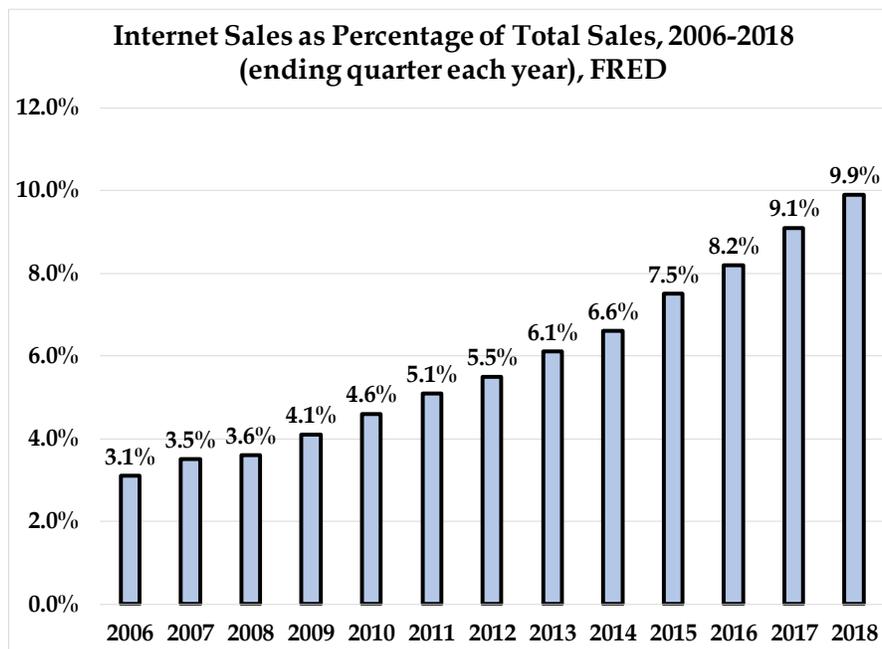
- ❖ E-Commerce Sales: estimated \$500 million to \$700 million in Georgia sales tax loss, Page 6
- ❖ Georgia New Internet Tax Law – Possibly inapplicable to vast number of on-line sales, Page 7
- ❖ National Conference of State Legislatures: Georgia remote seller sales/use tax loss exceeded \$830 million in 2012, Page 9
- ❖ E-Commerce Federal Data Applied to Georgia, Page 11
- ❖ The U.S. Census E-Commerce Figures, Page 11
- ❖ Federal Data Usage for Georgia E-Commerce Sales Tax Loss Estimate, Page 12
- ❖ A view using Federal Reserve data, Page 14
- ❖ E-commerce summary, Page 15
- ❖ Walmart E-Commerce Untaxed Sales of Goods Taxable in Georgia, Page 16
- ❖ Walmart passes the tax buck, Page 18
- ❖ Walmart E-Commerce Sales Tax Avoidance Estimate, up to \$82 million, Page 19
- ❖ Estimated State Sales Tax Losses: Personal Income & GNP growth as a guide to determining sales tax erosion, Page 25
- ❖ Sales Tax Growth and State GNP Growth disconnect, Page 26
- ❖ Sales Tax as a Percentage of Personal Income: Georgia sales taxes have not kept up, Page 27
- ❖ Other Georgia-specific studies & Georgia sales tax erosion problem, Page 31
- ❖ Overall Sales Tax Erosion Summary, Page 32
- ❖ Walmart Estimated Overall Sales Tax Under-remittance to Georgia, Page 33
- ❖ Walmart Sales Observations, Page 34
- ❖ Walmart Estimated Georgia Sales Revenue, Page 36
- ❖ Walmart Georgia Sales Revenue Estimate, Page 37
- ❖ Sales Tax Exemptions, Page 38
- ❖ Walmart Exemptions, Page 40
- ❖ Food for Personal Use Exemption, Page 40
- ❖ Walmart Estimated Food for Personal Use Market Share, Page 41
- ❖ The Walmart Georgia Food for Personal Use Estimates, Page 42
- ❖ First Walmart Food Exemption Estimate, Page 42
- ❖ Second Walmart Food Exemption Estimate, Page 42
- ❖ Walmart Food Estimate 2 (b), Page 45
- ❖ Walmart Georgia Prescription Drug/Eyewear Exemption Estimate, Page 45
- ❖ Walmart Other Exemptions Estimate, Page 46
- ❖ Walmart Georgia Sales Revenue, Exemptions, Taxes Estimated to be Collected, and Actual Taxes Collected, Page 47
- ❖ Walmart Property Tax Observations, Page 51
- ❖ Conclusion, Page 55
- ❖ Appendix, Page 56
- ❖ Bibliography, Page 57

E-Commerce Issues:

Non-taxed E-Commerce Sales equal an estimated \$500 million to \$700 million in Georgia sales tax loss

It is unknown why the Georgia sales tax has declined since 2013 relative to personal income and GNP growth; however, e-commerce/remote seller estimated losses contribute to Georgia's tax erosion difficulties. This section of the report concerns the e-commerce/remote seller issue as it relates to sales tax loss and such loss is quantified using different approaches. This report estimates that Georgia remote seller sales tax losses could exceed \$700 million a year after considering 2018 Georgia e-commerce sales tax legislation being implemented.

There are sales in bricks-and-mortar stores and there are sales of goods over the Internet. Putting e-commerce sales in perspective is helpful in understanding the magnitude of the e-commerce impact upon Georgia's traditional sales tax base over time. The following chart shows national e-commerce sales growth since 2006:



Source Data: Federal Reserve Board of St. Louis, Federal Reserve Economic Data, April 2019.

The previous chart shows the growth in Internet sales as a percentage of total sales from 2006 through 2018. It should be noted that the Internet sales percentage is concerning all U.S. sales, and not just retail sales. Internet sales growth nationally has increased by 50% from 2013 through 2018. This increase in Internet sales, when most such sales have

been deemed untaxable, has certainly been a large, if the not largest, contributor to sales tax erosion in Georgia and other states.

Georgia New Internet Tax Law – Possibly inapplicable to vast number of on-line sales

Georgia has a new Internet tax law. The Georgia e-commerce sales tax issue was addressed to some degree in 2018; however, as this report finds, the biggest retail employer in the state is Walmart and it is still not collecting tax on numerous Internet sales even after the new law went into effect. If the state's largest retailer is not collecting tax on most, as inferred, Internet purchases, then this issue is clearly one open for debate because the new law's requirements may not be broad enough to capture substantial amounts of revenue.

The law is limited regarding various requirements for tax remittance.³ The law is also unclear as to which retailers must begin remitting more tax. As an example, the new law requires notice to be given to purchasers of online sales, per the enacted House Bill 61 that was passed by the Georgia General Assembly in 2018.⁴ It says:

(2) A delivery retailer shall collect and remit the tax imposed by this Code section or shall: (A) Notify each potential purchaser immediately prior to the completion of each retail sale transaction with the following statement: 'Sales or use tax may be due to the State of Georgia on this purchase. Georgia law requires certain consumers to file a sales and use tax return remitting any unpaid taxes due to the State of Georgia.';

The noted provision appears to apply to retailers selling on-line products, but that do not collect sales tax. Walmart.com does collect sales tax on its own Walmart-inventory sales, but it does not collect sales tax on third-party sales unless the "seller" chooses for tax to be collected. Does the example provision apply to Walmart.com? This is unknown because Walmart does collect some Internet sales tax, but the question comes regarding all of the sales for which it does not collect tax. If Walmart.com is considered a delivery retailer, then at least anecdotally it has not complied with the notice provision. A Georgia-based purchase from a Walmart third-party seller was entered into Walmart.com on May 16, 2019, yet at checkout no notice was provided nor was any tax to be collected. Again, though, it is unclear as to whether provisions of House Bill 61 apply to Walmart.com. Walmart may take the position that the new sales tax collection provisions do not apply to them because Walmart does collect sales tax on

³ Salzer, J. New year means new internet retail tax for Georgia , Atlanta Journal Constitution, December 31, 2018, <https://www.ajc.com/news/state--regional-govt--politics/new-year-means-new-internet-retail-tax-for-georgia/n6Nrz6EKaSLzqv7qVzkVO/>

⁴ House Bill 61, as enacted, Georgia General Assembly, 2018, <http://www.legis.ga.gov/Legislation/20172018/178884.pdf>

some Internet purchases. This appears plausible because it looks like a gray area. If Walmart, Etsy, and a plethora of other on-line retailers view House Bill 61 along with existing Georgia rules and laws as inapplicable to most on-line sales, then Georgia may choose to clarify provisions to collect additional tax.

Buschman and Thayer (2018) estimated that the new remote seller sales tax statute would generate \$300 million to \$510 million in state and local revenue.⁵ This report estimates that e-commerce/remote sales tax loss exceeds \$500 million to \$700 million after taking into consideration the Buschman and Thayer (2018) estimate. Possibly all of this potential lost revenue may not be captured because of legal requirements; however, at least two of the largest e-commerce retailers, Walmart and Etsy, are still not apparently collecting Georgia sales tax on various sales, and such non-collection may be the difference in what is estimated to be collected under the new law versus what this report estimates is not collected but could possibly be collected.⁶

The following is a screenshot of the Etsy.com checkout page for an item for purchase. The item is a Mother's Day coffee mug, and no sales tax would be charged if purchased by and sent to a resident of Plant City, Florida.

Double check your order details

Shipping address Change  Orange Bud Way PLANT CITY, FL 33563 United States	Payment method Change   Exp: 06 / 2022	<table><tr><td>Item(s) total</td><td>\$19.00</td></tr><tr><td>Shipping</td><td>\$5.95</td></tr><tr><td>Sales tax</td><td>\$0.00</td></tr><tr><td>Order total (1 item)</td><td>\$24.95</td></tr></table> <p>Place your order</p> <p><input checked="" type="checkbox"/> Send me inspirational shopping content and Etsy updates directly to my inbox</p> <p><small>By clicking Place your order, you agree to Etsy's Terms of Use and Privacy Policy.</small></p>	Item(s) total	\$19.00	Shipping	\$5.95	Sales tax	\$0.00	Order total (1 item)	\$24.95
Item(s) total	\$19.00									
Shipping	\$5.95									
Sales tax	\$0.00									
Order total (1 item)	\$24.95									

B BeholdenLife

 Mama Bear Mug_Campfire Mug_Mothers Day Gift_Mom gift_Mom Mug_New Mom Gift_Mug for Mom_Mama Bear_cute mug_New Mom	Quantity: 1	\$19.00
---	-------------	---------

Choose a shipping method	
<input checked="" type="radio"/> Standard Shipping	\$5.95
Estimated delivery: May 3 - 9	

Source: Etsy.com

⁵ Buschman, R., and Thayer, C., An Analysis of Georgia's Economic Nexus Legislation, Fiscal Research Policy Brief, Andrew Young School, Georgia State University, September 11, 2018, https://frc.gsu.edu/files/2018/09/Analysis_of_Georgia_Economic_Nexus_Legislation__September_2018.pdf

⁶ Mincieli, M., How Marketplace Tax Laws Impact State Sales Tax for Etsy Sellers , Etsy.com, January 19, 2019, <https://www.etsy.com/seller-handbook/article/how-marketplace-tax-laws-impact-state/321914904041>

Authors have estimated sales tax losses by state from e-commerce and other remote sales. Such estimates are discussed at this point in relation to the effect upon Georgia's sales tax base.

National Conference of State Legislatures: Georgia remote seller sales/use tax loss exceeded \$830 million in 2012, when e-commerce sales were half as much as today

The National Conference of State Legislatures (NCSL) reported 2012 estimates for Georgia remote sales tax losses of \$837.6 million.⁷ This amount translates into approximately \$12.14 billion of Georgia sales. In 2012, Georgia sales of key retail sector groups (excluding services, manufacturing, and wholesale trade) were \$178 billion.⁸ The estimated 2012 untaxed sales were equivalent to 6.8% of key retail sector sales, and such untaxed sales amount has been estimated to have grown over the past seven years.⁹

The NCSL data uses a University of Tennessee study and a Washington State study by Dr. Lorrie Jo Brown as supporting documentation.¹⁰ The University of Tennessee's Bruce, Fox, and Luna (2009) estimated e-commerce losses for states and local governments using Census data and survey data with assistance through the Federation of Tax Administrators (FTA).¹¹ The NCSL data include e-commerce estimates and estimates for non-e-commerce remote sales.¹²

Bruce, Fox and Luna (2009) estimate that a portion of manufacturing, wholesale trade, and services sales are taxable, and the authors estimate that much of the sales/use tax loss is thanks to non-compliance of businesses and consumers concerning transactions taxes. The authors estimated nationally that business to business use tax compliance

⁷ <http://www.ncsl.org/research/fiscal-policy/collecting-ecommerce-taxes-an-interactive-map.aspx>

⁸ The presumed remote seller sales using the NCSL report would put Georgia e-commerce sales tax losses in that year equivalent to 7% of the total large retail sector sales; however, as discussed by Bruce, Fox, and Luna (2009), of the University of Tennessee, the service, manufacturing, and wholesale sectors are major contributors of sales tax, so the percentage of erosion relative to total sales is much lower than 7%. Of total Georgia sales, including business to business, services, and retail sales combined as estimated using GNP data, the sales tax loss can be estimated to be just over 1% of total sales.

⁹ Sales tax base loss is not attributed solely to key retail sectors. Other sectors have contributed to the estimated sales tax base erosion. The sales tax loss base percentage is included here to highlight the magnitude of the estimated e-commerce/remote seller sales tax base loss.

¹⁰ <http://www.efairness.org/files/Updated%20Sales%20Tax%20Loss%20Report.pdf>

¹¹ Bruce, D., Fox, W., & Luna, L., State and Local Government Sales Tax Revenue Losses from Electronic Commerce, The University of Tennessee, April 13, 2009.

¹² Although the 2012 estimated losses are equivalent to a large portion of Georgia's primary retail sector sales groups, business to business sales via wholesale trade and manufacturing are also considered in the estimates. This means that the overall amount of potential sales tax loss includes potential taxable sales of manufacturing, wholesale trade, and some services.

was at 75%, and they estimated that compliance was at 66% for Georgia sales. The authors assumed 5% compliance concerning consumer purchases.

The authors estimated tax losses by state for years up through 2012, and they also took into account in their analysis taxable versus non-taxable sales. Their findings regarding sales tax loss are concerning taxable sales assuming that a large portion of e-commerce sales are non-taxable (e.g., sales and use tax exempt sales, manufacturing inputs, & wholesale transactions).

NCSL took reporting the Bruce, Fox, and Luna (2009) e-commerce sales a step further by including non-electronic remote seller sales in their estimates. NCSL incorporated estimates from a Washington State study by Laurie Jo Brown to derive state estimates which included an \$838 million Georgia sales/use tax estimated loss of revenue from all remote selling.

The Georgia \$838 million is a portion of the national estimated sales tax loss of \$23.26 billion in 2012 which represents 3.6% of the total.¹³ The Georgia percentage of the total is higher than Georgia's population percentage of the country, which is 3.2%. Some states do not impose a sales tax, so the Georgia portion of the state sales tax loss of states that have a sales tax, so the Georgia percentage would be lower if all states collected sales tax.¹⁴ Even so, the NCSL figures suggest that Georgia businesses and individuals have engaged in e-commerce/remote selling purchasing to a higher degree than other states.

In 2017, NCSL produced an updated estimate of remote seller sales/use tax losses to states. From 2012 to 2017 the sales tax loss figure grew from \$23.26 billion to \$25.93 billion after considering additional business compliance concerning e-commerce sales tax remittance. This was an 11.48% increase over the five-year period after taking into

¹³ The 3.6% percentage is higher than Georgia's population percentage of the United States, which is 3.2%. Some states do not have a sales tax, and Georgia's 2018 combined state and local sales tax rates are ranked 19th in the nation, according to the Tax Foundation, see <https://taxfoundation.org/state-local-sales-tax-rates-midyear-2018/>.

¹⁴ Bruce, Fox, and Luna (2006) note that some states do not have a sales tax so 97% of their gross estimates are attributed to the states that do have a sales tax such as Georgia. Such assumption would imply that the Georgia figure would be 3.5% of total U.S. sales tax loss, which is slightly higher than Georgia's population percentage of the United States.

In 2012, Georgia had state and local sales tax receipts of \$10.08 billion according to the Georgia Revenue Department Statistical Report. If \$838 million is estimated to have been lost to Georgia state and local governments thanks to non-taxable remote sales in 2012, then this would have been equivalent to approximately 8.3% of state and local tax receipts. Although the 8.3% figure appears high, it should be noted again that a large portion of the estimated sales/use tax loss is attributed to business to business sales concerning services, manufacturing, and wholesale trade, of which a small percentage is taxable among these groups. These groups' sales are largely tax exempt in Georgia; however, a portion of such sales are taxable. The 8.3% figure would incorporate such type sales among these groups.

account additional compliance – the estimated growth in sales tax loss would have increased an additional 12% if compliance had not improved.

