



# DOAA

Georgia Department  
of Audits & Accounts

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State Auditor

March 24, 2023

Honorable Chuck Hufstetler  
Chairman, Senate Finance Committee  
121 State Capitol  
Atlanta, GA 30334

SUBJECT: Fiscal Note  
House Bill 82 (LC 43 2749S)

Dear Chairman Hufstetler:

The bill would replace the existing rural physician tax credit with a new credit for rural health care professionals. The rural physician credit would no longer be open to new qualifications after May 15, 2023. Effective on that date, the new credit would allow physicians and dentists to qualify, redefines eligible counties to those with fewer than 50,000 residents, and would be capped at \$2 million annually, allowed on a first-come, first-served basis. The annual credit amount remains at \$5,000 and may still be earned for up to five years. The new credit is nonrefundable and may not be carried forward.

### Impact on State Revenue

Georgia State University’s Fiscal Research Center (FRC) estimated that the bill would impact revenue as shown in Table 1. The appendix provides details of the analysis.

**Table 1. Estimated State Revenue Effects of LC 43 2749S**

(\$ millions)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
State Revenue Effect	\$0.1	(\$0.1)	(\$0.2)	(\$0.4)	(\$0.5)

### Impact on State Expenditures

The Department of Revenue would be able to implement provisions of the bill with existing resources. The agency noted that changes to its information system would require 12 weeks, equating to approximately \$117,000 of staff time.

Respectfully,

Greg S. Griffin  
State Auditor

Kelly Farr, Director  
Office of Planning and Budget

GSG/KF/mt

## Analysis by the Fiscal Research Center

### *Summary*

The subject bill proposes to repeal and replace the existing rural physician tax credit (RPTC). Effective May 15, 2023, no person may qualify anew as a rural physician under O.C.G.A §48-7-29, though those qualified on or before that date will remain eligible for credits under the terms and subject to the conditions of that code section until it is repealed in full on December 31, 2028.

Effective May 15, 2023, the bill proposes to create a new rural health care professional credit (RHPC) under O.C.G.A §48-7-29.26 as follows:

- In addition to medical doctors eligible for the current-law credit, dentists licensed to practice in Georgia may qualify for the new credit.
- A rural health care professional, for purposes of the new credit, must both practice and reside in a rural county, whereas a rural physician under current law may reside in any county that is contiguous to the rural county where they practice.
- The definition of a rural county will change from having a population density of fewer than 65 persons per square mile in the 1990 census under current law to having fewer than 50,000 total residents in the 2020 census for purposes of the new credit. This definitional change increases the number of rural counties from 101, under RPTC, to 117 for the new credit.
- No rural healthcare professional who as of May 15, 2023, is currently practicing, or who in the latest three years has practiced, in a rural county will be eligible for the proposed credit. A similar provision applied to the rural physician credit, but with a cut-off date of July 1, 1995.
- The proposed credit will be subject to a \$2 million annual cap, allowed on a first come, first served basis.

The annual credit amount remains at \$5,000, earnable for up to five years but prorated in the first year based on the months remaining from the date of qualification (for anyone qualifying for only a partial credit the first year, credits continue to be earned, if still qualified, in a partial sixth year). Also like the current-law credit, the new credit is nonrefundable and may not be carried forward. No person may claim both credits for the same year, nor may any person claim either credit for more than five years combined.

### *Analysis*

Department of Revenue (DOR) data indicate that approximately \$1.07 million of RPTC's were claimed on Georgia tax returns for tax year (TY) 2020. This amount is projected forward, based on historical data beginning TY 2015, at an annual growth rate of approximately 1.6 percent to estimate the current-law baseline tax expenditures for TY's 2023-28, as shown in Table 2 below.

Because RPTC are taken for five years and physicians can qualify through May 15, 2023, tax expenditures for the RPTC will wind down gradually under the proposed law before reaching zero for TY 2028. We project the proforma RPTC tax expenditures through TY 2028 as follows:

- Newly qualified rural physicians are assumed to qualify ratably over the year, so the 2023 cohort for purposes of the old credit under the proposed law is reduced to approximately 46 percent of its size under current law.
- The rural physicians earning a credit in TY 2022 are assumed to include equally sized cohorts in the first through fifth year of credit eligibility, so one fifth will age out of eligibility in each year starting TY 2023. The partial-year cohort entering in 2023 will earn their final credits in TY 2027.

Estimates for the proposed RHPC are based on the following data and assumptions:

- The 1990 and 2020 Census, along with data from the Georgia Board of Healthcare Workforce, indicate that during 2020 41 percent more doctors worked in counties with populations of less than 50,000 than counties with less than 65 persons per square mile on the 1990 Census. Thus, cohort sizes of physicians qualifying for the RHPC are assumed to be 41 percent larger each year than the trend implied by the existing RPTC.
- Also based on these data, there were approximately 577 dentists practicing in counties with less than 50,000 people in 2020, approximately 26 percent of the number of physicians practicing in those same counties.
- Based on the change in eligible counties and the addition of dentists to those qualifying for RHPC's, annual cohorts under the proposed law are estimated to be 78 percent larger than under the RPTC baseline.
- Because RHPC's are prorated for partial years. Credits earned during TY 2023 are assumed to be \$1,354 on average and all initial year credits earned after 2023 are assumed to be \$2,500 with full year credits of \$5,000.
- Data limitations do not permit accounting for professionals practicing in a rural county while residing in a non-rural but rural-contiguous county under the old law, though the somewhat more stringent requirement under the new law may tend to decrease the number of eligible professionals and thus the amount of credits.

Table two summarizes the baseline of expected RPTC's, the winding down of RPTC's under the proposed law, and the initial ramp-up of the proposed RHCPC for TY2023-28 based on the data and assumptions described above. Credits taken during a tax year are assumed to impact state revenues at the time of filing of returns, thus in the fiscal year beginning July 1 of the given tax year. Resulting net state revenue effects for FY 2024-28 are provided in Table 1.

**Table 2. Baseline and Proforma Projected Rural Physician and Rural Health Care Professional Credits**

(\$ millions)	TY 2023	TY 2024	TY 2025	TY 2026	TY 2027	TY 2028
Current-Law RPTC's	\$1.0	\$1.0	\$1.0	\$1.0	\$1.1	\$1.1
Proforma RPTC's	\$0.9	\$0.7	\$0.5	\$0.3	\$0.1	\$0.0
RHCPC's	\$0.1	\$0.4	\$0.7	\$1.1	\$1.5	\$1.8
Total New-Law Credits	\$0.9	\$1.1	\$1.2	\$1.4	\$1.6	\$1.8