



DOAA

Georgia Department
of Audits & Accounts

Greg S. Griffin
State Auditor

March 1, 2024

Honorable Shaw Blackmon
Chairman, House Ways and Means
133 State Capitol
Atlanta, GA 30334

SUBJECT: Fiscal Note
House Bill 1181 (LC 50 0663)

Dear Chairman Blackmon:

The bill would reduce the carryforward periods for a list of tax credits and adds sunset dates for several tax credits and exemptions (see the appendix for a list). The bill would be effective January 1, 2025.

Impact on State Revenue

Georgia State University’s Fiscal Research Center estimated that the bill would increase state revenue as shown in Table 1. The FY 2029 amount includes credits generated in tax year 2025 but are expected to be unused at the end of the three-year carryforward included in the bill. The FY 2030 amount includes both tax year 2025 and 2026 credits that have expired. The appendix provides details of the analysis.

Table 1. Estimated State Revenue Effects of LC 50 1663

<i>(\$ millions)</i>	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Estimate	\$0.0	\$0.0	\$0.0	\$0.0	\$10.1	\$28.6

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

HB 1181 aims to reduce the carryforward periods for various tax credits and adjusts the sunset dates for others. The proposed carryforward periods are limited to either three or five years, while the sunset period for tax credits and exemptions is set at December 31, 2029. Table 2 presents the proposed change in the carryforwards along with historic lifetime credit utilization and forecasted net credit generation for tax year (TY) 2025

Table 2. Proposed Changes in HB 1181

Credit	Carryforwards		Historic Credit Utilization		Net Generated TY 2025
	Current Law	Proposed Law	Current Law	Proposed Law	
Disaster Assistance Credit	No limitations	3 years	79.86%	79.60%	\$486,419
Bank Tax Credit	5 years	3 years	83.88%	74.85%	\$79,464,556
GA National Guard Employer Tax Credit for HDHP Premiums	No limitations	3 years	31.07%	30.59%	\$1,172,987
Qualified Education Expense Credit	No limitations	3 years	89.38%	87.03%	\$244,935
Film Tax Credit	5 years	3 years	77.01%	74.62%	\$120,000,000
Revitalization Zone Tax Credit	5 years	3 years	89.14%	87.28%	\$1,331,558,697
Land Conservation Credit	5 years	3 years	79.89%	78.84%	\$1,279,996
Investment Tax Credit	10 years	5 years	76.59%	75.34%	\$2,012,684
Employer's Credit for Approved Employee Retraining	10 years	5 years	49.58%	48.51%	\$158,050,474
Optional Investment Tax Credit	10 years	5 years	75.68%	74.89%	\$70,441,853
R-D Tax Credit	10 years	5 years	82.73%	82.73%	\$4,304,005
Port Tax Credit	10 years	5 years	73.45%	69.95%	\$384,482,877
Quality Jobs Tax Credit	10 years	5 years	70.18%	69.96%	\$10,273,270
Seed Capital Fund	10 years	5 years	83.11%	80.88%	\$129,605,339
			65.00%	63.16%	\$1,184,164

This fiscal note provides estimates of the fiscal impacts of the carryforward changes for fiscal years (FY) 2025–30. The fiscal impacts of adding sunset dates would be beyond the five-year period of projections in this note, though tax expenditure report estimates for these tax preferences are provided below for information purposes.

The fiscal impacts detailed in Table 1 are based on the following data and assumptions:

- Historical data on credit utilization were used to estimate yearly credit and carryforward utilization by the year the credit was generated.
- Credits generated in TY 2024 and prior are not affected by the proposed bill.

Tax credits with proposed 5-year carryforwards.

- Credits generated in TY 2025 will be utilized through 2030, thus the impact of the bill would not materialize before TY 2031. From the historical credit utilization, it is estimated that, on average, 1.36 percent is utilized beyond year 5.

Tax credits with proposed 3-year carryforwards.

- Beginning in TY 2025, it is assumed that any tax credits not used within three years will expire. Credits generated in TY 2025 will either be fully used by TY 2028 or will expire without being utilized. Thus, the impact of the bill with regard to these credits will begin to materialize in TY 2029. The baseline projections are taken from Tax Expenditure Report 2025. Projections under HB 1181 are estimated after applying the aforementioned changes. Projected tax revenue effects for each credit proposed for the 3-year carryforward limit are presented in Table 2.