If Georgia experienced the same growth in sales tax loss as other states as estimated by NCSL, then Georgia, in 2017, would have been losing \$934 million to \$962 million in sales tax revenue from remote seller activity. This range is considering just the growth of the original NCSL figures on the low end, and assuming a higher effective local sales tax rate for 2017 versus 2012 for Georgia local governments on the high end.¹⁵ After considering the 2018 remote seller sales tax law, the sales tax loss amount would still exceed a half billion dollars according to consideration of the sales tax loss and 2018 legislation revenue estimates.

E-Commerce Federal Data Applied to Georgia

The Bruce, et al. (2009) study was used by NCSL in its combined e-commerce/remote seller sales tax loss estimates for states. The Bruce, et al. (2009) study used federal total sales and e-commerce data developed by the Census Bureau. This information, coupled with Federal Reserve GNP data, provides another view of the magnitude of e-commerce upon Georgia’s sales tax base.

The U.S. Census E-Commerce Figures

The U.S. Census Bureau estimates total sales and e-commerce for different sectors on a national scale.¹⁶ The following chart shows the magnitude of total and e-commerce sales, by sector, for 2012 and 2016, the latest information available regarding specific sector sales.

Industry Group	2012		2016		Total Sales Percentage Change	E-Commerce Percentage Change
	Total Sales	E-Commerce Sales	Total Sales	E-Commerce Sales		
Manufacturing	\$ 5,756,337	\$ 2,989,146	\$ 5,354,694	\$ 3,469,624	-7.0%	16.1%
Merchant Wholesale	\$ 6,771,454	\$ 1,789,095	\$ 7,182,179	\$ 2,324,953	6.1%	30.0%
Retail	\$ 4,344,140	\$ 226,878	\$ 4,856,334	\$ 389,111	11.8%	71.5%
Selected Services	\$ 12,004,067	\$ 366,277	\$ 14,591,111	\$ 608,718	21.6%	66.2%
Total	\$ 28,875,998	\$ 5,371,396	\$ 31,984,318	\$ 6,792,406	10.8%	26.5%

As the U.S. Census data chart shows, e-commerce sales were substantial in 2012, and even more substantial in 2016, which is the last year that the Census Bureau produced e-commerce data by industry category. In 2012, e-commerce sales represented 18.6% of

¹⁵ The 2012 Georgia state and local rate was from Tax Foundation reports, and the 2017 Georgia state and local effective rate was derived using Georgia Revenue Department local rates and local sales taxes by county, respectively.

¹⁶ Current or recent state data is not available from the Census Bureau.

total sales whereas in 2016 e-commerce sales represented 21.2% of total sales for all industry groups.

Often, data shown regarding e-commerce sales are retail-sector centric. The St. Louis Federal Reserve Board, for instance, says e-commerce retail sales were 9.8% of total sales. But, as the Census chart shows, manufacturing, wholesale trade, and even services dwarf retail e-commerce sales. Bruce, Fox, and Luna (2009) took into account all e-commerce sales – not just retail sales – in their study of sales tax losses to state and local governments which included Georgia and its political subdivisions.

E-commerce 2012-2016 sales growth for Georgia is estimated using Census data to be 5.2% of total Georgia sales.¹⁷ Such amount of total sales--including sales of manufacturing, wholesale trade, services, and retail sectors – relative to the Georgia sales tax base is a huge number.

Total sales, using Georgia's portion of GNP to derive estimated Georgia sales, were \$920 billion for 2016. Applying 5.2% to this figure is a staggering Georgia Internet sales growth amount of \$48 billion. This amount does not include existing Internet sales but rather just the growth of such sales. If all such sales were taxable, which they are not, then the estimated sales tax (at 2016 rates) from this Internet sales growth would have been \$3.36 billion in that year.

Federal Data Usage for an Another Georgia E-Commerce Sales Tax Loss Estimate

Another method to explore the Georgia e-commerce issue is considering the previously noted Census data in conjunction with federal sales data and attributing Georgia's portion of the GNP to such sales. In 2012, Georgia's percentage of GNP was 2.74% of the nation's. In 2016, this percentage increased to 2.88%.

U.S. Census data estimate total sales and e-commerce sales for 2012 and 2016, as shown in a previous chart. Federal sales data for 2012 is available on a state by state basis; however, such data are not available for subsequent years. Georgia's share of GNP is applied to national sales data to derive surrogates for Georgia total sales and Georgia e-commerce sales. The following chart shows Georgia attributed total sales and e-commerce sales using Georgia GNP as a percentage of the nation's.¹⁸

¹⁷ Estimate is derived applying Georgia's portion of GNP to national Census total sales and e-commerce data by sector—manufacturing, wholesale trade, retail trade, and services.

¹⁸ Regarding GDP, Georgia's state portion of the nation's was \$444,132.2 million in 2012.¹⁸ The United States GDP was \$16,197,000 million in 2012. In 2016, Georgia's GDP was \$538,360.6 million, and in 2017, Georgia's GDP was \$563,607.6 billion. National GDP in 2016 was \$18,707,200 million, and national GDP in 2017 was \$19,485,400 million.

Georgia Estimated Total E-Commerce Sales					
Applying Georgia GNP Percentage to National Figures (millions of dollars)					
Sector	2012		2016		
	Implied		Implied		
	E-Commerce Sales		E-Commerce Sales		
			E-Commerce Growth		
Manufacturing	\$	81,964	\$	99,850	22%
Merchant Wholesale	\$	49,058	\$	66,908	36%
Retail	\$	6,221	\$	11,198	80%
Selected Services	\$	10,044	\$	17,518	74%
Total	\$	147,287	\$	195,474	33%

Implied sales based upon U.S. Census data, 2012 & 2016.

If using state GNP as a tool to derive Georgia-estimated total sales and e-commerce sales is appropriate, then it would appear that Georgia's e-commerce sales growth has exceeded the national growth. Nationally, the Census Bureau estimates that e-commerce growth grew by 27.5%. In the above chart it is shown that Georgia's e-commerce growth is estimated to have been 33% from 2012 to 2016.

The largest sector growth in this area has been concerning retail, which shows a Georgia e-commerce growth of 80% over the four-year period, followed by services at 74%. Given that retail sales contribute over 60% of Georgia's sales tax according to the Georgia Revenue Department annual statistical report, the 80% estimated retail e-commerce growth figure is most relevant.

The Bruce, et al. (2009), University of Tennessee study pegged 2012 e-commerce sales tax loss to Georgia at \$410.3 million. The Washington State study projected Georgia other remote seller sales tax loss for 2012 at \$427.3 million.

In 2016, Georgia would have lost \$990 million if the percentage growth using the Census and GDP data is applied to the 2012 figure for 2016, Washington State updated figures for 2015 are used, and a higher compliance rate is used with effective tax rate of 7%. Here, the same assumptions are used as in the University of Tennessee study except that a 77% compliance rate is assumed. Further, the 2012 to 2015 growth assumptions according to the NCSL update are applied to the 2012 Georgia NCSL non-e-commerce remote sales figures to derive such figure.

Yet another approach is slightly modifying the assumptions and applying the 2018 state and local effective tax rate. Doing so results in slightly over \$1 billion in sales tax loss. Here, if the Census, GDP, and Washington State updated figures are used, and it is assumed that compliance is at 75%, 13% of business to business sales are taxable, and 65% of business to consumer sales are taxable, then the estimated tax loss for 2016 for Georgia and local governments would be \$992 million. Using the 7.15% 2018 state and local sales tax rate would put this figure at \$1.01 billion. After taking into account estimated collections from the 2018 e-commerce sales tax collection statute, sales tax losses would still be estimated to be \$500 million to over \$700 million.

A view using Federal Reserve data

In 2012, the Federal Reserve Bank of St. Louis's Federal Reserve Economic Data (FRED) estimated that e-commerce sales represented 5.3% of total retail sales. FRED estimated e-commerce sales in 2012 were \$229.3 billion. Using the FRED and NCSL figures, to put the figures in perspective, would mean that Georgia e-commerce sales and other remote sales were approximately 3% of national e-commerce sales in that year.¹⁹

National state and local general sales tax collections (excluding selective sales taxes) in 2012 were \$316.7 billion.^{20 21} Considering \$4.54 trillion in national sales (which is also consistent with the FRED figures) would mean a national effective sales tax rate of 6.97%. At such rate, and using the FRED estimate for e-commerce sales would mean potential e-commerce state and local revenues of \$15.98 billion in 2012. This means the e-commerce sales/use tax loss estimate was equivalent to over 7% of sales tax revenue in that year.

The St. Louis Fed has estimated that e-commerce sales accounted for 9.7% of total retail sales nationwide in 2018. The St. Louis Fed FRED estimate of e-commerce sales nationally for 2017 was \$448.4 billion which is dramatically higher – almost twice as much--than the St. Louis Fed FRED 2012 \$229.3 billion figure.²²

If e-commerce sales in 2017 were almost twice as much as in 2012, then, according to the St. Louis Fed 2018 estimate of e-commerce sales as a percentage of total sales, e-commerce sales in 2018 were more than twice as much as in 2012. Georgia e-commerce sales loss estimates are based upon 2016 and 2017 figures. If the St. Louis Fed estimates of e-commerce growth just over the past two years were taken into consideration with these estimated amounts, then the Georgia e-commerce loss estimates would well exceed \$1 billion, or over \$500 million to \$700 million after considering the new Georgia Internet Sales Tax law.

¹⁹ Bruce, Fox, and Luna (2009) estimate e-commerce sales figures and this percentage is reflective of such sales tax loss figures. Additionally, the sales tax loss estimate incorporates other remote seller losses as shown in the NCSL data. Also, see citation: E-Commerce Retail Sales, 2017-2018, Federal Reserve Board of St. Louis, February 21, 2019, <https://fred.stlouisfed.org/series/ECOMSA>

²⁰ State Government Tax Collections: 2012, American Fact Finder, U.S. Census Bureau, <https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=bkmk>

²¹ **State and Local Government Finances by Level of Government and by State: 2012**  **2012 Census of Governments, U.S. Census Bureau,** https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=COG_2012_00A1&prodType=table#

²²E-Commerce Retail Sales, 2017, Federal Reserve Board of St. Louis, February 21, 2019, <https://fred.stlouisfed.org/series/ECOMSA>

E-commerce summary

Altering Georgia's e-commerce policies could result in over a half-billion additional dollars to Georgia state and local governments. Presented here is a range of \$500 million to over \$700 million in potential lost sales tax revenue to state and local governments because of untaxed remote seller sales that could be collected.²³ Such amounts are after considering Georgia e-commerce sales tax law changes.

Some businesses remit e-commerce sales tax to Georgia and some do not. How much of new potential revenue is at play is uncertain; however, if the NCSL figures are any indication of what is not collected in Georgia, and if the other methods used to derive a \$500 million to \$700 million estimate are accurate, then Georgia stands to gain additional revenue if it so chooses to collect.

Considering all e-commerce sales, an estimated missing \$700 million in sales tax revenue would equal 5% of e-commerce sales taxes if all e-commerce items were taxable. Assuming that 80% of Georgia e-commerce sales are non-taxable would put the \$700 million in estimated missing tax at a quarter of the remainder assumed to be taxable. If 85% of Georgia e-commerce sales are non-taxable, then the estimated \$700 million would be 35% of the remainder. Fathoming the magnitude of Internet sales to the national and Georgia sales tax base is no doubt difficult to comprehend, yet the influence of the Internet regarding consumer, business and individual, behavior is no doubt substantial and costly to the Georgia state and local sales tax base regarding those sales going untaxed.

Herein, three estimates are provided concerning remote seller sales tax loss to Georgia and the state's local governments of \$934 million to over \$1 billion for 2017, which would be even more for 2018 and 2019, absent the new 2018 Georgia law. In any case--the new Georgia law notwithstanding--the remote seller sales tax issue is one that is equal to almost 7% of the state sales tax collection base and warrants further review if Georgia policy makers want to treat out-of-state and other remote sellers the same as in-state bricks and mortar establishments. Even if it was the case that only half of the new potential revenue presented in these estimates could come to fruition, this would still be a half billion dollars available to state and local governments not presently realized.

²³ This report estimates that unexplained sales tax erosion, outside of normal exemptions, is 9.7% of state and local sales tax collections (excluding automobiles); however, it is believed that such percentage is higher for local governments given that food for personal use is taxable at the local level. With the growth of on-line purchase and delivery of food items from remote sellers, it is believed that local sales tax erosion is higher than the state level thanks to local taxability of food items, and this figure will only grow dramatically as Internet sales of household items increase.

Revenue aside, the potential sales tax loss gives remote sellers an estimated 7.15% competitive advantage over local bricks and mortar businesses selling the same products because of the non-remittance of sales tax. For this reason alone, policy makers may choose to explore this issue further.

Walmart E-Commerce Untaxed Sales of Goods Taxable in Georgia

E-Commerce sales tax erosion, by itself, is estimated to be costing Georgia and its local governments up to over \$700 million, and such amount even takes into consideration that Georgia passed a new e-commerce law to collect \$300 million to \$500 million. If e-commerce and sales tax erosion is widespread in Georgia, and considering that it is known that Walmart Georgia is not remitting sales tax on numerous items sold to Georgians (as shown in this section of the report), then it is possible that Walmart Georgia is a large contributor to the Georgia e-commerce sales tax loss issue?

Walmart has the second largest e-commerce presence among large retailers. Walmart.com has expanded its operations and offers millions of additional products as compared to just two years ago. In Georgia, even with a new e-commerce sales and use tax law, Walmart continues to offer Georgian's untaxed products that normally would be taxed if found on the shelves of Walmart in Smyrna or Savannah.

The following screenshot is from Walmart.com. These are purchases for Georgia zip-code 30002 in DeKalb County. As shown, three items are in the online shopping cart totaling \$4,279, and **no** sales tax would be remitted on these purchases: a riding lawnmower, Mickey Mouse toy, and coffee maker. Each item is sold by Walmart for a third-party seller.

The screenshot shows the Walmart.com shopping cart interface. At the top, there is a search bar and navigation icons. Below the search bar, a promotional banner offers a \$25 credit for opening an account and spending \$75. The cart summary on the right shows a subtotal of \$4,279.12, with shipping and taxes at \$0.00, resulting in an estimated total of \$4,279.12. The cart contains three items:

Item	Quantity	Price
Keurig K-Mini K15 Single Serve, K-Cup Pod Coffee Maker, Black	1	\$114.43
Kiddieland Light n' Sound Mickey Activity Fire Engine Kid Toy Car, Red 050815	1	\$50.25
Husqvarna Outdoor Products Z246 967271501 Lawn Tractor, Zero Turn Radius, 20-HP Engine, 46-In. - Quantity 1	1	\$4,114.44

This section of the report estimates that Walmart e-commerce non-remittance of sales tax is costing Georgia \$82 million a year. It is sales such as the ones in the screenshot found above that give rise to this estimated tax loss.

Walmart sells goods to Georgians via its website Walmart.com in addition to selling goods in Walmart bricks-and-mortar stores across the state. Walmart.com sells goods to Georgians and some items sold are taxed and many are not taxed. In examples cited previously, Walmart.com does not collect sales tax on items like lawnmowers, appliances, and toys, even though such items are clearly tangible personal property subject to Georgia's sales tax and clearly would be taxable if purchased at a Walmart Supercenter in Albany, Brunswick, Columbus, or Decatur. Tangible personal property is taxable unless exempt by statute, but there appear to be loopholes concerning e-commerce transactions where goods are purchased from a retailer even with e Georgia physical presence like Walmart.

How are many untaxed goods sold by Walmart.com? Walmart.com does not collect Georgia sales tax on otherwise taxable goods on Walmart.com offered for sale by third-party sellers.

Walmart's own corporate website admits that it does not take responsibility for collecting sales tax on items sold by third-party sellers.²⁴ Third-party sellers, or "marketplace sellers," are businesses that sell their wares on Walmart.com, but that are mostly located out-of-state. The outside sellers hold the products, the products are sold on Walmart.com, Walmart collects the money for the sales without sales tax (unless "sellers" chooses to collect sales tax as shown below), and Walmart arranges product delivery. The third-party sellers ship products to buyers in Atlanta or Americus from another state. The seller pays Walmart a commission for the sale. Approximately 65 million products of these third-party sellers can be found on Walmart.com.

²⁴ How we determine sales tax, Walmart.com Help Center, https://help.walmart.com/app/answers/detail/a_id/36/~/how-we-determine-sales-tax

Walmart passes the tax buck

Walmart leaves it up to the “seller” regarding sales tax collection. Regarding the sales tax issue, Walmart says (highlights added):

“How We Determine Sales Tax

“For Items Purchased from a Walmart Marketplace Seller

“Under Your Account then See Details you can see the seller of your item. If it is anyone other than "Walmart.com," then you have purchased that item from one of our Marketplace Sellers.

