



DOAA

Georgia Department
of Audits & Accounts

Greg S. Griffin
State Auditor

February 23, 2024

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

SUBJECT: Fiscal Note
House Bill 1090 (LC 50 0670)

Dear Chairman Blackmon:

The bill would revise provisions associated with the tax credits for contributions to qualified foster child support organizations. The bill would expand qualified donations to those made to programs supporting justice-involved youth. It would also allow tax credits to be taken against the insurance premium taxes (IPT) and allow for the use of tax-deductible income as credit-earning donations. The bill would be effective for all taxable years beginning on or after January 1, 2024.

Impact on State Revenue

Georgia State University’s Fiscal Research Center 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 Effects of HB 1090 LC 50 0670

(\$ millions)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Estimates	(\$2.8)	(\$4.0)	(\$4.5)	(\$3.6)	(\$1.8)

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, as established by O.C.G.A. § 48-7-29.24, terms and conditions are set forth for a preapproved tax credit that taxpayers can claim based on the donations made to foster child support organizations, subject to an aggregate limit of \$20 million per year. These organizations operate certain programs that support aging foster children. Specific credit limits are imposed on each taxpayer for preapproved applications that are submitted annually from January 1 to June 30.

Credits utilized in any year cannot exceed the taxpayer's tax liability for the year, but any unused credits can be carried forward and used against future tax liabilities for up to five years. The Georgia Department of Human Services (DHS) is responsible for qualifying foster child support organizations, while the Georgia Department of Revenue oversees the preapproval of contributions to ensure they qualify for the tax credit.

HB 1090 proposes to make multiple changes to the administration of the program and credit terms. Among the changes that affect programs or organizations eligible to receive qualified contributions, thus potentially increasing the demand for contributions, the bill:

- Expands eligibility for programs receiving qualified contributions to include programs that support justice-involved youth ages 18–21, or up to age 25 if legally permissible, as defined by the bill.
- Extends the scope of wraparound services within qualified expenditures to cover enrollment in additional educational programs, such as obtaining a high school diploma, attending vocational school, and participating in apprenticeship programs.
- Clarifies definitions of certain terms, including the definition of mentorship services.

Other changes likely expand the supply of contributions. In this regard, the bill:

- Broadens the definition of taxpayers eligible to make donations to include insurance companies and their headquarters, which may utilize credits against insurance premium tax liability.
- Removes the restriction that disallows a tax credit when contributions have been used as a deduction or exemption from taxable income.
- Creates a new provision that allows—to the extent the aggregate cap has not been reached after the June 30 end of the initial application window—submission of preapproved applications by individual taxpayers or business enterprises without individual limits from July 1 to December 31. These applications will be processed, and the remaining balance will be allocated on a first-come, first-served basis.

We analyze similar donation-based tax credit programs in Georgia to assess the fiscal impact of the proposed revisions in the current bill on the Qualified Foster Child Donation (QFCD) credit. This includes tracking preapproval amounts and credit utilization rates for the Qualified Education Expense Credit (QEEC) and the Rural Hospital Tax Credit (RHTC). QEEC was established in 2009 and has reached its cap annually since 2011. RHTC started at 70 percent of its cap in 2017, grew by 43 percent between its first and second years of the policy, and reached its cap after 2020, maintaining that level thereafter.

To model the fiscal impact of the current bill, we identify the revenue effects under two scenarios. First, we outline the estimates under the current law, referring to this scenario as the baseline case. Next, we outline the accelerated case that models the fiscal impact considering the revenue-impacting expansions of HB 1090 explained above.

The QCFD credit program, which became effective on January 1, 2023, started at a more modest level of preapproval amounts as a percentage of its cap (about 60 percent) in its first year compared to the

RHTC and others. Based on the time it took previous donation-based tax credit programs in Georgia to reach their annual cap, we expect that, following its current trajectory, the QFCD program will likely reach its annual aggregate cap of \$20 million for the first time in tax year (TY) 2029. This scenario assumes a moderate growth in yearly preapprovals as a percentage of its cap and constitutes our baseline. Its revenue estimates are reported in Table 2 below.

Considering the fiscal impact of HB 1090, especially the six-month extension of the donation window and the inclusion of insurance companies as eligible taxpayers, we model estimates for a pro forma, accelerated scenario. Analyzing the trends in credit usage by corporations and insurance companies in similar tax credit programs in Georgia, we anticipate a quicker increase in yearly preapprovals relative to the aggregate cap in the accelerated case. Consequently, the QFCD is projected to reach its aggregate cap sooner. These estimates of donations (credits generated) are detailed in Table 2.

Finally, based on historical data from similar programs in Georgia, we assume a tax utilization rate for the current law and pro forma estimates of 80 percent in the tax year the credit is earned, with the balance carried forward and utilized in the following 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. The resulting fiscal year utilization estimates are differenced to calculate the net revenue effects presented in Table 1.

Table 2. Estimated State Revenue Effects under Current Law versus Pro Forma

(\$ millions)	TY 2025	TY 2026	TY 2027	TY 2028	TY 2029
Credits Generated					
Current law (Baseline)	(\$14.0)	(\$15.0)	(\$16.0)	(\$18.0)	(\$20.0)
Pro Forma (Accelerated)	(\$18.0)	(\$20.0)	(\$20.0)	(\$20.0)	(\$20.0)
Credits Utilized					
Current law (Baseline)	(\$13.7)	(\$14.7)	(\$15.7)	(\$17.5)	(\$19.5)
Pro forma (Accelerated)	(\$17.3)	(\$19.5)	(\$19.9)	(\$20.0)	(\$20.0)