DOAA
Georgia Department of Audits & Accounts

Greg S. Griffin
State Auditor

February 26, 2024

Honorable Carden Summers
Chairman, Senate Committee on Banking & Financial Institutions
121-J State Capitol
Atlanta, Georgia 30334

SUBJECT: Fiscal Note
Senate Bill 451 (LC 46 0789S)

Dear Chairman Summers:

This bill would create incentives for financial institutions to establish veterans assistance programs to provide special low-interest loans to eligible veterans. Eligible veterans could receive a line of credit of up to $10,000 on a first-come, first-served basis contingent upon the availability of contributed funds. Use of moneys from these lines of credit would constitute loans for which no interest shall be charged on the first six months. Institutions would subsequently charge a fixed interest rate of 1.5%. Veterans would be eligible for only one line of credit every two years.

Taxpayers could receive tax credits for donations to fund these loans. The credits would be equal to 100 percent of the qualifying donations within the maximum limits set by the bill. Tax credits used in any year cannot exceed the taxpayer's income tax liability, but unused tax credits can be carried forward for up to five years. The tax credits would have an aggregate cap of $20 million per year, and no individual veteran assistance financial institution would be able to receive more than $4 million in donations in a year. This bill will apply to taxable years beginning on or after January 1, 2025.

Impact on State Revenue

Georgia State University's Fiscal Research Center provided estimated state revenue effects for FY 2025–29 as shown in **Table 1**. The first full year of impact would be FY 2026. Details and assumptions of the analysis can be found in the Appendix.

Table 1. Estimated State Revenue Effects of LC 46 0789S

($ *millions*)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Low Estimate	($3.2)	($10.5)	($12.8)	($14.3)	($16.2)
High Estimate	($3.7)	($12.5)	($15.8)	($18.1)	($19.6)

Impact on State Expenditures

As shown in **Table 2**, the bill would result in increased expenditures at the Department of Banking and Finance (DBF), the Department of Revenue (DOR), and the Department of Audits and Accounts (DOAA). The bill would not increase expenditures at the Department of Veterans Services.

Table 2: Estimated State Administrative Costs of LC 46 0789S

	Initial Costs	Recurring Costs
DBF	**$75,000**	**$1,012,753**
System Enhancements	$43,000	
Application Creation	$32,000	
Examination Staff (4)		$460,840
Hearing Attorneys (3)		$492,000
Other Costs		$59,913
DOR	**$144,000**	
System Changes	$144,000	
DOAA		**$115,805**
Management Analyst		$115,805
Total	**$219,000**	**$1,128,558**

Initial/One-time Costs: DBF and DOR
DBF would be charged with creating and maintaining application materials for financial institutions to be certified to offer these lines of credit. This would require initial setup year costs of $75,000, which includes $43,000 for regulatory software enhancements and $32,000 for the assistance of a Special Assistant Attorney General specializing in banking underwriting.

DOR would be able to implement the provisions of the bill with existing resources; however, changes to its information systems would require approximately 12 weeks of staff time, equating to an estimated $144,000.

Recurring Costs: DBF and DOAA
DBF anticipates a large demand for these lines of credit across their approximately 150 regulated institutions and estimates recurring annual costs of $1,012,753. The bill requires DBF to examine each veteran assistance financial institution at least once every three years, requiring four additional examiner positions with combined salaries and benefits of $460,840. The bill also requires DBF to administer an appeals process for veterans prohibited from or deemed ineligible for the lines of credit, requiring three additional attorney positions with combined salary and benefits of $492,000. Other costs for the new employees (e.g., travel, IT) are estimated at $59,913.

DOAA would be charged with conducting an annual audit of the tax credit program established by the bill, requiring a management analyst with salary and benefits of $115,805.