“Marketplace Sellers are responsible for collecting and remitting the sales tax for the items they sell. They may choose to add the cost of tax to the price of their items, or they can list the tax separately. A Marketplace Seller may not charge tax in all 50 states and U.S. territories. This means you may or may not see a charge for tax in your cart. If you have questions about a Marketplace Seller's tax practices, please contact the Seller directly.”²⁵

Walmart.com may choose to say that a Walmart.com third-party sale is not a Walmart “sale,” but:

1. no purchase would have been made had the product not been seen on Walmart.com,
2. many undecided purchases would not be made without Walmart following-up with targeted Internet advertising regarding such goods,
3. Walmart takes payment,
4. and Walmart arranges delivery.

An old tax adage applies here: If it walks like a duck, and talks like a duck, then it is a duck. Walmart.com may avoid collecting sales tax on out-of-state third-party sellers; however, it is apparent that there is something amiss concerning Walmart compliance with Georgia’s new e-commerce sales/use tax statute requiring online sales to

²⁵ How we determine sales tax, Walmart.com Help Center, accessed on the Internet May 9, 2019, https://help.walmart.com/app/answers/detail/a_id/36/~/how-we-determine-sales-tax

Georgians to be taxable. Walmart.com clearly sells goods to Georgians with no sales tax collected.

The screenshot taken was in March 2019, and Georgia's new remote seller statute took effect for remote sells transacted as of January 1, 2019. As the screenshot shows, the new law either does not apply to Walmart and its third-party sellers, or Walmart is misapplying the new statute regarding sales tax collections.

Walmart E-Commerce Sales Tax Avoidance Estimate, up to \$82 million

How much of Walmart's e-commerce sales are going untaxed in Georgia? Only an estimate can be made for Walmart Georgia e-commerce data is unavailable. An estimate can be made, though, using Walmart corporate sales data relative to the nation and Georgia as well as Walmart.com specific information regarding sold goods from Walmart's own inventory on Walmart.com versus the sales magnitude of third-party seller goods sold on Walmart.com. This section of the report estimates that Walmart e-commerce sales are costing Georgia up to \$82 million a year.

Walmart had e-commerce sales of a reported \$14 billion in 2016.²⁶ By the end of 2018, Walmart was estimated to have had e-commerce sales of \$20.91 billion.²⁷

In 2018, the number of Walmart Georgia Supercenters was 4.3% of the U.S. Walmart total. Georgia Sam's Clubs were 4% of the Sam's Clubs throughout the nation. Walmart Georgia Neighborhood Markets comprised 4.4% of the U.S. total number of Walmart Neighborhood Markets. For e-commerce estimating purposes, it is assumed that Georgians' share of total Walmart.com sales are 4.25% which is less than the Walmart Georgia's supercenter percentage of the total – and supercenters are the main driver of Walmart revenue.

If it is assumed that Walmart Georgia e-commerce sales are 4.25% of total Walmart.com sales, then Georgia Walmart.com attributable sales could have exceeded \$888 million in 2018. Sales tax implications for Georgia state and local governments would be an estimated \$63 million considering such amount of sales.

²⁶ Dignan, L., Walmart's e-commerce annual sales hit \$13.7 billion, zdnet.com, February 18, 2016, <https://www.zdnet.com/article/walmarts-e-commerce-annual-sales-hit-13-7-billion/>

²⁷ Perez, P.,

Walmart passes Apple to become No. 3 online retailer in US, Techcrunch.com, November 2018, <https://techcrunch.com/2018/11/16/walmart-passes-apple-to-become-no-3-online-retailer-in-u-s/>

TRADE WITH A CLEAR ADVANTAGE
 • Just \$4.95 for online U.S. equity and option trades
 • + 65¢ per options contract
 • Margin rates as low as 5.50%

GET 500 FREE TRADES

Read important additional information
 Fidelity Brokerage Services, Member NYSE, SIPC.
 © 2018 FMR LLC. All rights reserved. 91895-10-0

What Walmart's 43% E-Commerce Growth Says About the Retailer's Game Plan

It just turned in its 11th straight quarter of sales growth, but Wall Street still dinged the stock.

Motley Fool Staff (@the_motley_fool)
 Nov 18, 2018 at 9:30PM

There was a period not so many years ago when the retail powerhouse that is **Walmart (NYSE:WMT)** was sputtering. No longer: When it reported on its most recent quarter this week, the top-line numbers were strong again, its online and omnichannel efforts clearly have momentum, and management gave full-year guidance an upward adjustment.

TRADE WITH A CLEAR ADVANTAGE
 • Just \$4.95 for online U.S. equity and option trades
 • + 65¢ per options contract
 • Margin rates as low as 5.50%

Walmart's ecommerce sales have grown dramatically and are expected to grow even more this year. If Walmart is successful and its e-commerce growth continues at its same recent pace, then the company could see e-commerce sales exceeding \$30 billion this year with Georgia sales potential at \$1.275 billion or more. Such amount could mean Walmart.com could be remitting this year \$91 million, just from e-commerce sales, if Georgia's new remote seller statute was modified or interpreted differently especially given the U.S. Supreme Court *South Dakota vs. Wayfair* decision. This is to say that the potential total tax for Walmart's e-commerce activities could be resulting in almost \$100 million in Georgia sales tax for 2019. This would be, though, only if Walmart remitted tax for all such sales which it is not.

RETAIL

APPAREL | DISCOUNTERS | DEPARTMENT STORES | E-COMMERCE | FOOD AND BEVERAGE | RESTAURANTS

Wal-Mart calls for 40 percent e-commerce sales growth in fiscal 2019



- Ahead of its annual investor day, Wal-Mart reiterates its earnings outlook for the current fiscal year.
- The big-box retailer says it will focus on remodeling existing stores and incorporating "digital experiences."
- Wal-Mart says it expects its U.S. e-commerce business to grow sales by roughly 40 percent in fiscal 2019.

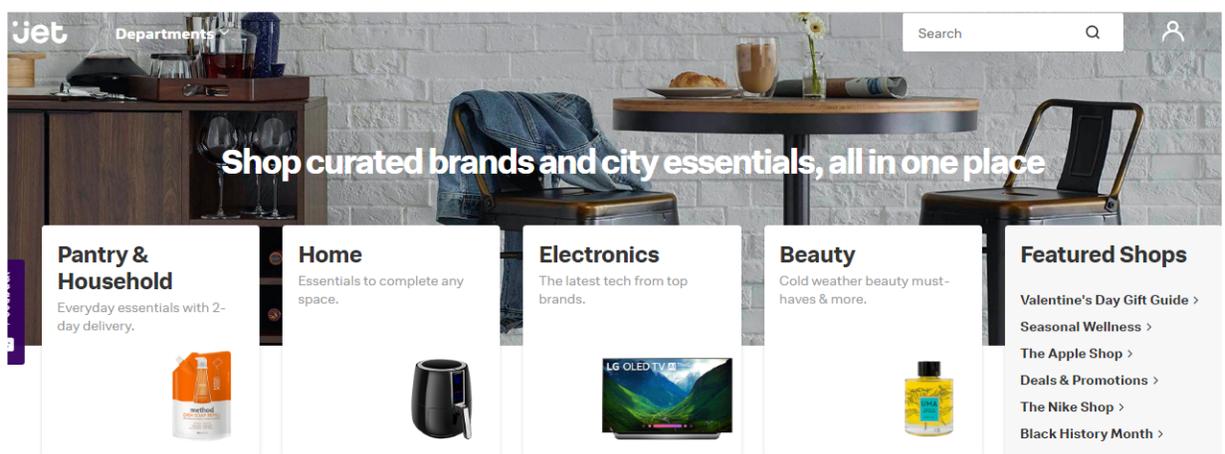
Lauren Thomas | @laurenthomasx3
 Published 7:45 AM ET Tue, 10 Oct 2017 | Updated 11:48 AM ET Tue, 10 Oct 2017



Walmart does remit sales tax on various items sold on Walmart.com. This is clear when attempting to purchase various items on Walmart.com. The question remains as to the magnitude of such sales tax collection in relation to items not being taxed.

Walmart has expanded its online sales operation dramatically since 2012. In 2017 alone, Walmart expanded Walmart.com's sales offerings by three-fold. In 2017, Walmart president and CEO Doug McMillon said, "Over the past year, we've tripled the number of items on Walmart.com to reach more than 70 million SKUs today."²⁸ This is an increase from 4.5 million products being offered online in 2015.²⁹

To help with its e-commerce strategy, Walmart purchased Jet.com in 2016 for \$3 billion. Such business caters to urban and millennial customers and had 12 million items for sale in its first year of business.³⁰



Concerning Georgia and other states, an issue is the number of products offered for sale by Walmart itself in comparison to third-party sellers. As marketplacepulse.com stated in 2018, Walmart itself offered 3.5 million products for sale on Walmart.com whereas Walmart's 20,000 third-party marketplace sellers accounted for 38.5 million products sold on Walmart.com.³¹ Walmart, it is believed, collects sales tax on those estimated 3.5 million products. Walmart apparently does not collect sales tax on sales of the 38.5

²⁸ Lindner, M., More products for sale help Walmart generate 50% web sales growth in Q3, November 16, 2017, digitalcommerce360.com, <https://www.digitalcommerce360.com/2017/11/16/triple-online-assortment-leads-50-year-year-online-sales-growth-walmart/>

²⁹ Walmart Longtail of Selection, marketplacepulse.com, November 20, 2018, <https://www.marketplacepulse.com/articles/walmart-long-tail-of-selection>

³⁰ Walmart agrees to buy Jet.com for \$3 billion, Walmart.com, August 8 2016, <https://news.walmart.com/2016/08/08/walmart-agrees-to-acquire-jetcom-one-of-the-fastest-growing-e-commerce-companies-in-the-us>

³¹ Ibid.

million products “sold” by someone else unless that someone else has a physical presence in Georgia.



Figures are in terms of units of goods offered for sale by Walmart.com. Source: Marketplacepulse.com, November 2018.

Even though the above chart shows the number of items sold on Walmart.com in 2018 (to coincide with the relevant year of data concerning this report), it should be noted that the number of units, according to Walmart’s CEO, has grown even more to over 70 million units and this is a dramatic increase not reflective in this reports figures – a 60% increase – which could mean the Georgia Walmart e-commerce estimated sales tax loss is grossly understated.

It is unknown how much third-party sales revenue there is as compared to e-commerce revenue from sales out of Walmart’s own inventory. Units available for sale suggest that 90% to 95% of products offered by Walmart.com are through third party vendors. In 2018, Walmart.com had an estimated \$21 billion in e-commerce sales, and that figure can meet or exceed \$30 billion in 2019. Walmart’s corporate guidance for 2020 e-commerce growth is another 35%.³²

³² Thomas, L., Walmart shares surge as holiday sales crush estimates, boosted by e-commerce growth, [cnbc.com](https://www.cnbc.com/2019/02/19/walmart-reports-earnings-q4-fiscal-2019.html), February 19, 2019, <https://www.cnbc.com/2019/02/19/walmart-reports-earnings-q4-fiscal-2019.html>

Walmart U.S.

(Amounts in millions)

	Q1	Δ ¹
Net sales	\$77,748	3.1%
Comparable sales ^{2,3}	2.1%	70 bps
• Comp traffic	0.8%	-70 bps
• Comp ticket	1.3%	140 bps
eCommerce impact ³	~100 bps	~20 bps
Gross profit rate	Decrease	-23 bps
Operating expense rate	Increase	11 bps
Operating income ⁴	\$3,927	-3.1%



¹ Change versus prior year comparable period.

² Comp sales for the 13-week period ended April 27, 2018, excluding fuel. Including fuel, Walmart U.S. comparable sales are 2.2%. See press release located at www.stock.walmart.com and reconciliations at the end of this presentation regarding non-GAAP financial measures.

³ The results of new acquisitions are included in our comp sales metrics in the 13th month after acquisition.

⁴ This quarter, the company revised its corporate overhead allocations to the operating segments. Accordingly, previous segment operating income was recast to be comparable to the current period's presentation.



7

According to a Walmart Corporate quarterly financial document, Walmart, Inc., “e-commerce impact” was 1% of net sales in the first quarter of FY2019 which were \$77.75 billion (see above Walmart report graphic).³³ Assuming the same for the remainder of the year (which would have been most of calendar year 2018), the “e-commerce impact” would have been \$3.11 billion on Walmart, Inc., net sales for the year.³⁴ If total e-commerce “sales” for Walmart can be expected to be \$30 billion or more, then Walmart-inventory e-commerce sales could be approximately 10% of the total given the noted “e-commerce impact” concerning Walmart’s net sales.³⁵

It is unknown how many third-party sales from Walmart.com take place in Georgia; however, the 2018 near 11:1 ratio of third-party offerings to Walmart-proper goods means that it stands to reason that much of Walmart e-commerce sales are not taxed. Coupled with the 10% e-commerce impact on sales number, if the ratio of third-party inventory goods to Walmart-inventory goods is similar to an actual sales ratio, then Georgia could be missing \$82 million in sales tax just from Walmart.com online third-party sales tax avoidance.

³³ https://corporate.walmart.com/media-library/document/earnings-presentation-q1-fy19/_proxyDocument?id=00000163-6b1f-ded8-ab7f-7f7f63170000

³⁴ No e-commerce impact was provided concerning Sam’s Club in the same report. Regarding Sam’s Club e-commerce impact, the document says Not Provided.

³⁵ The Walmart, Inc., inventoried portion of sales may be less than \$3 billion in that the footnote in the above Walmart financial report excerpt notes that a portion of the “e-commerce impact” has to do with sales from e-commerce acquisitions which may or may not be considered taxable sales in states like Georgia.

Estimated State Sales Tax Losses:

Personal Income & GNP growth as a guide to determining sales tax erosion

Much has been discussed concerning Georgia's apparent e-commerce/remote seller sales tax losses. Some, or none, of the e-commerce sales may be linked to the overarching sales tax erosion issue. In this section of the report, Georgia's overall estimated sales tax erosion is discussed. The estimated revenue gains from the 2018 Georgia remote seller sales tax legislation may offset some of the estimated losses discussed here; however, this section of the report sets aside this issue to focus on estimated sales tax erosion for 2018 as compared to prior years.

Sales Tax Growth and Personal Income Growth disconnect

Comparative economic data suggests that Georgia state and local governments received \$1.1 billion less in sales tax revenue in 2018 than in 2010 relative to that year's sales tax collections as a percentage of total personal income of all Georgians (if 2018 rates applied to 2010).³⁶ Georgia had a combined state and local average rate of 7.15% in 2018.³⁷ This was an increase from 7.045% in 2017, and 6.95% in 2010.³⁸

As this report will show, if Georgia had had the same sales tax rates in 2010 as in 2018, then Georgians would have paid 2.5% of their personal incomes in sales taxes in 2010-2013. Georgians paid an estimated 2.28% of their personal incomes in sales tax in 2018. This means Georgians would have paid almost 10% more in sales tax in 2018 if they had paid the same percentage of their incomes in sales taxes as they did during 2010-2013.³⁹

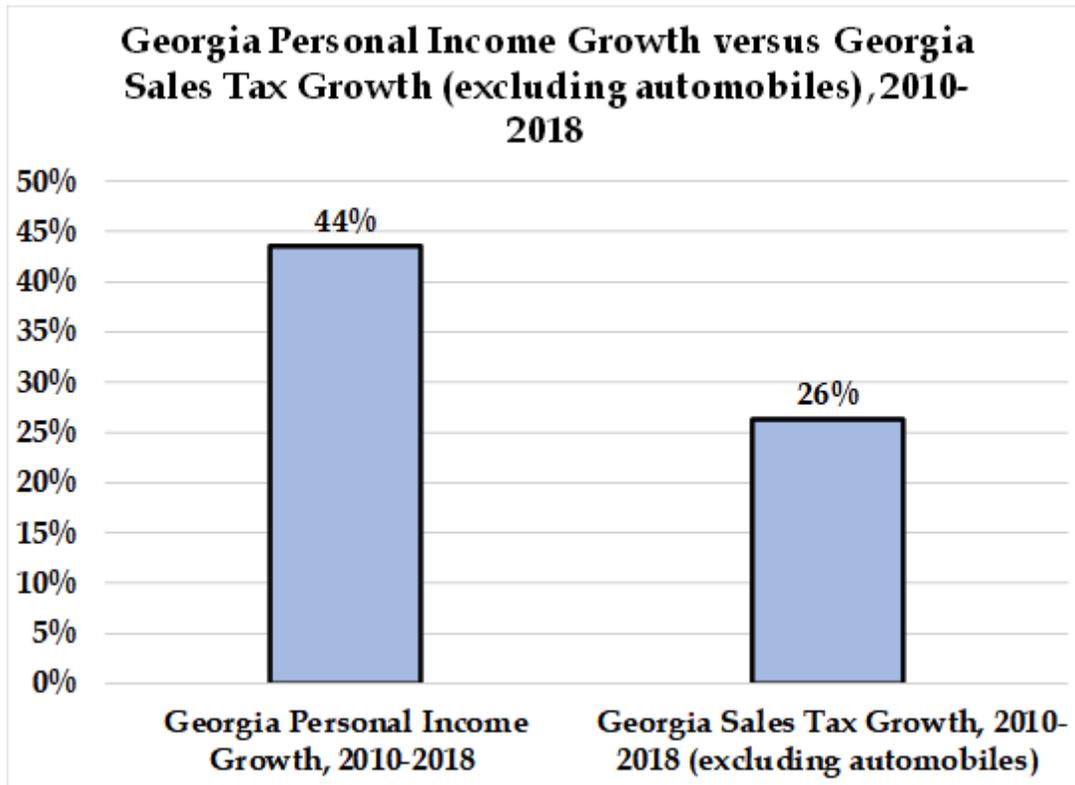
³⁶ This assumes, for assuring the same sales tax base for both years that local tax rates in 2010 were the same as 2018. In order to have an apples to apples comparison, the rates must be the same or else tax erosion figures would be inaccurate because of varying local rates between 2010 and 2018. Here, even though Georgians did not pay tax in 2010 with 2018 rates, the sales tax base numbers are on par if the same rate is used for 2010 and 2018. Without this exercise, local tax collections from a tax base standpoint would be overstated for 2018 relative to 2010.

