DOAA
Georgia Department
of Audits & Accounts

Greg S. Griffin
State Auditor

January 5, 2022

Honorable Derek Mallow
State Representative
608-C Coverdell Legislative Office Bldg.
Atlanta, GA, 30334

SUBJECT: Fiscal Note
House Bill (LC 43 2067)

Dear Representative Mallow:

The bill would create a credit against state income taxes for taxpayers with state taxable incomes below certain maximums and who paid rent for their dwelling of at least $800 for at least six months during the year. The credit would be nonrefundable and unused credits may not be carried forward. The credit would be available for tax years beginning on or after January 1, 2023.

Impact on State Revenue
Georgia State University's Fiscal Research Center (FRC) estimated that the bill would decrease state revenue in fiscal years 2024 by approximately $29.7 million. The loss would slightly increase in later years. The appendix provides details of the analysis.

Table 1. Projected Revenue Loss Under LC 43 2067

($ *millions*)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
State Income Tax	$0	($29.7)	($30.5)	($31.3)	($32.2)

Impact on State Expenditures
The Department of Revenue (DOR) would incur no additional annual costs with the passage of this bill.

Respectfully,

Greg S. Griffin
State Auditor

Kelly Farr
Kelly Farr, Director
Office of Planning and Budget

GSG/KF/ch

Analysis by the Fiscal Research Center

LC 43 2067 proposes to create a state income tax credit in the amount of $60 for qualified taxpayers who rent their homes. To qualify for the credit, taxpayers must have paid at least $800 per month for a period of at least six months during the year on a dwelling in which the taxpayer resided, and must have net taxable income no greater than specified maximums, depending on filing status. Taxable income maximums, by filing status, are as follows:

- Single - $27,000
- Married Filing Joint - $35,000
- Married Filing Separate - $27,000
- Head of Household - $30,000

As of tax year (TY) 2019, approximately 2.83 million Georgia taxpayers who were residents of the state for at least part of the year had incomes at or below these maximums, representing about 58 percent of all taxpayers. Had the law been in effect in 2019 and had these taxpayers all been otherwise qualified to claim the credit, the average tax savings would be about $33.56. However, many of these taxpayers would not be otherwise qualified to claim the credit for a variety of possible reasons, including that they live in an owner-occupied dwelling, are a dependent of the dwelling owner/renter or otherwise do not pay rent to reside there, or do not meet the $800 per month for six-month rent threshold.

According to the U.S. Census Department's American Community Survey (ACS) estimates, in 2019 approximately 35.9 percent of Georgia households were renters, paying median rent that year of $1,049. We assume the portion with rent below the $800 threshold roughly corresponds to the portion with zero or near zero tax liability, so these renters would not materially affect the estimates. ACS estimates also put the number of renter-occupied housing units in Georgia at about 1.382 million in 2019.

Based on this information, we assume that roughly 58 percent of renters would be income-eligible for the credit, resulting in about 795 thousand income-eligible renters in 2019. Inflation would tend to push incomes of some renters over the limits each year, but this attrition would tend to be offset by general population growth. Based on taxable income distributions by filing status in 2019, we assume that about 0.5 percent of income-eligible taxpayers in any year will become ineligible the following year due to inflation. This would be more than offset by population growth, which OPB projects to average about 1.2 percent per year through 2027. Thus, we assume net growth of the income-eligible pool of renters of about 0.7 percent per year.

Inflation would also tend to increase the taxable incomes and tax liabilities of those below the income limits, so the average tax savings would tend to increase over time as more of the credit can be utilized. We assume this figure will grow by 2 percent per year. Resulting projections of income-eligible renters and average tax savings by tax year are provided in Table 2 below. The fiscal year results in Table 1 assume that the impact on tax collections occurs at the time of filing of returns, thus in the fiscal year beginning July one of the given tax year.

Table 2. Income-Eligible Renters and Average Tax Benefit of Credit

	TY 2019	**TY 2023**	**TY 2024**	**TY 2025**	**TY 2026**
Income-eligible (,000)	795	818	823	829	835
Average tax benefit	$33.6	$36.3	$37.1	$37.8	$38.5