Respectfully,

Greg S. Griffin
State Auditor

Richard Dunn, Director
Office of Planning and Budget

GSG/RD/dg

Analysis by the Fiscal Research Center

LC 46 0789S, titled the Veteran Assistance Financial Institution Act, proposes the creation of a new income tax credit for donations made to certified veteran assistance financial institutions in accordance with the rules, regulations, and limits established by the Act. The Department of Banking and Finance will oversee the certification and regulation of financial institutions or credit unions as veteran assistance financial institutions.

The statewide aggregate amount of donations eligible for the tax credit is capped at $20 million per year. The amount of tax credit allowed per individual taxpayer is capped as follows:

- The actual donation or $5,000 for a single individual or head of household, whichever is less.
- The actual donation or $10,000 for a married couple or a member of a limited liability company, S-corporation, or partnership, whichever is less.
- The actual donation or 75 percent of the corporation's income tax liability, whichever is less.

The Georgia Department of Revenue will preapprove all intended donations based on the availability of tax credits, subject to the statewide aggregate annual cap.

We identified similar donation-based tax credit programs in Georgia to assess the fiscal impact of the new tax credit proposed by the current bill. These include tracking preapproval amounts and credit utilization rates for the Qualified Education Expense Credit (QEEC), the Rural Hospital Tax Credit (RHTC), and the Qualified Foster Child Donation (QFCD) credit. For each program, we specifically looked at the preapproval amounts as a percentage of their respective statewide aggregate caps in the first tax year following their enactment. Additionally, we observed the time it generally takes for the preapproved credits of QEEC and RHTC to reach their respective caps.

Evidence suggests that preapproved credits usually represent a percentage significantly above 50 percent of their aggregate cap in the policy's first year. For example, preapprovals for the RHTC reached 70 percent of its cap in the first year, whereas the equivalent percentage for the QFCD was 60 percent. Additionally, historical data on such programs indicate that preapprovals tend to rise steadily, typically reaching the statewide established cap within an average of three to four years after implementation.

Utilizing details on the initial preapproved credit amounts and the growth trajectory of similar donation-based tax credit programs in Georgia, we construct both a low (slow ramp-up) and a high (fast ramp-up) estimate to model the fiscal impact of SB 451.

The following assumptions were used to construct the low and high-estimate scenarios:

- The low (or slow ramp-up) estimate assumes that the preapproved tax credits start at 60 percent of the $20 million cap in the first year, growing to 65 percent in the second year, and then gradually ramping up over the next few years to reach the cap for the first time in tax year (TY) 2030. Credits generated and utilized under this scenario are illustrated in Table 3 below.

- Conversely, for the high or fast ramp-up estimate, we assume that the preapprovals begin at 70 percent of the statewide aggregate cap, growing rapidly each year to reach 100 percent of its cap by the fourth year of the policy, TY 2028. Credits generated and utilized under this scenario are illustrated in Table 4 below.

Finally, based on historical data from similar programs in Georgia, we assume a tax utilization rate for low and high estimates of 80 percent in the tax year the credit is earned, with the balance carried forward and utilized in the following tax year. Tax-year utilization of the credit is converted to fiscal years, assuming one-third is realized as a reduction in estimated tax payments before the June 30 fiscal year-end and the balance-reducing estimated and final tax payments in the subsequent fiscal year. These fiscal year estimates are presented in Table 1.

Table 3: Low Estimate (Slow Ramp-up Scenario)

($ millions)	TY 2025	TY 2026	TY 2027	TY 2028	TY 2029
Credits Generated	($12.0)	($13.0)	($14.0)	($16.0)	($18.0)
Credits Utilized	($9.6)	($12.3)	($13.7)	($15.5)	($17.5)

Table 4: High Estimate (Fast Ramp-up Scenario)

($ millions)	TY 2025	TY 2026	TY 2027	TY 2028	TY 2029
Credits Generated	($14.0)	($16.0)	($18.0)	($20.0)	($20.0)
Credits Utilized	($11.2)	($15.0)	($17.4)	($19.5)	($19.9)