³⁷ Tax Foundation, State and Local Sales Tax Rates, 2019.

³⁸ The effective local rate for 2017 was calculated using the tax rates for each county in Georgia and associated sales tax revenue for those jurisdictions to obtain an overall state effective rate. In some publications, an average rate is used which inflates the local rate for calculation purposes

³⁹ This assumes that the 2018 rates would have applied during the 2010-2013 time-frame. The same rates are used to make an apples-to-apples comparison.

The following chart shows the comparison between sales and income growth:

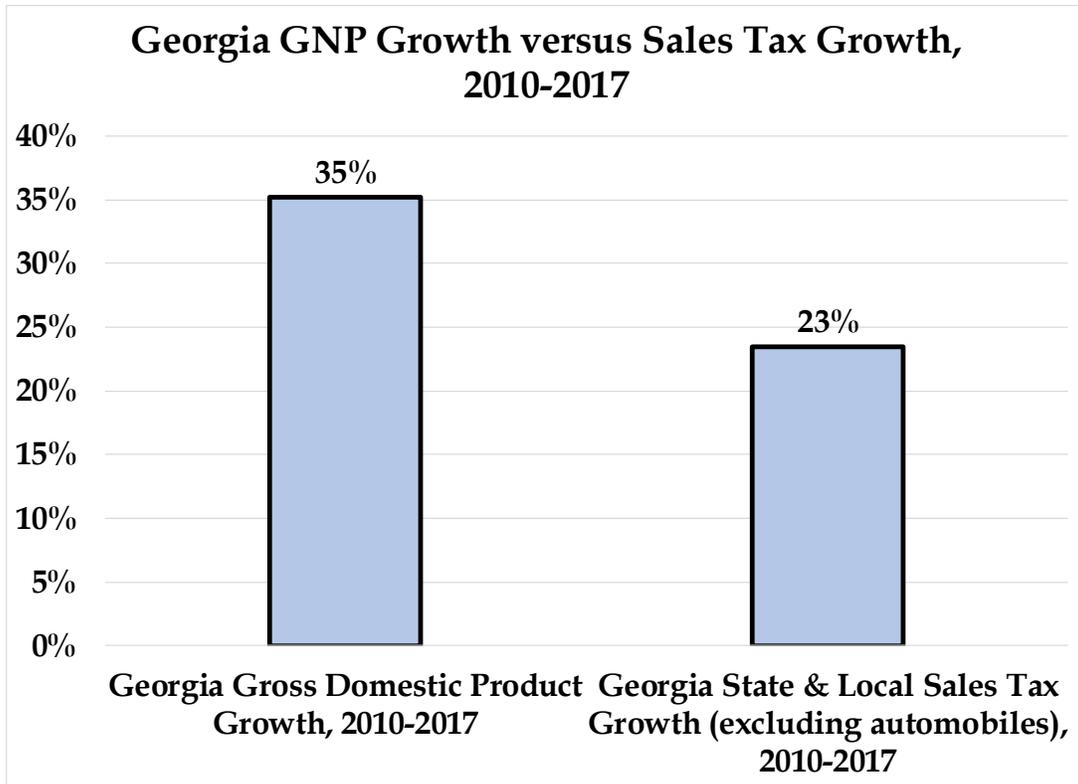


Sales Tax Growth and State GNP Growth disconnect

The Federal Reserve Bank of St. Louis produces Federal Reserve Economic Data (FRED) concerning the nation and 50 states. FRED produces annual Gross National Product (GNP) and personal income data.⁴⁰ In this report, Georgia FRED data are used to compare Georgia state GNP and total personal income to Georgia state sales tax collections.

Georgia's GNP grew by 35% from 2010 to 2017. In those years, Georgia sales tax collections only increased 23% in comparison. From 2010 to 2018, Georgians' personal income increased 44%, yet sales tax collections increased only 26%.

⁴⁰ Georgia Total Personal Income, Federal Reserve Economic Data, Federal Reserve Board of St. Louis, 2019, <https://fred.stlouisfed.org/series/GAOTOT>



Sales Tax as a Percentage of Personal Income: Georgia sales taxes have failed to keep up

Georgia’s households and businesses pay sales tax. Gauging sales tax growth performance can be conducted by comparing total personal income to sales tax collections. Here, a proportion of sales tax collections of total personal income is derived to compare sales tax collections between 2010 and 2018. The 2018 local effective rate was used for the 2010-2013 time-period to assure that the same sales tax base relative to income was used, *ceteris paribus*.

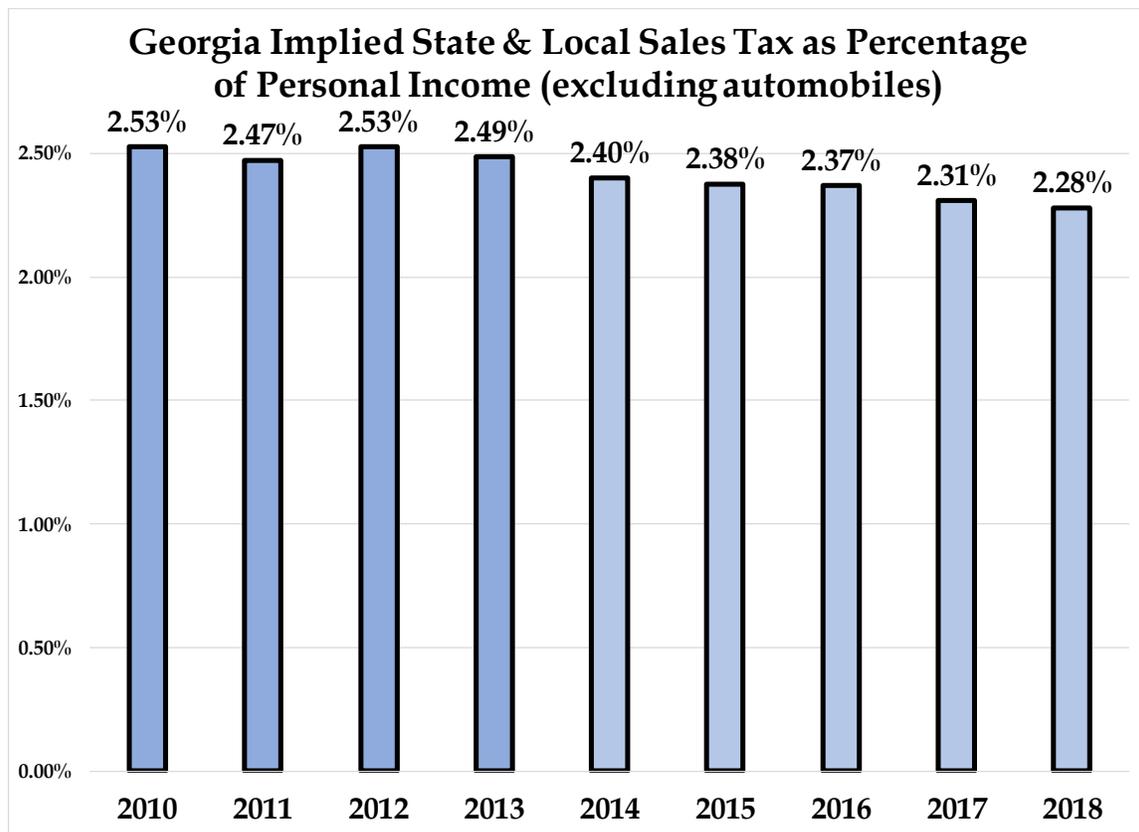
Using the same sales tax rates for 2010 and 2018, for instance, an example is presented here:

- If John David Johnson from Decatur had income of \$50,000 in 2010 and the sales tax rates in 2010 were the same as in 2018, then John David Johnson would have paid 2.5% of his income, or \$1,250, in state and local sales taxes in 2010.
- John David Johnson, on average, would have paid the same amount of sales tax in 2010, 2011, 2012, and 2013 assuming the same income.
- After 2013, things changed and John David Johnson started paying less sales tax even though he made the same income.
- By 2018, with John David Johnson still making \$50,000, he would have paid only 2.28% of his income in state and local income taxes, or \$1,140.

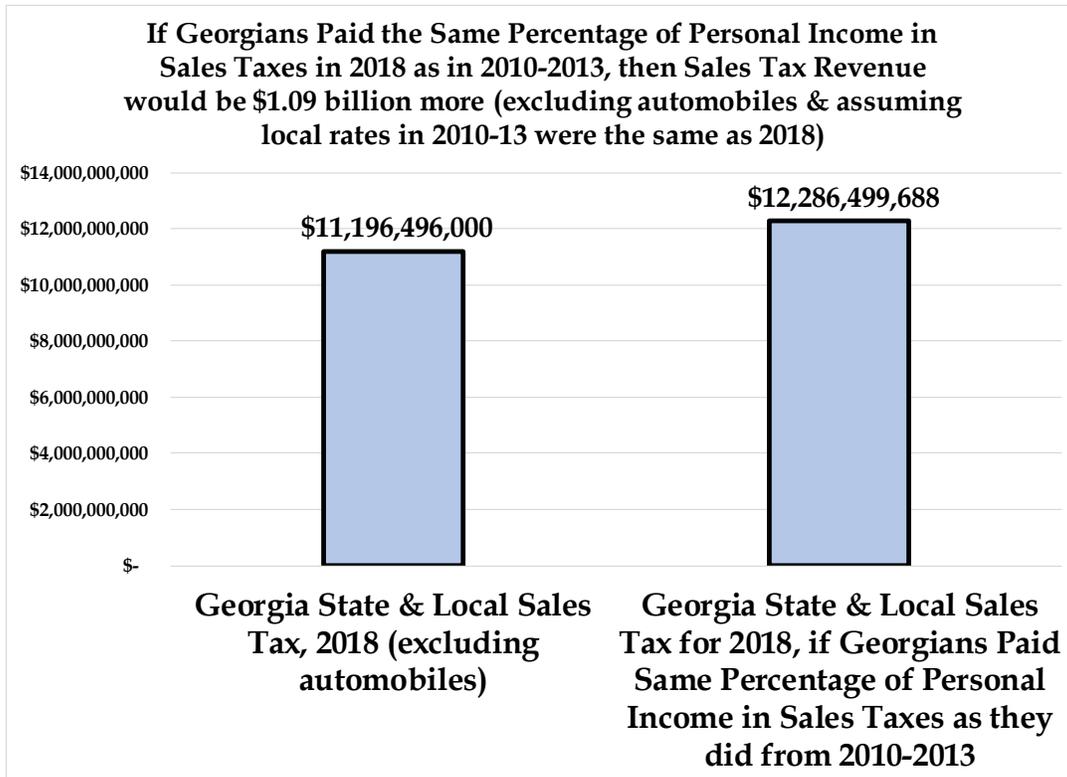
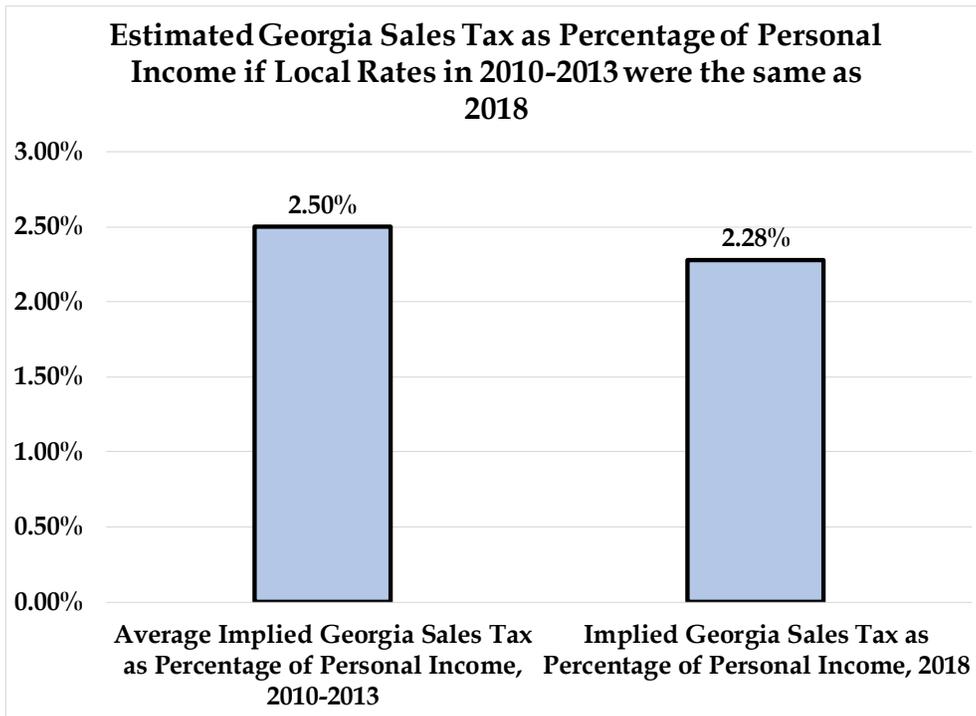
- All things being equal, John David Johnson used to pay \$1,250 a year in sales tax, but by last year, he was paying only \$1,140 in sales tax, or \$110 less.

The example is now applied to the state as a whole. In 2010, 2011, 2012, and 2013, Georgia state and local sales tax revenues would have been 2.5% of total personal income if 2018 rates were applicable to the 2010-2013 time period. By 2018, sales tax revenue as a percentage of personal income declined to 2.28%. This is a dramatic shift in the sales tax base with over 9% less in the proportion of sales tax to personal income in 2018 as compared to 2010.

To summarize, from 2010 through 2013, the sales tax to personal income percentage would have averaged 2.5% if the 2018 rate is applied to the 2010 through 2013 time-period. After 2013, this percentage began to decline.⁴¹ If Georgians paid the same relative sales taxes in 2018 as they did in 2010 through 2013, then Georgia state and local governments would have much more revenue. It is estimated that this shift in the sales tax base, for whatever reason(s) cost Georgia and local governments \$1.1 billion in 2018.



⁴¹ Georgia sales tax observers may point to the shift in the sales tax base regarding automobiles which were switched to another tax in 2013 and 2014; however, because of the automobile tax shift, automobile sales taxes were excluded from the 2010 through 2018 sales tax comparison for this report. This means that the automobile sales tax shift does not explain any of the reduction in the sales tax base as discussed in this report.



What could explain implicit sales tax erosion in comparing personal income growth to sales tax revenue? Possible reasons include: changes to the sales tax base via new exemptions, increased sales regarding nontaxable services, e-commerce, and other non-compliance issues.

New exemptions do not explain this loss of sales tax. Since 2013, when the erosion began its negative trajectory over the next five years, no new exemptions costing large amounts of tax were enacted to erode the sales tax base, according to the Georgia FY2019 Tax Expenditure Report.⁴² Four exemptions valued at \$1 million each in sales tax expenditure were enacted in 2015, 2016, and 2017; however, the sales tax holiday expired in 2016 and was valued at \$42 million which should have caused an increase in sales tax relative to personal income.

