DOAA
Georgia Department
of Audits & Accounts

Greg S. Griffin
State Auditor

February 14, 2025

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

SUBJECT: Fiscal Note
House Bill 136 (LC 50 1004)

Dear Chairman Blackmon:

The bill would revise the tax credit provided to those who donate to qualified foster child support organizations. It would increase the annual tax credit cap from $20 million to $30 million, expand the definition of aging foster children and justice-involved youth, and broaden the scope of qualified expenditures that can be covered by eligible contributions. Additionally, the bill allows tax credits to be taken against the insurance premium tax. Finally, it modifies the conditions under which a taxpayer may claim the credit and increases the monetary limits for mentorship services and direct cash assistance provided to eligible youth. The bill would be effective on July 1, 2025, with tax provisions applying to taxable years beginning January 1, 2025.

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

Table 1. Estimated State Revenue Effects

($ *millions*)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
State Revenue Effect	($1.7)	($4.5)	($6.3)	($7.6)	($8.6)	($9.2)

Impact on State Expenditures
The Department of Revenue would be able to implement 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. § 48-7-29.24 allows taxpayers to claim tax credits for contributions made to qualified foster child support organizations, subject to preapproval and to an aggregate cap of $20 million per year. These organizations provide services that support aging foster children. The law defines aging foster children as individuals aged 16–18 who are expected to benefit from foster support organizations, as determined by the Division of Family and Children Services. Additionally, the definition includes former foster children up to age 21, or age 25 under certain conditions, who have not been adopted or reunited with their families.

The current law places specific credit limits on taxpayers, with preapproval applications required between January 1 and June 30 each year. Credits claimed cannot exceed the taxpayer's tax liability for the year, but unused credits can be carried forward for up to five years. The Georgia Department of Human Services (DHS) is responsible for certifying foster child support organizations, while the Georgia Department of Revenue manages the preapproval of contributions to ensure eligibility for tax credits.

HB 136 LC 50 1004 introduces several key modifications to the existing tax credit program, with anticipated effects on credit utilization and state revenue. The bill raises the annual tax credit cap from $20 million to $30 million, increasing statewide participation. It allows credit to be taken against the insurance premium tax, expanding the program to include insurance companies and increasing the number of potential donors. This change is expected to accelerate credit utilization, as large corporate taxpayers are more likely to fully maximize their tax credits annually.

Finally, the bill removes certain restrictions on tax credit claims, broadening the scope of qualifying contributions and potentially increasing both the number of donors and total contributions to foster child support organizations. Additionally, it raises the corporate tax credit allowance to 75 percent of income tax liability and mandates annual audits and certification renewal requirements for organizations receiving funds.

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 current baseline expected usage of the program and compare it to the expected accelerated usage under the bill. 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 LC 50 1004, explained above.

The QFCD credit program, which took effect on January 1, 2023, began with a moderate level of preapproved amounts, reaching approximately 60 percent of its cap in its first year—lower than the RHTC and other similar programs. Credit generation reported by the Department of Revenue (DOR) was nearly $13.5 million.

Based on its current trajectory, we anticipate that the QFCD program will reach its annual cap of $20 million for the first time in tax year (TY) 2029. This projection assumes moderate annual growth in preapprovals relative to the cap and serves as our baseline scenario. Corresponding revenue estimates are detailed in Table 2 below.

Considering the fiscal impact of LC 50 1004, especially the expanded eligibility, higher tax credit limits, and the inclusion of insurance companies as eligible taxpayers, we model estimates for a pro forma, accelerated scenario. The increase in the pool of potential donors to include insurance companies, removal donation restrictions, and the increase of the tax liability ratio cap all separately predict an increase in donations. 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 higher aggregate cap in TY 2029. These estimates of donations (credits generated) are also detailed in Table 2.

Finally, based on historical data from similar programs in Georgia and historical utilization patterns, we assume 65 percent of credits generated will be utilized in their initial year, 25 percent in the following year, and 10 percent in the third year. Tax-year utilization of the credit is converted to fiscal years, assuming a 50-50 fiscal split, and 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	TY 2030
Credits Generated						
Current Law	$14.0	$15.0	$16.0	$18.0	$20.0	$20.0
Pro Forma	$19.8	$21.7	$24.0	$27.0	$30.0	$30.0
Credits Utilized						
Current Law	$12.9	$13.8	$14.8	$16.3	$18.1	$18.8
Pro Forma	$16.4	$19.3	$21.8	$24.4	$27.2	$28.2