Table 3. Estimated State Revenue Effects of HB 1181 for Proposed 3-year Carryforward Credits

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Disaster Assistance Credit	\$0	\$0	\$0	\$0	\$528	\$1,278
Bank Tax Credit	\$0	\$0	\$0	\$0	\$1,297,140	\$3,904,392
GA National Guard	\$0	\$0	\$0	\$0	\$1,954	\$4,811
Employer Tax Credit for HDHP Premiums	\$0	\$0	\$0	\$0	\$860	\$91,165
Qualified Education Expense Credit	\$0	\$0	\$0	\$0	\$437,640	\$2,030,425
Film Tax Credit	\$0	\$0	\$0	\$0	\$8,350,141	\$22,580,546
Revitalization Zone Tax Credit	\$0	\$0	\$0	\$0	\$6,712	\$14,618
Revenue Impact Estimate	\$0	\$0	\$0	\$0	\$10,094,975	\$28,627,235

Table 4 lists the exemptions for which Part III of the bill sets sunset dates on December 31, 2029, along with the recent projections from the Tax Expenditure Report 2025.

Table 4. Tax Expenditure Report Projections (in \$ millions)

O.C.G.A Code	Description	FY 2025
§3-6-70	Sales of alcoholic beverages to and use by religious organization for sacramental purposes	(\$0.0)
§33-8-13	Exemption for insurance companies that only insure places of worship	(\$0.0)
§48-5C-1	Exemption for vehicles purchased by disabled first responders	(\$0.0)
§48-8-3(6.2)	Sales to local government authorities created on or after January 1, 1980 for the principal purpose of constructing, owning, or operating a coliseum and related facilities	(\$0.4)
§48-8-3(6.3)	Sales to any agricultural commission created by the Department of Agriculture	(\$0.1)
§48-8-3(7.2)	Sales to Georgia Society of the Daughters of the American Revolution	(\$0.2)
§48-8-3(11)	Sale of tangible personal property or services to, and the purchase of tangible personal property or services by, any educational or cultural institute	(\$0.0)
§48-8-3(14)	Sale of art and other artifacts for display or exhibition to museums	(\$0.7)
§48-8-3(15.1)	Sale of pipe organs or steeple bells to any church qualifying as a nonprofit	(\$0.2)
§48-8-3(30)	Vehicles purchased by service-connected disabled veterans when the U.S. Dept. of Veterans Affairs supplies a grant to purchase a specially adapted the vehicle	(\$0.2)
§48-8-3(34.2)	Machinery and equipment used directly to remanufacture certain aircraft engines or aircraft engine parts	(\$0.5)
§48-8-3(36)	Machinery and equipment used in a facility for the primary purpose of reducing or eliminating air and water pollution	(\$0.1)
§48-8-3(38)	Sale of tangible personal property and fees and charges for services by the Rock Eagle 4-H Center	(\$0.0)
§48-8-3(48)	Sale of crab bait to licensed commercial fishermen	(\$0.2)
§48-8-3(56)	Sale by any qualified nonprofit parent teacher organization	(\$0.4)
§48-8-3(57.1)	Sale of food and beverages to a qualified food bank	(\$0.3)
§48-8-3(57.3)	Exemption for food and food ingredients that are donated following a natural disaster and used for disaster relief	(\$0.0)
§48-8-3(60)	Sale of certain machinery and equipment used to improve air quality in a clean room of Class 100,000 or less	(\$0.1)
§48-8-3(63)	Funeral merchandise when paid with funds from the Georgia Crime Victims Emergency	(\$0.2)
§48-8-3(65)	Sale of dyed diesel fuel used exclusively for operations of vessels or boats by licensed commercial fishermen	(\$0.7)
§48-8-3(67)	Sale of coins or currency	(\$0.8)
§48-8-3(71)	Sale to or by an organization whose primary purpose is to raise funds for books, materials, and programs for public libraries	(\$0.2)
§48-8-3(72)	Sale of prescribed mobility enhancing equipment	(\$1.0)
§48-8-3(97)	Sale of admission to a nonrecurring major sporting event	(\$2.1)
§48-8-3(104)	Exemption for poultry diagnostic and disease monitoring service nonprofit organization	(\$0.0)
§48-11-2	Exemption for Cigarette/tobacco purchases for use exclusively by patients at the Georgia War Veterans Home and the Georgia War Veterans Nursing Home	(\$0.0)

(\$0.0) Denotes a value between \$0 and \$100,000