Increased service sales do not appear to explain this pattern of sales tax loss. Services spending has increased; however, services spending increases did not suddenly occur after 2013. The sales tax/income ratio was the same for four years – with service sales increases in those years – and did not begin to decline until after 2013. Regarding taxable sales of services, there has been an influence upon sales tax growth in Georgia in that all services sales tax growth was flat from 2012 through 2016, and declined slightly from 2014 to 2016 amounting in a reduction of services sales taxes of \$50 million.

The variance between income gain and sales tax growth is 18% with income growth being 18% higher than sales tax growth. E-commerce sales tax loss is estimated to amount to roughly 9% of sales taxes (before considering revenue recoupment from the 2018 legislation). The remaining differential could be attributed to non-taxable services, non-compliance, or other unknown reasons. E-commerce has been discussed, and the state would have to determine if any new non-compliance issues have arisen since 2013.

The question that remains, particularly regarding the differential in income gain and sales tax growth is whether the overall presumed sales tax erosion estimated amount of \$1.1 billion is inclusive or exclusive of the \$1 billion e-commerce estimated sales tax loss (prior to the 2018 e-commerce law changes). The next subsection discusses another Georgia estimated unexplained sales tax erosion amount which could suggest that the two figures are, at least to some extent, mutually exclusive. This could mean that Georgia may have experienced a decaying of sales tax receipts by more than \$2 billion rather than the estimated \$1.1 billion, or up to \$1.8 billion after considering the low estimate of revenue infusion from the Georgia 2018 act.

Other Georgia-specific studies have asserted that there is a Georgia sales tax erosion problem

⁴²

https://opb.georgia.gov/sites/opb.georgia.gov/files/related_files/site_page/FY%202019%20Tax%20Expenditure%20Report.pdf

Literature has noted Georgia's anomalies in sales tax decline relative to the state's growth. Lipsman and Davila (2017) found that from 2000 to 2016 Georgia's nominal sales tax collections per \$1 million of personal income declined 35%.⁴³ Buschman (2015) found a \$2.2 billion to \$2.8 billion Georgia sales tax collections shortfall in 2014 relative to GNP growth and personal income growth, respectively, as compared to 1991-2001 ratios with only 28% to 35% being explained by tax statute changes, a 3% of personal income spending shift from goods to services, and \$250 million in online non-taxation of state sales tax in 2014. The Buschman (2015) e-commerce figure does not include local sales tax (which would increase such amount to \$430 million for 2014), nor does the figure include non-e-commerce untaxed remote sales.⁴⁴

Georgia State University's Buschman (2015) estimated \$1.85 billion of explainable reasons for the state sales tax base shrinkage, but found that \$350 million to \$950 million unexplained.⁴⁵ Adjusting such figures to include local sales tax revenue could mean the unexplained sales tax leakage to be between approximately \$600 million to over \$1.5 billion. The \$1.1 billion estimated unexplained sales tax erosion asserted in this report lies just below the midpoint of the adjusted Buschman (2015) unexplained missing sales tax figures.

The Buschman (2015) estimates are for 2014 with up to \$1.5 billion in unexplained sales tax slippage in that year. Assuming the Buschman (2015) high estimate loss amount grew at a pace of 4% per annum would put such figure at \$1.8 billion for 2019.

This report asserts a \$1.1 billion amount of sales tax loss for 2018. As previously mentioned, this report's overall sales tax erosion estimate of \$1.1 billion and the e-commerce estimated loss of \$1 billion prior to implementation of the 2018 Internet sales tax act may be, all or in part, mutually exclusive. The assumed Buschman (2015) high estimate figure for 2019 may suggest that this could be the case.

Overall Sales Tax Erosion Summary

Descriptive statistics show something does not make sense concerning Georgia sales tax growth relative to growth of the Georgia economy. A clear pattern exists showing a decline in sales tax as a percentage of personal income, *ceteris paribus*. If Georgians paid out of their pockets the same amount of sales tax as a portion of their income as they

⁴³ Lipsman, M., and Davila, N., The Puzzling Decline in State Sales Tax Collections, 2017, Federation of Tax Administrators, taxadmin.org, p. 11, https://www.taxadmin.org/assets/docs/Meetings/17rev_est/lipsman_paper.pdf

⁴⁴ The Buschman \$430 million figure is similar to the more than \$400 million estimated for 2012 in the University of Tennessee study.

⁴⁵ Buschman, R., Georgia's Incredible Shrinking Sales Tax Base, Fiscal Research Center, Andrew Young School, Georgia State University, October 6, 2015, pp. 4-15, https://frc.gsu.edu/files/2015/10/Georgias-Incredible-Shrinking-Sales-Tax-Base_October-2015.pdf

did in the early part of the decade, then Georgia would have an extra \$1.1 billion a year in tax revenue less any portion attributed to the 2018 Georgia e-commerce act that would be applicable.

Georgia authors have noted large, unexplained sales tax loss estimates with one exceeding up to more than an estimated and adjusted \$1.8 billion. This report discusses overall erosion of \$1.1 billion and e-commerce sales tax loss of potentially more than \$700 million after considering new revenue from the 2018 Georgia act. These issues may be separate or inclusive; however, it is possible that Georgia could be experiencing a sales tax loss amount, in total, up to \$1.8 billion a year if the 2018 act low estimate is accurate or up to \$1.6 billion a year if the 2018 act high estimate prevails.

Walmart Overall Sales Tax Under-remittance to Georgia: up to an estimated \$104 million (or up to \$186 million if e-commerce leakage is in addition to instead of being included in this amount)

Walmart reports that it remitted sales tax to Georgia \$643.2 million for the twelve months ending January 31, 2018. This report estimates, based upon estimated Walmart total sales and estimated sales tax exemptions attributable to Walmart sales, that Walmart sales tax collections are \$48 million to over \$100 million lower than what should be remitting to the state. Inclusive, or additionally, Walmart.com uncollected e-commerce sales taxes are estimated to be \$82 million. Such estimated amounts are 8% to, collectively, over a quarter of Walmart's sales tax collections.

Georgia has numerous exemptions relevant to sales tax remitters, particularly those in the retail sector. Applicable state sales tax exemptions cost the state \$1.88 billion in sales and use tax, and such exemptions cost local governments \$1.02 billion in sales and use tax. This report examines sales tax exemptions regarding all businesses and what exemptions should be available for Walmart.

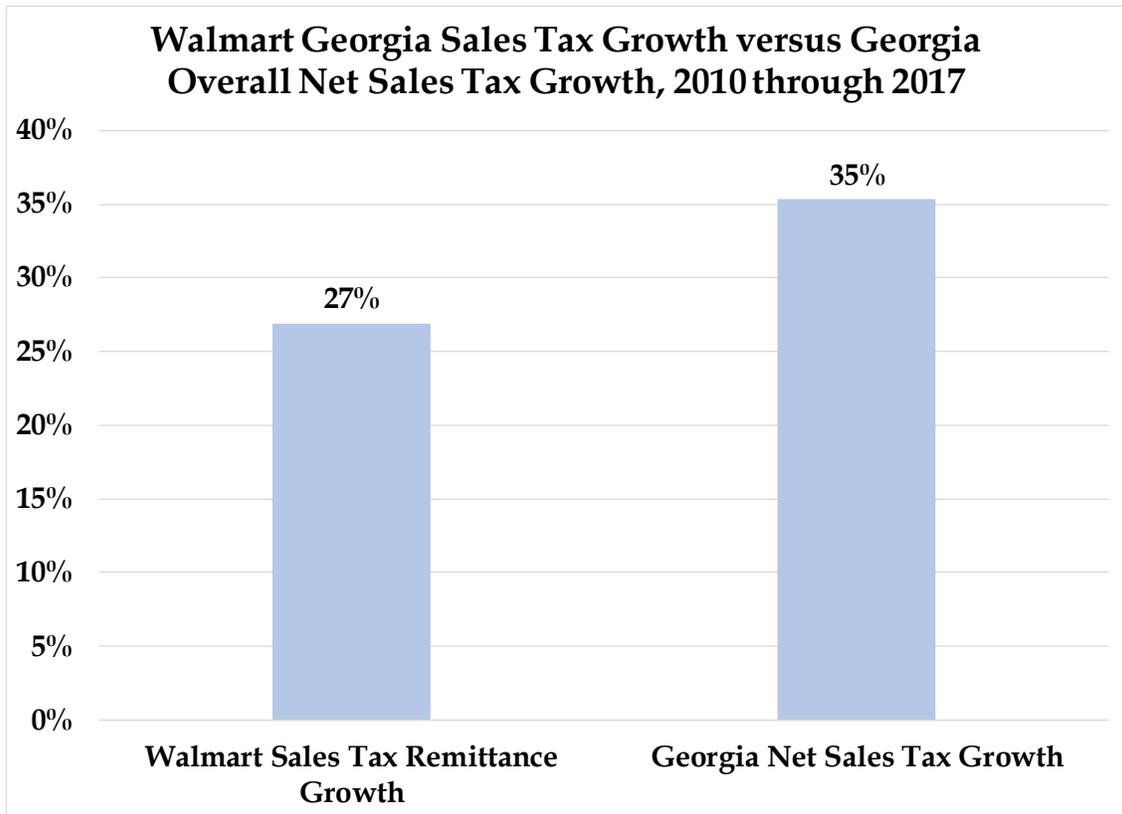
In this section of the report, aside from the e-commerce estimate, other estimates are derived to suggest that Walmart is not collecting up to or over \$100 million in Georgia state and local sales taxes. Such amount may or may not be in addition to the e-commerce leakage. If e-commerce non-collection of sales tax is in addition to the other estimated leakage, then Walmart may not be collecting up to \$186 million in Georgia state and local sales tax. The e-commerce issue, though, is set aside for this portion of the report focuses solely on Walmart store revenue, applicable exemptions, what is paid in sales tax, and what is estimated that should be collected in sales tax.

Walmart last reportedly collected \$643 million in Georgia sales tax. This report estimates Walmart Georgia sales revenue and exemptions available to Walmart applicable to tax exempt sales. After estimating revenues and deducting exemption amounts, a range of sales tax collections estimated to be due is provided as compared to the \$643 million Walmart remits to the state. The end result is that it is estimated that Walmart does not remit \$48 million to over \$150 million a year to Georgia that should be remitted, although the true estimate is believed to be in the \$100 million range.⁴⁶

⁴⁶ The \$150 million figure is based upon state-estimated exemption cost regarding food for personal use. Although the state estimate may be accurate, the composite analysis of Walmart revenues as attributed by type of sale, market share data, and federal data suggests that the state-estimated cost for the food exemption is understated. For this reason, the state-estimate is used to develop a low-end food exemption amount attributed to Walmart for purposes of developing a mid-point estimate; however, such amount is not considered as a primary estimate for attempting to determine Walmart's appropriate level of sales tax remittance.

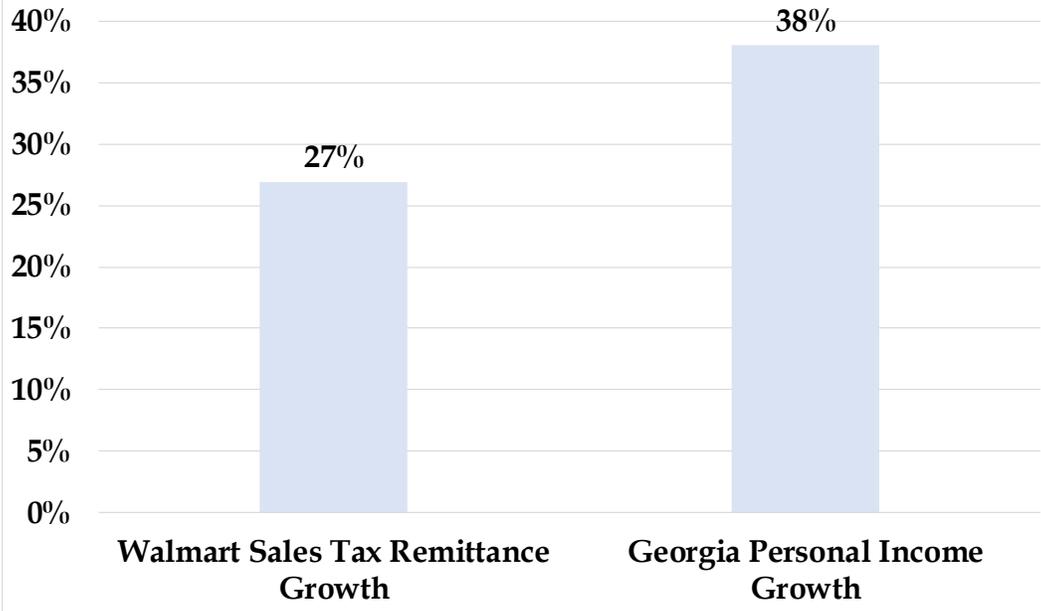
Walmart Sales Observations

Walmart's presence in Georgia has grown over the years. Walmart sales tax remittance growth is lower than Georgians personal income growth, and Walmart's sales tax growth is lower than that of the grocery store market segment. The following charts contrast these differences.

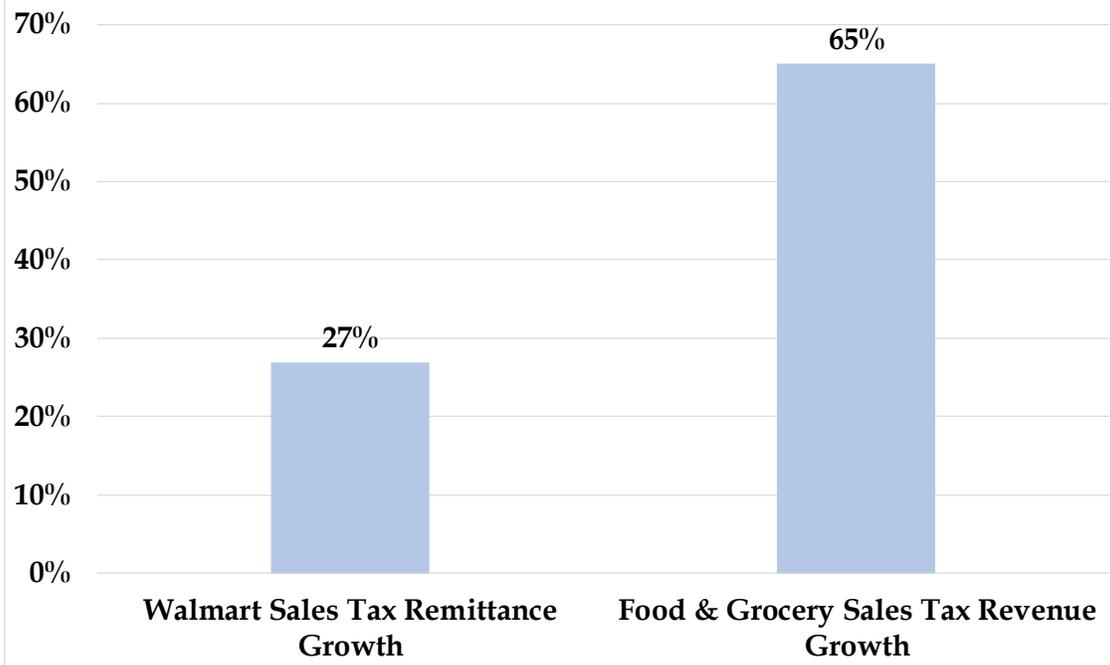


Sources: Walmart Location Facts, Walmart Corporate, 2019, and Walmart Presentation to the Southern Association of Tax Administrators, 2010.

Walmart Georgia Sales Tax Remittance Growth versus Georgia Personal Income Growth, 2010 through 2017



Walmart Georgia Sales Tax Remittance Growth versus Georgia Food & Grocery Store Sales Tax Revenue Growth, 2010 through 2017



As the previous charts show, Walmart sales tax growth is less than overall sales tax growth, lower than Georgia personal income growth, lower than food and grocery store sales tax growth. Is Walmart underperforming relative to other retail segments and Georgia’s economy as a whole? The answer to this question is unknown; however, these descriptive statistics suggest there are unanswered questions concerning Walmart sales tax collections relative to all sales tax collections, personal income of Walmart’s consumers, and its competitors.

Exploring this issue requires determining the appropriateness of what Walmart is collecting in sales tax relative to Walmart’s sales. This report provides estimates for Walmart Georgia revenue and the exemption amounts relative to Walmart sales. First, Walmart Georgia estimated sales revenue is provided, and, second, Walmart Georgia applicable exemptions and the estimated impact on Walmart sales tax remittance bottom line is presented.

Walmart Estimated Georgia Sales Revenue, \$16 billion

Before discussing exemptions in depth, it is important to discuss Walmart’s Georgia sales revenue. This report estimates revenue for Walmart Georgia because such information is unavailable. Walmart Georgia available information concerns: sales taxes remitted, number of stores, and sales mix for all stores nationally (which is assumed to be the same for Georgia Walmart). National Walmart financial data are also used for this exercise.

