



DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington St., S.W., Suite 1-156
Atlanta, Georgia 30334-8400

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

February 14, 2018

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

SUBJECT: Fiscal Note
Senate Bill 288 (LC 43 0662)

Dear Chairman Hufstetler:

The bill would provide a refundable income tax credit for full-time law enforcement officers with law enforcement income below \$35,000 a year. The tax credit would be equal to the difference between the officer's income and \$35,000. The bill assumes all full-time employees are included regardless of hire date. The tax credit would be effective for tax years beginning on or after January 1, 2019, subject to voter approval of an amendment to the Constitution of Georgia in the November 2018 general election.

Impact on Revenue

Georgia State University's Fiscal Research Center (FRC) estimated that the bill would reduce state revenue between \$2 million and \$4 million annually, beginning in FY 2020. The impact is not expected to change significantly in subsequent years. An increase in the number of officers in the state would be offset by starting and average pay that increases over time. Details of the analysis are in the attached appendix.

Impact on Expenditures

The Department of Revenue (DOR) estimated ongoing, annual costs of \$96,000 for two positions – one in the Taxpayer Services Division and one with DOR Audits. One-time costs were estimated at \$166,000, primarily related to IT system changes, form creation and updates, equipment for new staff, and training and education.

Sincerely,

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

Greg S. Griffin
State Auditor

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

Teresa A. MacCartney, Director
Office of Planning and Budget

GSG/TAM/mt

Analysis by the Fiscal Research Center

Data for the analysis came primarily from the Georgia Department of Community Affairs (DCA), along with the U.S. Bureau of Labor Statistics' (BLS) *Occupational Employment Statistics*. DCA data consist of starting and maximum salaries, and numbers of full-time employees for the 320 county and municipal governments reporting such statistics for law enforcement officers for 2017 in DCA's Local Government Wage and Salary Survey. BLS data were specific to Georgia and included employment numbers as well as annual salaries at the 10th, 25th, 50th, 75th, and 90th percentile levels within selected BLS occupational classes.

Based on discussions with the Georgia Peace Officer Standards and Training Council (GA POST), officers meeting the criminal enforcement and arrest powers criteria in the bill would include those in the following BLS occupational classes:

- First-Line Supervisors of Police and Detectives,
- Detectives and Criminal Investigators,
- Police and Sheriff's Patrol Officers,
- Transit and Railroad Police, and
- Fish and Game Wardens.

Based on the salary statistics from BLS, along with information obtained from the Department of Natural Resources (DNR) as to minimum salaries for state fish and game wardens, it is assumed that only the police and sheriff's patrol officers occupational group will include personnel eligible for the credit. Higher-ranking officers, along with all state and federal officers are excluded.

Thus, only DCA data for police department patrol officers and deputy sheriffs were included in the analysis. Based on these data, it is estimated that approximately 1,185 officers (17 percent of all full-time officers in these positions) would have been eligible for credits in 2017 had the law been in effect then. The average credit amount on this same basis in 2017 is estimated at approximately \$2,701, for total credits of about \$3.2 million.

Given the imprecise and incomplete nature of the available data, this point estimate is expanded to a range of \$2-4 million. It is assumed further that the effects of growth in the total number of officers, and of future increases in starting and average pay of officers on the aggregate amount of credits earned in future years will tend to offset, thus no growth or shrinkage in the estimates after FY 2020 beyond the bounds of the range estimate is assumed.

Given the effective date of the bill and assuming that the credits will only impact collections at the time of filing returns, the first state fiscal year impacted would be FY 2020, reflecting credits earned for tax year 2019.