DOAA
Georgia Department
of Audits & Accounts

Greg S. Griffin
State Auditor

March 3, 2025

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

SUBJECT: Fiscal Note
House Bill 248 (LC 50 1011)

Dear Chairman Blackmon:

The bill would provide a state income tax credit for eligible expenses incurred by taxpayers for installing Energy Star-rated geothermal machinery in residential dwellings. The tax credit is 25 percent of eligible expenses, with a maximum credit of $25,000 per dwelling and no more than $5,000 used in any year. Unused credits may be carried forward up to five years. Credits apply only to residential dwellings owned by the taxpayer. The bill would be effective January 1, 2026, and would sunset on December 31, 2030.

Impact on 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 LC 50 1011

(*$ millions*)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Low estimate	-	($11.1)	($18.5)	($24.1)	($20.2)
High estimate	-	($14.8)	($25.7)	($35.0)	($39.8)

Impact on Expenditures
The Department of Revenue would be able to implement the bill with existing resources. However, changes to information systems will take approximately 12 weeks of staff time, equating to approximately $146,000.

Respectfully,

Greg S. Griffin
State Auditor

Richard Dunn, Director
Office of Planning and Budget

GSG/RD/mt

Analysis by the Fiscal Research Center

Based on IRS Form 5695 data for Residential Energy Credits in Tax Year 2023, approximately 7% of all residential energy credit claims in the United States were attributed to Qualified Geothermal Heat Pump Property. Applying this proportion to Georgia's share of federal energy credit claims in 2022, the number of Georgia's geothermal energy credits was 6,136.

To project the growth of energy credit claims in Georgia, two scenarios are considered and presented in Table 2:

- Low-Growth Scenario – Credits grow based on Georgia's GDP growth from the Bureau of Economic Analysis (BEA) between 2022 and 2023 and based on projected GDP growth from the Congressional Budget Office (CBO) after that.

- High-Growth Scenario – Assumes an 11% annual increase after 2022, reflecting the average growth rate of geothermal heat pump installations qualifying for the federal credit from 2019 to 2023.

Table 2. Energy Credit Claims for the State of Georgia

	CY 2026	CY 2027	CY 2028	CY 2029	CY 2030
Low Estimate	6,600	6,858	7,117	7,385	7,670
High Estimate	8,776	9,745	10,821	12,016	13,342

According to IRS data, the average cost claimed on tax returns for a geothermal heat pump system in 2023 was approximately $12,000. The number of energy credit claims in Georgia is multiplied by this amount and the 25 percent credit rate to estimate the average Georgia credit, $3,000, had the state credit been in effect in 2023.

The average cost of a geothermal heat pump is expected to increase by inflation. To account for inflation, the cost of the average system is increased annually through 2030 based on the CBO's January 2025 economic outlook projections.

Table 3. Estimated Average Cost of A Geothermal System and Credits Generated

	CY 2026	CY 2027	CY 2028	CY 2029	CY 2030
Average Cost	$13,469	$13,781	$14,092	$14,408	$14,730
Credits generated in $ Millions					
Low Estimate	$22.2	$23.6	$25.1	$26.6	$28.2
High Estimate	$29.6	$33.6	$38.1	$43.3	$49.1

Based on the utilization pattern of other similarly sized credits, 50 percent of generated credits are assumed to be utilized in their initial year. 30 percent is assumed to be utilized in the year following generation and the remainder two years after. For the fiscal impacts in Table 1, credits utilized are assumed to fully impact state revenues at the time of filing of returns, e.g., in FY 2027 for CY 2026 utilization.