Georgia has 4% of Walmart’s U.S. stores within the state. Walmart Georgia’s stores vary by type relative to the nation. Georgia has a higher concentration of Supercenters and Neighborhood Markets, which have 4.3% and 4.4% of the national total, respectively. The following is a chart showing Walmart stores, by type, in Georgia, and in the United States:

Walmart Stores Located in Georgia as Compared to those in the U.S., 2017-18			
Type Store	Walmart Georgia Stores	Walmart U.S. Stores	GA Percentage
Supercenters	154	3,570	4.3%
Discount Stores	2	386	0.5%
Neighborhood Markets	31	698	4.4%
Walmarts On Campus	1	102	1.0%
Sam's Clubs	24	599	4.0%
Total	212	5,355	4.0%

Walmart provides financial data in its annual report concerning sales by major store type, and Walmart provides the average square footage for each type of store.⁴⁷ Such information is used to provide revenue estimates for Walmart Georgia.

Walmart Georgia Sales Revenue Estimate

Regarding the Walmart sales estimate for Georgia stores, it is estimated that Walmart Georgia had \$16.06 billion in retail sales in 2017/18. This number is derived by applying the national average revenue per type of store and applying such figures to Georgia’s number of stores by type.

For the twelve months ending January 31, 2018, the following were average revenue amounts per store based upon a Walmart average store revenue per square foot of \$471.47 for Walmart stores and an average store revenue of \$737.10 per square foot for Sam’s Club stores. The square footage revenue was determined by taking the total U.S. Walmart revenue and dividing that amount by number of square feet in the total Walmart footprint. The same approach was used in determining Sam’s Club revenue per square foot. The following chart shows the estimated sales revenue by store type for the average Walmart nationally:

Estimated Walmart Average Sales per Store, 2017/18	
Type Store	Average Sales Per Store
Supercenters	\$83,923,140
Neighborhood Markets	\$19,802,089
Discount Stores	\$49,505,223
Sam's Clubs	\$98,858,283

Source: Information based upon Walmart 2018 Annual Report data.

Based upon the number of Walmart stores in Georgia as applied to the above chart, Walmart Georgia total sales are estimated to have been \$16.06 billion for the 2017/2018 year ending January 31, 2018. These are estimated amounts and may vary in that the Walmart sales per square foot are not available for particular type stores. The aggregate per foot sales for the Walmart-branded stores are expected to be different for supercenters as compared to neighborhood markets so these figures should be viewed as approximations.

Whether Walmart Georgia stores sell as much as the average store nationally is unknown. However, Walmart Georgia’s growth would suggest that Walmart Georgia does not underperform as compared to average stores. Walmart Georgia has grown over the past seven to eight years.

⁴⁷ Walmart Annual Report, 2018

Walmart Stores Located in Georgia Growth since 2010			
Type Store	Walmart Georgia Stores 2010	Walmart U.S. Stores 2017/18	GA % Increase
Supercenters	133	154	
Discount Stores	5	2	
Neighborhood Markets	-	31	
Walmarts On Campus	-	1	
Sam's Clubs	23	24	
Total	161	212	31.7%

Walmart Stores Located in Georgia Growth since 2010				
Type Store	Walmart Georgia Stores 2010	Walmart U.S. Stores 2010	Walmart Georgia Stores 2017/18	Walmart U.S. Stores 2017/18
Supercenters	133	2,907	154	3,570
Discount Stores	5	708	2	386
Neighborhood Markets	-	189	31	698
Walmarts On Campus	-	-	1	102
Sam's Clubs	23	609	24	599
Total	161	4,413	212	5,355
Walmart Georgia % U.S. Stores	3.6%		4%	

The Walmart Georgia number of stores has increased by nearly a third since 2010. Walmart Georgia stores have increased as a total percentage of Walmart's U.S. stores since 2010. It stands to reason that if Walmart Georgia stores underperformed average stores nationally then Walmart would not increase Walmart Georgia stores and add concentration in Georgia as compared to just a short number of years ago. Given the assertion that Walmart Georgia stores at least performs as well as average stores nationally the estimate is that Walmart Georgia store revenue at least equals average store revenue. Using these figures means in overall Walmart Georgia estimated sales revenue of \$16.06 billion.

Sales Tax Exemptions

The State of Georgia FY2019 Tax Expenditure Report details the estimated cost of various sales tax exemptions for goods and services. The analysis for this report has used these exemption estimates to help quantify estimates in this section regarding explained and unexplained sales tax erosion.

The state tax expenditure report quantifies sales tax exemptions for a variety of product sales including food for personal use, prescription drugs, and agricultural inputs. This report applies most of these estimates to produce findings using Walmart as the prime example given that the company has produced sales tax collections data regarding Georgia in corporate documents. Some exemptions are not included in the analysis for they are not applicable to major retail groups (e.g., manufacturing inputs, natural gas

sales, and water works sales). Only exemptions concerning some applicable sectors, like construction and retail, are considered in this report.

The State of Georgia does not estimate the exemption cost to state and local governments or those sales to the federal government. This report assumes that federal government purchases from Georgia retailers would be minimal at best given that most related purchases are made through the General Services Administration. This report provides a tax expenditure estimate for state and local government spending based upon the U.S. Census of Government 2017 Annual Survey.

Assumptions are made to quantify applicable purchases of state and local governments. Here, the Census provides an estimate for State of Georgia operating costs, which includes payroll expenditures. After excluding payroll expenses, half of the remainder is excluded for service purchases, and then half of the remainder is excluded for state and local government purchases such as roadwork, public transportation, and water and sewer. Further, data from GovernmentSpending.com is used to derive a local sales tax exemption component regarding tax-exempt spending of local governments. After making these assumptions, it is estimated that the state and local government exemption amount is \$508 million to the State of Georgia and its political instrumentalities.

The following is a list of the relevant sales tax exemptions and tax cost to Georgia state and local governments:

Georgia Exemptions		
Exemption Item	State	Local
Food for Personal Consumption	\$ 539,000,000	\$ -
Lottery Tickets	\$ 169,000,000	\$ 125,000,000
Food Stamps/WIC	\$ 110,000,000	\$ 83,000,000
Private Schools	\$ 6,000,000	\$ 4,000,000
Diabetes Supplies	\$ 21,000,000	\$ 15,000,000
Prescription Drugs & Eyeglasses	\$ 419,000,000	\$ 311,000,000
Nursing Homes	\$ 106,000,000	\$ 79,000,000
State & Local Government Purchases	\$ 288,232,121	\$ 219,416,702
Durable Medical Equipment	\$ 35,000,000	\$ 26,000,000
Agricultural Inputs/Machinery & Equipment	\$ 150,000,000	\$ 104,000,000
Non-Profit Health Center & Health Clinics, Disabilities	\$ 3,000,000	\$ 1,000,000
University of Georgia Purchases	\$ 38,000,000	\$ 28,000,000
Total	\$ 1,884,232,121	\$ 995,416,702

Source: Georgia Tax Expenditure Report, 2018, & author's estimate for state and local government tax expenditure amount.

Walmart Exemptions

Estimating Walmart's sales tax collections due requires estimating the exemptions available to Walmart. Not all Walmart sales are taxable. Food, prescription drugs, sales to governments and non-profits, and various other Georgia exemptions make certain sales by Walmart tax exempt. The previous chart shows the relevant exemptions to large retailers, and it is believed that the list includes the ones that are applicable to Walmart, although not all areas found on the list appear applicable to Walmart (e.g., Durable Medical Equipment and most agricultural inputs/machinery & equipment).

Food for Personal Use Exemption

By far, the food for personal use exemption is the largest of the exemptions followed by prescription drugs. Walmart's annual reports have consistently noted that 56% of its sales are in the grocery area (with Sam's attributing 58% of its sales to grocery items in 2017). This means that Walmart has a substantial portion of its sales related to the food for personal use exemption (which includes non-alcoholic beverages).

The state, as shown in the previous chart, has two exemption amounts for food: the food for personal consumption exemption and the Food Stamps/WIC exemption. Between these two exemptions, there is a state-estimated state and local sales tax cost of \$732 million for state and local governments.

These amounts are used as the basis for one of the food for personal use exemptions estimates found in this report. Regarding gross sales of food for personal use, the state estimates that there is \$13.52 billion in food/beverage sales for personal use in Georgia plus \$2.75 billion for Food Stamp/WIC purchases. Such amounts combined are more to Bureau of Labor Statistics (BLS) data that estimate food for personal use at \$14.96 billion for 2017 (which excludes alcoholic beverages) when other federal household number data are applied to the BLS information concerning Atlanta and the South (assuming Georgia is like the South in terms of personal food consumption).

Federal data are used to provide a second estimate for the food for personal use exemption. The Federal Reserve Board of St. Louis provides state by state food and beverage for off-premise consumption estimates which are based upon Bureau of Economic Analysis and U.S. Census Bureau data. These data say that in 2017 that Georgia food and beverage sales (less an estimated amount for alcoholic beverage sales derived using federal data) amounted to \$27.13 billion. There is a dramatic difference between the state and Fed/BEA/Census food and beverage estimates. The Fed/BEA/Census numbers are substantially higher than the state estimated figures.

It is unknown as to whether the state or BLS data are accurate or whether the Fed/BEA/Census data estimates are accurate. The different sets of federal data are survey-based; however, in examining the BEA data in relation to Census data, these

data make tautological sense. Georgia may have more close-to-home data that suggests the figures should be lower than the Fed/BEA/Census figures so the state figures are not disregarded. Further, the state data is between the BLS and Fed/BEA/Census data so there is value placed upon the state data although these are much lower than the Fed/BEA/Census information.

This report uses both the state and Fed/BEA/Census to provide different food for personal exemption estimates. The varying estimates are used to help quantify what Walmart should be receiving as a tax-exempt sales amount for its overall sales. For purposes of this report it is believed to be a reasonable approach to take the midpoint between the low and high food estimates to provide the primary estimate for the Walmart food exemption assumption.

The following estimates are used for food for personal use sales applicable to Georgia for this analysis' purposes:

- Low food estimated Georgia sales: \$16.23 billion (e.g., state estimate)
- High food estimated Georgia sales: \$27.13 billion (e.g., Fed/BEA/Census estimate)
- Midpoint of the low and high estimates: \$21.68 billion

Walmart Estimated Food for Personal Use Market Share

The next step for estimating is to determine Georgia Walmart sales as a percentage of total food and beverage sales for off-premises consumption.

Different estimates are provided – the first estimate takes the midpoint between the low state food estimate and the high federal food estimate, and another estimate adopts the high federal food estimate as a check in one manner for one variation while it is also used as the baseline for a third estimate characterized as Estimate #2(b).⁴⁸

⁴⁸ The low food estimate is not used as a primary estimating factor because the resulting figures regarding Walmart appear to lack reasonableness considering Walmart's estimated low or high market share amounts or given Walmart's high concentration of grocery sales relative to overall sales. The low state estimate could only be deemed reasonable if Walmart revenues were dramatically lower than the estimated \$16 billion for 2017, and this is not believed to be the case because, as asserted, Walmart Georgia should perform at or exceeding national average store sales rather than below such amounts.

The Walmart Georgia Food for Personal Use Estimates

Walmart Food Exemption Estimate #1, \$5.42 billion

The first Walmart Georgia food and beverage sales tax exemption estimate is derived by taking the low state food estimate and the high federal food estimate and using the midpoint between the two. Then, 25% of that amount (for Walmart's high estimated market share) is taken for the Walmart state food estimate. The local food exemption estimate takes the state's Food Stamps/WIC sales tax exemption estimate and assumes 25% of such amount for Walmart's estimated share of that exemption amount.

- State-based food estimate figure for Walmart Georgia = \$4.06 billion
- Fed/BEA/Census-based food estimate figure for Walmart Georgia = \$6.78 billion
- Midpoint of the two estimates: **\$5.42 billion**

The midpoint estimate is used for Walmart Georgia Food Exemption Estimate #1. This amount, as shown above, is \$5.42 billion.

Walmart Food Exemption Estimate #2, \$6.72 billion

The Walmart Georgia associated high food estimate figure is bifurcated into two sub-estimates – Estimate #2 and Estimate #2 (b). The reason for these two separate estimates is because the high federal food estimate number is used concerning these estimates whereas Estimate #1 dealt with the midpoint between the low and high food estimates.

Estimate #2 assumes that Walmart's national sales mix drives the Walmart food estimate number based upon estimated revenue, and Estimate #2 (b) assumes Walmart has 20% of the high federal food sales amount. Estimate #2 secondarily uses the higher Georgia food for personal use consumption estimate provided by the Fed/BEA/Census data as a check against the purely Walmart-data derived food exemption estimate.

Estimate #2:

- ❖ takes Walmart Georgia estimated revenue,
- ❖ then applies such revenue against Walmart's national sales percentages by major category for groceries and health and wellness sales (e.g., 56% and 11% for Walmart, respectively, and 58% and 6% for Sam's Club, respectively).
- ❖ Portions of such percentages are estimated to be taxable and subtracted from the resulting dollar amounts (as discussed below).
- ❖ The resulting Walmart food estimate figure almost mirrors 25% of the Fed/BEA/Census data that could be attributed to Walmart.

Estimate #2 (b):

- ❖ Takes the higher Georgia food estimate from the Fed/BEA/Census data,
- ❖ Then takes an assumed Walmart Georgia market share of 20% and applies this percentage to the higher Georgia food estimate to derive a food exemption estimate for Walmart.

Estimate #2 Calculations:

As noted, Estimate #2 taken Walmart sales revenue and applies its “Grocery” and “Health and Wellness” percentages against the sales amount to derive a food exemption amount for Walmart Georgia. As mentioned, and as discussed below, some of the items in these categories are taxable in Georgia, so this section discusses this issue. Once the taxable portion is derived (as estimated), such taxable amount is deducted from the grocery and health and wellness dollar amounts to determine the net food tax exemption amount.

Walmart’s annual reports have said that 56% of its sales are “groceries” and the annual reports say that 58% of Sam’s Club sales are “groceries.” Walmart’s annual report also says health and wellness sales account for 11% of Walmart sales and 6% of Sam’s Club sales. Walmart’s annual report defines what it considers “groceries” and “health and wellness.” The following highlighted excerpt is from the 2018 Walmart Annual Report concerning the company’s definition of groceries and health and wellness, which, in part is considered here along with grocery items:

Walmart says, “Grocery consists of a full line of grocery items, including meat, produce, natural & organics, deli & bakery, dairy, frozen foods, alcoholic and nonalcoholic beverages, floral and dry grocery, as well as consumables such as health and beauty aids, baby products, household chemicals, paper goods and pet supplies; Health and wellness includes pharmacy, optical services, clinical services, and over-the-counter drugs and other medical products;...”⁴⁹ (See highlighted items that are, mostly or at least in part, taxable in Georgia).

As the Walmart “Grocery” definition notes, not all grocery items in the 56% attributable grocery sales are tax-exempt items in Georgia. In order to provide a Walmart Georgia food and beverage estimate it is necessary to estimate the portion of Walmart grocery sales that are not food and non-alcoholic beverage items. Progressive Grocer information is used for this exercise.

Progressive Grocer is another supermarket trade publication and it produces typical sales of goods regarding grocery stores and product sales nationwide in a composite

⁴⁹ Walmart 2018 Annual Report, https://s2.q4cdn.com/056532643/files/doc_financials/2018/annual/WMT-2018_Annual-Report.pdf.

fashion. Progressive Grocer outlines various sold goods in typical supermarkets and here a chart is used to show the perceived portion of Walmart grocery sales that are non-taxable and taxable.⁵⁰ The following chart shows various line items that would be applicable to Walmart grocery sales and it is assumed that Walmart grocery sales are similar to other grocery stores regarding its grocery side of the business:

Progressive Grocer Sales Survey	
Grocery Sales Areas	
Groceries-Food	\$ 228,664
Perishables	\$ 445,660
Alcoholic Beverages	\$ 54,451
Health & Beauty	\$ 81,095
General Merchandise--Tracked	\$ 58,803
Groceries Non-Food	\$ 121,363
Total Grocery Sales Areas	\$ 990,036
Taxable Sales of the Grocery Sales Areas	
Alcoholic Beverages	\$ 54,451
Floral	\$ 7,407
Self-Serve Deli	\$ 11,256
Health & Beauty	\$ 81,095
General Merchandise--Tracked	\$ 58,803
Groceries Non-Food	\$ 121,363
Total Taxable Sales	\$ 334,375
Taxable Sales as Percentage of Grocery Sales Areas	33.8%

Numbers are 2017 estimated sales in millions of dollars for the industry according to Progressive Grocer.

