



DOAA

Georgia Department
of Audits & Accounts

Greg S. Griffin
State Auditor

March 28, 2024

Honorable Mike Cheokas
Chairman, House Small Business Development
401 State Capitol
Atlanta, GA 30334

SUBJECT: Fiscal Note
House Bill 1020 (LC 50 0655)

Dear Chairman Cheokas:

The bill would eliminate the local industrial park requirement for jobs tax credits under O.C.G.A. §48-7-40.1(c)(2.1). It would allow a \$3,500 tax credit per job for up to five years when the business is located in a county with a military base that has a garrison of at least 5,000 federal or military personnel. To qualify, the business enterprise must create at least two jobs and be engaged in manufacturing, warehousing and distribution, processing, telecommunications, broadcasting, tourism, or research and development industries. With no effective date given, the bill is assumed to be available for new jobs created during all tax years on or after January 1, 2024.

Impact on State Revenue

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

Table 1. Estimated State Revenue Impact of HB 1020 LC 50 0655

(\$ millions)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
High Estimate	(\$0.78)	(\$1.67)	(\$2.82)	(\$4.06)	(\$5.15)
Low Estimate	(\$0.52)	(\$1.12)	(\$1.88)	(\$2.71)	(\$3.43)

Impact on State Expenditures

The Department of Revenue would be able to implement the provisions of the bill with existing resources.

Respectfully,

Greg S. Griffin
State Auditor

Richard Dunn, Director
Office of Planning and Budget

GSG/RD/mt

Analysis by the Fiscal Research Center

Under current law, O.C.G.A. §48-7-40.1(c)(2.1) provides for elevated employer job tax credits of \$3,500 per job, if the job creation occurred in a county with a military base that has at least 5,000 federal or military personnel and is within a tract that contains a government-owned industrial park. By removing this latter requirement, HB 1020 expands the higher credit amounts and lower job requirements to census tracts that are located within a county with a military base but lack a government-owned industrial park.

The 2020 census and data from the Georgia Department of Labor (DOL) were used to establish a list of census tracts that currently have employment. The Georgia Department of Community Affairs (DCA) and census data were used to identify the locations of military bases in Georgia. Information on the number of federal and military personnel garrisoned at these bases was gathered through military installations’ official websites, online encyclopedias, and other sources. These locations were used to isolate tracts with employment that were located within a county with a military base of at least 5,000 federal or military personnel.

DCA administers this program and provides the official list of census tracts that qualify under it, as well as other job tax credit provisions, each year. These data from January 2024 were used to identify and remove certain 2020 tracts to eliminate double counting, including those that:

- have a government-owned industrial park,
- are already military zones under paragraph (2) of subsection (c),
- are located within a Tier 1 county, or
- are less-developed census tracts.

County employment for qualifying industries was obtained from the 2022 Quarterly Census of Employment and Wages (QCEW). DOL data were used to estimate each county share of employment that would be impacted by the expansion proposed under this bill. Based on these data, 94,000 jobs were in qualified industries and counties, and 27.6 percent or 25,900 jobs, were in tracts impacted by HB 1020.

DOL provides long-term employment growth projections by industry for local work designation areas (LWDA). These predictions from July 2023, for the five LWDA where the impacted tracts are located, were used to estimate and project the amount of new jobs eligible for the expanded credit amounts through 2030. Manufacturing employment is estimated to grow in these impacted tracts by 0.8 percent annually from 2022 through 2030.

Job tax credits are generated when individual firms increase their employment. While aggregate employment is expected to grow, the number of hires at growing employers will be larger because the aggregate figure is net of employers decreasing their positions. Quarterly Workforce Indicators (QWI), from the census split quarterly changes in employment to hires, separations, and total net change. These data indicate that for every net increase of one job, between two and three jobs were created. These were used to establish the high and low estimates for new jobs eligible for the expanded credits from 2024 to 2029 in Table 2.

Table 2. Estimated Number of New Jobs Eligible for the Tax Credit

	TY 2024	TY 2025	TY 2026	TY 2027	TY 2028	TY 2029
High Estimate	626	631	636	641	646	652
Low Estimate	417	421	424	428	431	434

The locations of the impacted tracts indicate that new hires will generate \$3,200 additional credits, on average, after comparing their existing job tax credit treatment to \$3,500 per job. Once established,

credits are generated for five years and historical utilization data indicate that generated credits are utilized over a six-year period in the following pattern: 21.2 percent in the initial year and 14.1 percent, 17.9 percent, 6.5 percent, 2.7 percent, 1.4 percent, and 0.6 percent over the following years. Table 3 shows credits utilized and generated for TY 2024–29 based on the additional \$3,200 of credits for the new jobs over five years. Unutilized credits are based on the historical pattern of utilization for jobs tax credits. Tax year utilized credits were converted to fiscal years for the revenue impacts in Table 1 using averaging.

Table 3. Estimated Number of New Qualified Jobs Eligible for the Tax Credit

<i>(\$ millions)</i>	TY 2024	TY 2025	TY 2026	TY 2027	TY 2028	TY 2029
Credits Generated						
High Estimate	\$2.00	\$4.02	\$6.06	\$8.11	\$10.18	\$10.26
Low Estimate	\$1.34	\$2.68	\$4.04	\$5.41	\$6.79	\$6.84
Credits Utilized						
High Estimate	\$0.42	\$1.14	\$2.21	\$3.42	\$4.70	\$5.59
Low Estimate	\$0.28	\$0.76	\$1.47	\$2.28	\$3.13	\$3.73