Regarding grocery stores with pharmacies, Progressive Grocer includes a line for such sales. Pharmacy sales are omitted from this section of the report because the prescription drug segment exemption is separated for Walmart using the state's exemptions estimate (however, the prescription/eyeglasses sales estimate attributed to Walmart is deducted from the Walmart sales base to apply the taxable percentage to the remainder of goods in the health and wellness category). In the above chart, health and beauty includes non-prescription drugs which are taxable in Georgia.

The Progressive Grocer data are used for the high level food estimated exemption amount for the statewide food exemption calculation. As the Progressive Grocer chart

⁵⁰ Progressive Grocer Consumer Expenditure Survey, Supermarket Sales Chart, 2017, <https://progressivegrocer.com/consumer-expenditures-study>

shows, 33.8% of 2017 supermarket sales are estimated to be taxable if applying Georgia exemption rules and assuming the same purchasing pattern applies to Georgia residents as the nation.

Such percentage is deducted from the estimated gross grocery, health, and beauty sales after deducting estimated prescription and eyeglasses exemptions estimated for Walmart. This results in a food exemption amount for Walmart Georgia of \$6.72 billion. In this estimate no market share percentage is used; however, if using the higher federal food estimate number with a 25% market share assumption were used, then Walmart Georgia's food exemption would be valued at \$6.78 billion, or less than 1% difference in Walmart Georgia Food Estimate #2.

Walmart Food Estimate #2 (b), \$5.43 billion

If the higher federal numbers are used, and Walmart's Market share is 20% of food for personal use consumption in Georgia, then the estimate would be \$5.43 billion. As it is unknown as to whether Walmart Georgia's food for consumption sales are 20% or 25% of the total, this particular sub-estimate is used with the other estimates in helping to develop a range of estimates as accurate as possible to address the overall sales tax remittance question. Coincidentally, this \$5.43 billion is just \$10 million more than the midpoint estimate used as Estimate #1 valued at \$5.42 billion.

The closeness of the numbers in both Estimate #2(b) and Estimate #1, along with the closeness of the estimate between Estimate #2 without considering market share and applying a 25% market share to the larger federal food consumption estimate suggests that the true estimate lies with either of the overall estimates.

Walmart Georgia Prescription Drug and Eyewear Exemption Estimate, \$528.1 million

The state estimates a prescription drug sales amount of \$9.48 billion for a state tax cost of \$379.2 million. Statista estimates that Walmart has 5% of the nation's prescription drug market.⁵¹ Using Georgia's estimate and assuming Walmart has 5% of the Georgia prescription drug market would place the Walmart Georgia prescription exemption value at \$473.9 million.

Statista estimates Walmart's eyewear sales nationwide at \$1.69 billion.⁵² Using Georgia's population percentage of the nation of 3.2%, and assuming Georgia sales are related to the population would put Walmart Georgia eyewear sales at \$54.14 million.

⁵¹ Share of the leading pharmacies in the United States in 2017, based on prescription revenue , Statista, <https://www.statista.com/statistics/255017/share-of-the-leading-us-pharmacies-based-on-prescription-revenue/>

⁵² Sales of the Leading Optical Retailers, Statista, 2019, <https://www.statista.com/statistics/256664/sales-of-the-leading-15-us-optical-retailers/>

The estimated Walmart Georgia sales tax exemption for prescription drugs and eyewear is \$528.1 million. The same exemption amount would apply as the local sales tax exemption amount for these two categories.

Walmart Other Exemptions Estimate, \$1.6 billion

Georgia Exemptions		
Exemption Item	State	Local
Food for Personal Consumption	\$ 539,000,000	\$ -
Lottery Tickets	\$ 169,000,000	\$ 125,000,000
Food Stamps/WIC	\$ 110,000,000	\$ 83,000,000
Private Schools	\$ 6,000,000	\$ 4,000,000
Diabetes Supplies	\$ 21,000,000	\$ 15,000,000
Prescription Drugs & Eyeglasses	\$ 419,000,000	\$ 311,000,000
Nursing Homes	\$ 106,000,000	\$ 79,000,000
State & Local Government Purchases	\$ 288,232,121	\$ 219,416,702
Durable Medical Equipment	\$ 35,000,000	\$ 26,000,000
Agricultural Inputs/Machinery & Equipment	\$ 150,000,000	\$ 104,000,000
Non-Profit Health Center & Health Clinics, Disabilities	\$ 3,000,000	\$ 1,000,000
University of Georgia Purchases	\$ 38,000,000	\$ 28,000,000
Total	\$ 1,884,232,121	\$ 995,416,702

The state has a number of other sales tax exemptions that are applicable to Walmart. These are grouped into four sections, based upon Walmart's estimated market share of retailers selling such goods.

The following exemptions are viewed as relevant to Walmart sales:

1. Lottery tickets
2. Private School purchases
3. Diabetes supplies
4. State and local government purchases
5. Agricultural inputs/Machinery & equipment
6. Non-profit health centers
7. University of Georgia purchases

It is assumed that Walmart's sales to governments sales tax exemption is 5% of the total estimated \$288.2 million state cost and 5% of the local governments \$219.4 million local tax cost. It is assumed that Walmart has a low percentage of these sales because governments primarily have bid law requirements and many of government purchases are not related to Walmart sales (e.g., construction, water treatment equipment,

roadwork, school buses, other vehicles, food purchases in bulk). The total sales tax cost estimated to be attributed to state and local government sales tax exemptions for Walmart are \$25.3 million.

The same assumption applies to the agricultural inputs/machinery & equipment exemption. Here it is also assumed that Walmart Georgia only sells 5% of the amount of these purchases. Walmart sells seeds, plants, fertilizer, and pesticides; however, much of what is purchased in this category is unrelated to Walmart sales. For this reason the 5% figure is used. The state and local tax exemption cost for this area is estimated to be \$1.27 million.

The remaining exempt groups are separated in two segments based upon Walmart's estimated market share regarding applicable businesses selling to the remaining groups. The first group concerns University of Georgia purchases. It is estimated that Walmart Georgia has 15.2% of the sales of businesses that would sell to the University of Georgia. This would equate to an estimated tax cost of approximately \$10 million in tax cost. The second group consists of the remaining exemption categories. Walmart is estimated to account for 20.5% of the sales associated with businesses that would sell to these groups. The tax cost for the remaining items would be \$344 million, and the Walmart tax cost share is estimated to be \$70.5 million.⁵³

All total, Walmart Georgia other exemption amount totals \$1.604 billion in exempt sales. The state tax amount is estimated to be \$64 million and the estimated local tax cost amount is estimated to be \$48.8 million.

Walmart Georgia Sales Revenue, Exemptions, Taxes Estimated to be Collected, and Actual Taxes Collected

Estimates have been provided concerning Walmart Georgia revenue. Estimates have been provided concerning sales tax exemptions viewed as applicable to Walmart sales and the assumptions associated with each. Walmart corporate information provides sales taxes remitted to Georgia for 2017. This section of the report provides composites, based upon varying estimates, of what is believed that Walmart should be collecting in state and local sales tax as compared to how much sales tax revenue is remitted to Georgia by Walmart.

⁵³ Other exemption attributed percentages to Walmart are based upon the overall sales tax of various groups of taxpayers assumed to sell goods to the particular categories noted. Walmart's assumed sales are taken as a percentage of assumed sales of such groups and Walmart's percentage of such sales is then applied to the relevant sales tax expenditures.

Different estimates are provided here. The food for personal use tax exemption estimate is the catalyst for each of the estimates. As mentioned, the state provides a tax cost estimate for the food exemption and it is used to derive the mid-point estimate.⁵⁴

In summary, the following chart provides the range estimated that Walmart does not remit to the state but that is estimated to be due in addition to what Walmart already remits to the state in sales tax (and note that the exemption amounts stated are the state exemption amounts – the local exemption amounts are found in the following detail):

	State Estimate Food Exemption	Estimate #1 Midpoint Estimate Food Exemption	Estimate #2 High Estimate Food Exemption	Estimate #2 (B) High Food/Walmart 20% Food Market Share
Walmart Estimated Revenue	\$ 16,059,138,283	\$ 16,059,138,283	\$ 16,059,138,283	\$ 16,059,138,283
Walmart Estimated Exemptions	\$ 6,188,094,814	\$ 7,551,134,940	\$ 8,848,375,670	\$ 7,557,709,016
Walmart Estimated Taxable Sales	\$ 9,871,043,469	\$ 8,508,003,343	\$ 7,210,762,614	\$ 8,501,429,267
Walmart Estimated State & Local Sales Tax Due	\$ 797,993,450	\$ 743,471,845	\$ 691,582,216	\$ 747,395,757
Walmart Sales Taxes Collected & Remitted	\$ 643,200,000	\$ 643,200,000	\$ 643,200,000	\$ 643,200,000
Estimated Sales/Use Tax Deficiency	\$ (154,793,450)	\$ (100,271,845)	\$ (48,382,216)	\$ (104,195,757)
Deficiency % of Walmart Sales Taxes Collected	-24%	-16%	-8%	-16%

As the above chart shows, it is estimated that Walmart under-remits sales tax to state and local governments ranging from \$48 million to \$155 million. The middle estimates of \$100 million and \$104 million are believed to be reasonable expectations as opposed to the low estimate of \$48 million and the high estimate of \$155 million.

The following charts show the breakdown of each estimate concerning revenue, exemptions, taxes estimated to be due, taxes collected, and estimated sales tax collection deficiencies. Further, the following charts separate state and local exemptions whereas the above chart only shows state-related exemptions.

⁵⁴ The state estimate impact upon the overall Walmart sales tax estimate can be viewed in Appendix 1. The state estimate is not the primary driver of any of the estimates; however, its bottom line figure is presented within the range of what is estimated to be due the state in Walmart sales/use tax collections.

Walmart Sales Tax Assessment
Food Estimate One (Midpoint Estimate)

	State Walmart Sales Tax Estimate	Local Walmart Sales Tax Estimate
Walmart Georgia Revenue Estimate		
Walmart Georgia Sales Estimate	\$ 16,059,138,283	\$ 16,059,138,283
Exemptions		
Food Exemption @ 25% All Food Sales	\$ 5,419,290,126	\$ 687,500,000
Other Exemptions	\$ 1,603,765,214	\$ 1,603,765,214
Pharmacy & Eyeglass Exemption	\$ 528,079,600	\$ 528,079,600
Total Estimated Exemptions	\$ 7,551,134,940	\$ 2,819,344,814
Implied Taxable Sales	\$ 8,508,003,343	\$ 13,239,793,469
Implied State Tax/Implied Local Tax	\$ 340,320,134	\$ 403,151,711
State & Local Implied Sales Tax	\$ 743,471,845	
Actual Walmart Tax	\$ 643,200,000	
Discrepancy	\$ (100,271,845)	
Percent Discrepancy	-16%	

Walmart Sales Tax Assessment
Food Estimate Two (High Food Exemption Estimate)

	State Walmart Sales Tax Estimate	Local Walmart Sales Tax Estimate
Walmart Georgia Revenue Estimate		
Walmart Georgia Sales Estimate	\$ 16,059,138,283	\$ 16,059,138,283
Exemptions		
Food Exemption using WM Sales & Walmart Implied Food Percentage	\$ 6,716,530,855	\$ 687,500,000
Other Exemptions	\$ 1,603,765,214	\$ 1,603,765,214
Pharmacy & Eyeglass Exemption	\$ 528,079,600	\$ 528,079,600
Total Estimated Exemptions	\$ 8,848,375,670	\$ 2,819,344,814
Implied Taxable Sales	\$ 7,210,762,614	\$ 13,239,793,469
Implied State Tax/Implied Local Tax	\$ 288,430,505	\$ 403,151,711
State & Local Implied Sales Tax	\$ 691,582,216	
Actual Walmart Tax	\$ 643,200,000	
Discrepancy	\$ (48,382,216)	
Percent Discrepancy	-8%	

Walmart Sales Tax Assessment
Food Estimate #2 (b) – Assumes Walmart Georgia sells 20% of All Food for Personal Use in Georgia using High Food Estimate

	State Walmart Sales Tax Estimate	Local Walmart Sales Tax Estimate
Walmart Georgia Revenue Estimate		
Walmart Georgia Sales Estimate	\$ 16,059,138,283	\$ 16,059,138,283
Exemptions		
Food Exemption @ 20% All Food Sales	\$ 5,425,864,202	\$ 550,000,000
Other Exemptions	\$ 1,603,765,214	\$ 1,603,765,214
Pharmacy & Eyeglass Exemption	\$ 528,079,600	\$ 528,079,600
Total Estimated Exemptions	\$ 7,557,709,016	\$ 2,681,844,814
Implied Taxable Sales	\$ 8,501,429,267	\$ 13,377,293,469
Implied State Tax/Implied Local Tax	\$ 340,057,171	\$ 407,338,586
State & Local Implied Sales Tax	\$ 747,395,757	
Actual Walmart Tax	\$ 643,200,000	
Discrepancy	\$ (104,195,757)	
Percent Discrepancy	-16%	

In each of the charts an estimate is provided for a sales tax deficiency for Walmart Georgia. The range of the deficiency in the above charts is \$48 million to \$104 million. It is suggested in these estimates that after taking into account non-taxable sales that Walmart Georgia is not collecting \$48 million to \$104 million that should be collected for Georgia state and local governments.

As previously discussed, Walmart.com is estimated to not be collecting \$82 million in sales tax regarding e-commerce sales. This amount may be included in the overall discrepancy of approximately \$104 million; however, it is believed that these amounts may be mutually exclusive because Walmart does not consider third-party seller sales as “Walmart sales.” As noted by the Walmart FY19 quarterly financial report, “e-commerce impact” on Walmart, Inc., net sales are an approximate annualized \$3 billion, which is approximately 10% of potential e-commerce sales for this year. This is interpreted to mean that non-taxed third party sales may not be considered to be included in Walmart net sales figures, thus the e-commerce portion may be in addition to the \$48 million to \$104 million in estimated Walmart under-collection of sales tax. If this is the case, then the total under-collected sales tax estimate for Walmart could be \$130 million to \$186 million a year.

Walmart Property Tax Observations

A comprehensive review of Georgia's property tax assessed values in relation to Walmart was not conducted for this report; however, comparative data was used for this report where counties had long-term assessment data for Walmart properties. For the major counties reviewed it was found that Walmart assessed value growth over time underperformed tax value growth of commercial property and all property in those counties. If Walmart experienced the same tax valuation increases as compared to other taxpayers, then \$120 million in additional assessments would be incurred by Walmart in just three counties.

Georgia has 159 counties, and county tax assessor websites for over 30 counties were reviewed to find Walmart property value records for a ten-year period. Many counties had Walmart tax values for two to four years; however, only three counties were identified that had ten-year tax assessment values for Walmart properties in those counties. These counties include Chatham, Cherokee, and Gwinnett Counties.

Gwinnett County is the second largest county of the state and part of the Atlanta metropolitan area with a population of 920,260, and its county seat is Lawrenceville. Chatham County, home of Savannah, is the fifth largest county in the state with a population of 290,501. Cherokee County, home to Woodstock and Canton in the northwest part of the state, has a population of 247,543, and is the sixth largest county by population.

Each of these counties had comprehensive financial annual reports that included tax assessment values for commercial property and all property within the county for years 2008 through 2017. Tax values for Walmart stores in these three counties were reviewed for each of the years in the ten-year period and those values have been compared here to commercial and total property value in those particular counties. In each of the three counties, Walmart assessed value growth was less than other commercial property owners and property owners as a whole. Each county results are provided in this section of the report.

Gwinnett County Walmart Property Values & Comparison to Other Taxpayers

In Gwinnett County, property tax records were available for ten store locations. Nine of the stores existed in 2008, and the one remaining store was added in 2013. Each of the stores existing in 2008 had property tax assessed value declines of 32% to 56% from 2008 to 2018. For these stores collectively, the assessed value over the decade decreased 50.2% as shows by the following chart. In each of the ten years except two, Walmart appealed original tax assessments and received lowered assessments for one or more of its stores. In the two years Walmart did not appeal, prior year appeals were in place for those years. So, in essence, in every year of the decade under review, Walmart

appealed, or prospectively appealed, property values of Gwinnett County stores. Every store's county assessed value at some point, or at multiple points of the decade, was appealed.

Gwinnett County (Lawrenceville) Walmart Stores, Assessed Value Change 2008-2018				
Store Location	2008	2014	2018	2008-2018 Change
1550 Scenic Highway	\$ -	\$ 13,552,500	\$ 12,481,500	NA
1400 Lawrenceville Highway	\$ 20,563,100	\$ 15,192,300	\$ 11,828,000	-42%
3245 Lawrenceville Suwanee Rd.	\$ 20,317,000	\$ 17,253,700	\$ 11,928,000	-41%
3795 Buford Drive	\$ 17,000,000	\$ 15,149,200	\$ 11,513,500	-32%
4221 Atlanta Highway	\$ 4,500,000	\$ 4,500,000	\$ 3,000,000	-33%
3435 Centerville Hwy.	\$ 20,000,000	\$ 17,969,300	\$ 12,410,600	-38%
4975 Jimmy Carter Blvd.	\$ 16,390,000	\$ 12,352,700	\$ 8,679,700	-47%
2635 Pleasant Hill Road	\$ 20,200,000	\$ 17,485,800	\$ 12,088,500	-40%
4004 Lawrenceville Highway	\$ 20,200,000	\$ 17,432,500	\$ 12,051,600	-40%
3250 Sardis Church Road	\$ 27,000,000	\$ 14,530,500	\$ 11,748,100	-56%
Total Gwinnett County Walmart Assessed Value	\$ 166,170,100	\$ 131,866,000	\$ 95,248,000	-42.7%
Total Gwinnett County Walmart Assessed Value less	\$ 166,170,100	\$ 118,313,500	\$ 82,766,500	-50.2%
New Scenic Highway New Store				

Gwinnett County's Comprehensive Annual Financial Report (CAFR) had composite assessed value information for 2008 and 2017. As the following chart shows, from 2008 to 2017, Walmart's assessed value (including a new store added in 2013) declined 42%. Commercial property assessed value during the same period only declined 5%, and all property owners' assessed value only declined 1%. If Walmart had been like other commercial taxpayers, then Walmart's assessed value would have been over \$80 million more in 2017. The following chart shows the 2008 to 2017 tax assessment comparisons:

Gwinnett County Assessed Value for Walmart & Other Taxpayers			
Year	Commercial Property Assessed Value	Total Taxable Assessed Value	Walmart Taxable Value
2008	8,232,413,573	29,353,132,297	\$ 166,170,100
2017	7,811,774,198	29,166,255,110	\$ 97,203,200
Percent Change	-5%	-1%	-42%
https://www.gwinnettcounty.com/static/departments/financialservices/pdf/CAFR_FY2017_Final.pdf			
Gwinnett County Tax Assessors Office website, April 2019.			

Cherokee County Walmart Property Values & Comparison to Other Taxpayers

In Cherokee County, property tax records were available for four store locations. Three of the stores existed in 2008, and the one remaining store was added in 2013. Each of the stores existing in 2008 had property tax assessed value declines of 32% to 48% from 2008 to 2018. For these pre-existing stores collectively, the assessed value over the decade decreased 40% as shown by the following chart.

Cherokee County (Canton) Walmart Stores, Assessed Value Change 2008-2018				
Store Location	2008	2014	2018	2008-2018 Change
2200 Holly Springs	\$ -	\$ 13,843,400	\$ 12,380,556	NA
6435 Bells Ferry Road	\$ 17,489,700	\$ 16,002,000	\$ 11,683,813	-33%
12182 Highway 92	\$ 19,507,800	\$ 15,886,300	\$ 11,723,670	-40%
1550 Ball Ground	\$ 16,975,100	\$ 12,421,000	\$ 8,892,620	-48%
Total Cherokee County Walmart Assessed Value	\$ 53,972,600	\$ 58,152,700	\$ 44,680,659	-17%
Total Cherokee County Walmart Assessed Value less	\$ 53,972,600	\$ 44,309,300	\$ 32,300,103	-40%
New Holly Springs Store				

Cherokee County's Comprehensive Annual Financial Report (CAFR) had composite assessed value information for 2008 and 2017. As the following chart shows, from 2008 to 2017, Walmart's assessed value (including a new store added in 2013) declined 17%. Commercial property assessed value during the same period increased 21%, and all property owners' assessed value increased 4%. If Walmart had been like other commercial taxpayers, then Walmart's assessed value would have been over \$20 million more in 2017. The following chart shows the 2008 to 2017 tax assessment comparisons:

Cherokee County Assessed Value for Walmart & Other Taxpayers			
Year	Estimated Commercial Property	Estimated All Property	Walmart Taxable Value
2008	13,627,237,400	23,147,516,415	\$ 53,972,600
2017	16,466,202,285	24,077,938,325	\$ 44,942,700
Percent Change	21%	4%	-17%
https://www.cherokeega.com/Finance/_resources/documents/CAFR/Cherokee%20CAFR%202017_2018-03-29.pdf			
Cherokee County Tax Assessors Office website, April 2019.			
Note: Walmart values are for all stores that were in service in 2008 and 2017, excluding the new store.			

Chatham County Walmart Property Values & Comparison to Other Taxpayers

In Chatham County, property tax records were available for five store locations. Each of the stores existed in 2008. Three of the stores had property tax assessed value declines of 9% to 21% from 2008 to 2018, and two of the stores had assessed value increases of 21% and 35%, respectively. For these stores collectively, the assessed value over the decade decreased 0.1% as shown by the following chart.

Chatham County (Savannah) Walmart Stores, Assessed Value Change 2008-2018				
Store Location	2008	2014	2018	2008-2018 Change
4725 E Hwy 80, Savannah	\$ 5,893,500	\$ 6,227,500	\$ 5,025,100	-15%
1955 East Montgomery, Savannah	\$ 19,238,500	\$ 18,355,200	\$ 15,200,000	-21%
6000 Ogeechee Rd, Savannah	\$ 13,560,000	\$ 14,570,400	\$ 12,286,800	-9%
14030 Abercorn St., Savannah	\$ 10,654,000	\$ 14,690,300	\$ 14,359,500	35%
160 Pooler Pkwy., Pooler	\$ 11,599,500	\$ 12,643,800	\$ 14,000,000	21%
Total Chatham County Walmart Assessed Value	\$ 60,945,500	\$ 66,487,200	\$ 60,871,400	-0.1%

Chatham County's Comprehensive Annual Financial Report (CAFR) had composite assessed value information for 2008 and 2017. As the following chart shows, from 2008 to 2017, Walmart's assessed value increased 11%. Commercial property assessed value during the same period increased 49%, and all property owners' assessed value increased 9%. If Walmart had been like other commercial taxpayers, then Walmart's assessed value would have been over \$23 million more in 2017. The following chart shows the 2008 to 2017 tax assessment comparisons:

Chatham County Assessed Value for Walmart & Other Taxpayers			
Year	Commercial Property Assessed Value	Total Taxable Assessed Value	Walmart Taxable Value
2008	5,161,677,053	11,140,459,345	\$ 60,945,500
2017	7,698,734,020	12,144,379,501	\$ 67,418,900
Percent Change	49%	9%	11%
Chatham County Comprehensive Annual Report, 2017.			
Gwinnett County Tax Assessors Office website, April 2019.			

In each of the three counties discussed, Walmart experienced property tax valuation increases or decreases dramatically different than other commercial real property. If Walmart saw its property assessment increase at the same percentage over the 2008 to 2017 decade, then Walmart would have had over \$123 million more in assessed value just in these three counties.

In the three counties, combined Walmart property tax assessments, including two new stores, declined \$80.3 million over the 2008-2018 time-period, or 29%. Excluding new stores, Walmart's same store valuations declined \$105 million, or 37% from 2008 through 2018. Comparisons regarding taxpayers from 2008 through 2017 further show a disconnect between Walmart valuations and those of commercial and all taxpayer valuations. In the three counties, all property assessed value increased 3% from 2008 through 2017, yet Walmart assessed value declined by 20%, even including new stores added in the middle of the decade. Granted, additional commercial real estate and residential real estate may have been placed in service during these years; however, Walmart added property, too, yet the stark contrast in what appears to be a systematic

valuation decline of Walmart property value raises questions. Walmart added new stores in counties while the existing Walmart property values in those counties were declining in value.

Conclusion

Georgia has experienced sales tax erosion relative to the state's economic growth after considering additional enacted exemptions. This report estimates an unexplained \$1.1 billion in sales tax decline relative to personal income growth as of 2017. Further, this report estimates that the lack of taxation on remote seller sales to Georgians exceeds \$500 million the \$700 million a year after taking into account Georgia's new 2018 e-commerce sales tax legislation. Conceivably, the overall sales tax erosion figure could approach \$1.8 billion if the latter amounts are mutually exclusive.

Walmart, the state's largest retail collector of sales tax, is estimated to be under-collecting sales tax by \$48 million to over \$100 million. Walmart.com e-commerce non-collection of sales tax is estimated to be up to \$82 million for this year. These figures may be mutually exclusive or there may be overlap. In either case, Walmart may be not collecting Georgia state and local sales tax on sales to Georgians ranging from \$82 million to \$186 million. In either case, these are substantial dollars that Georgia and local governments could be receiving in additional revenue if further state review is conducted and attention to e-commerce rules and laws are examined as to apparent leakage.

Walmart property tax valuation has been observed in three major Georgia counties. Walmart property assessed value growth has not kept pace with other taxpayers. If Walmart experienced the same valuation increases as other taxpayers, then Walmart would be paying property tax on over \$120 million in additional value in just three counties.

Further attention to e-commerce and sales tax compliance issues are warranted if Georgia leaders wish to receive more sales tax revenue that is apparently due. Examining Walmart Georgia property valuations may be another avenue to seek revenue for Georgia local governments.

This report was researched and written by Dr. Henry Mabry. Dr. Mabry is a former state finance director of the State of Alabama where he served as the state's chief financial officer. He received his doctorate in public administration from the University of Alabama, and he is a public finance consultant for local governments and other clients. He has made sales and property tax analysis presentations to the Southern Municipal Conference, the Alabama League of Municipalities, and the Southeastern Association of Tax Administrators; and he has presented papers concerning economic incentives and property tax valuation.

Appendix

Appendix 1

The low food estimate for the state produced the following results. These results are considered the low estimate used along with the high food estimate to derive the midpoint scenario above. It is not believed that the following scenario reflects an accurate Walmart Georgia sales tax picture.

Low Food Tax Exemption Results – Only Used for Calculating the Midpoint Estimate found Above

	State Walmart Sales Tax Estimate	Local Walmart Sales Tax Estimate
Walmart Georgia Revenue Estimate		
Walmart Georgia Sales Estimate	\$ 16,059,138,283	\$ 16,059,138,283
Exemptions		
Food Exemption @ 25% All Food Sales	\$ 4,056,250,000	\$ 687,500,000
Other Exemptions	\$ 1,603,765,214	\$ 1,603,765,214
Pharmacy & Eyeglass Exemption	\$ 528,079,600	\$ 528,079,600
Total Estimated Exemptions	\$ 6,188,094,814	\$ 2,819,344,814
Implied Taxable Sales	\$ 9,871,043,469	\$ 13,239,793,469
Implied State Tax/Implied Local Tax	\$ 394,841,739	\$ 403,151,711
State & Local Implied Sales Tax	\$ 797,993,450	
Actual Walmart Tax	\$ 643,200,000	
Discrepancy	\$ (154,793,450)	
Percent Discrepancy	-24%	

Bibliography

National Conference of State Legislatures, Collecting E-Commerce Taxes, 2017, <http://www.ncsl.org/research/fiscal-policy/collecting-ecommerce-taxes-an-interactive-map.aspx>

Bruce, D., Fox, W., & Luna, L., State and Local Government Sales Tax Revenue Losses from Electronic Commerce, The University of Tennessee, April 13, 2009.

Remote Seller Sales Tax Loss Update, NCSL, 2017, <http://www.efairness.org/files/Updated%20Sales%20Tax%20Loss%20Report.pdf>

State & Local Tax Rates, Tax Foundation, 2012-2019, <https://taxfoundation.org/state-local-sales-tax-rates-midyear-2018/>.

Dalton, J., Walmart Sales Tax Compliance, Walmart Presentation, Southeastern Association of Tax Administrators, 2010, <https://www.seata2010.net/pdf/SalesTaxCompliance.pdf>

E-Commerce Retail Sales, 2017-2018, Federal Reserve Board of St. Louis, February 21, 2019, <https://fred.stlouisfed.org/series/ECOMSA>

E-Commerce Statistics, U.S. Census Bureau, 2012-2016, <https://www.census.gov/programs-surveys/e-stats.html>

Bureau of Labor Statistics, Consumer Expenditure Survey, 2017.

Consumer Spending, Bureau of Economic Analysis, <https://www.bea.gov/data/consumer-spending/main>

State Government Tax Collections: 2012, American Fact Finder, U.S. Census Bureau, <https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=bkmk>

State and Local Government Finances by Level of Government and by State: 2012

2012 Census of Governments, U.S. Census Bureau, https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=COG_2012_00A1&prodType=table#

E-Commerce Retail Sales, 2017, Federal Reserve Board of St. Louis, February 21, 2019, <https://fred.stlouisfed.org/series/ECOMSA>

Dignan, L., Walmart's e-commerce annual sales hit \$13.7 billion, zdnet.com, February 18, 2016, <https://www.zdnet.com/article/walmarts-e-commerce-annual-sales-hit-13-7-billion/>

Perez, P., Walmart passes Apple to become No. 3 online retailer in U.S., Techcrunch.com, November 2018, <https://techcrunch.com/2018/11/16/walmart-passes-apple-to-become-no-3-online-retailer-in-u-s/>

Lindner, M., More products for sale help Walmart generate 50% web sales growth in Q3, November 16, 2017, digitalcommerce360.com, <https://www.digitalcommerce360.com/2017/11/16/triple-online-assortment-leads-50-year-year-online-sales-growth-walmart/>

Walmart Longtail of Selection, marketplacepulse.com, November 20, 2018, <https://www.marketplacepulse.com/articles/walmart-long-tail-of-selection>

Walmart agrees to buy Jet.com for \$3 billion, Walmart.com, August 8 2016, <https://news.walmart.com/2016/08/08/walmart-agrees-to-acquire-jetcom-one-of-the-fastest-growing-e-commerce-companies-in-the-us>

Walmart Annual Reports, 2010-2019.

Tax Foundation, State and Local Sales Tax Rates, 2019.

Georgia Total Personal Income, Federal Reserve Economic Data, Federal Reserve Board of St. Louis, 2019, <https://fred.stlouisfed.org/series/GAOTOT>

State of Georgia, Tax Expenditure Reports, 2012-2019 https://opb.georgia.gov/sites/opb.georgia.gov/files/related_files/site_page/FY%202019%20Tax%20Expenditure%20Report.pdf

Lipsman, M., and Davila, N., The Puzzling Decline in State Sales Tax Collections, 2017, Federation of Tax Administrators, taxadmin.org, p. 11, https://www.taxadmin.org/assets/docs/Meetings/17rev_est/lipsman_paper.pdf

Buschman, R., Georgia's Incredible Shrinking Sales Tax Base, Fiscal Research Center, Andrew Young School, Georgia State University, October 6, 2015, pp. 4-15, https://frc.gsu.edu/files/2015/10/Georgias-Incredible-Shrinking-Sales-Tax-Base_October-2015.pdf

Walmart Q1 2019 Financial Presentation, 2019. https://corporate.walmart.com/media-library/document/earnings-presentation-q1-fy19/_proxyDocument?id=00000163-6b1f-ded8-ab7f-7f7f63170000

The Shelby Report, Southeast Edition November 2017,
<https://www.theshelbyreport.com/>

U.S. Bureau of the Census, Monthly Retail Trade Report, 2017 annual data.
Statista. Market share of U.S. food and beverage purchases in 2016, by company.
<https://www.statista.com/statistics/240481/food-market-share-of-the-leading-food-retailers-of-north-america/>

Walmart's U.S. food retail market share is bigger than you think, Produce Retailer, 2017, <https://www.produceretailer.com/article/news-article/wal-marts-us-food-retail-market-share-bigger-you-think>

Walmart 2018 Annual Report,
https://s2.q4cdn.com/056532643/files/doc_financials/2018/annual/WMT-2018_Annual-Report.pdf.

Progressive Grocer Consumer Expenditure Survey, Supermarket Sales Chart, 2017, <https://progressivegrocer.com/consumer-expenditures-study>

Share of the leading pharmacies in the United States in 2017, based on prescription revenue
, Statista, <https://www.statista.com/statistics/255017/share-of-the-leading-us-pharmacies-based-on-prescription-revenue/>

Sales of the Leading Optical Retailers, Statista, 2019,
<https://www.statista.com/statistics/256664/sales-of-the-leading-15-us-optical-retailers/>

Thomas, L., Walmart shares surge as holiday sales crush estimates, boosted by e-commerce growth, [cnbc.com](https://www.cnbc.com), February 19, 2019, <https://www.cnbc.com/2019/02/19/walmart-reports-earnings-q4-fiscal-2019.html>

Annual Statistical Report, Sales Tax Collections, State of Georgia, Department of Revenue, 2009-2018.

Comprehensive Annual Financial Reports, State of Georgia, Gwinnett County, Georgia, Chatham County, Georgia, and Cherokee County, Georgia.

Tax Assessors Office Assessment Data, Gwinnett County, Georgia, Chatham County, Georgia, and Cherokee County, Georgia.

Walmart Location Facts – Georgia, 2019, Walmart.com.