DOAA
Georgia Department
of Audits & Accounts

Greg S. Griffin
State Auditor

March 4, 2025

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

SUBJECT: Fiscal Note
House Bill 223 (LC 50 1106S)

Dear Chairman Blackmon:

The bill has three revenue-impacting provisions.

- Section one would exempt any income received from disaster relief payments received by farmers from the US Department of Agriculture (USDA) or as federal crop insurance proceeds due to damages from Hurricane Helene.
- Section two proposes to create a new refundable income tax credit equal to 100 percent of a taxpayer's timber casualty loss caused by Hurricane Helene.
- Section three creates a temporary sales tax exemption for building materials used to repair or replace greenhouses and other farming related structures.

Disaster relief payments and crop insurance proceeds in section one will be exempt for taxable years beginning on or after January 1, 2024, and ending on or before December 31, 2029. Sections two and three are assumed to be effective upon enactment.

Impact on Revenue

Georgia State University's Fiscal Research Center (FRC) estimated that the bill would decrease state and local revenue as shown in Table 1 on the following page.

FRC noted that the estimates are highly uncertain due to a variety of factors, including uncertainty in damage estimates, a lack of estimates from federal or state agriculture officials (or others) of expected benefits under USDA programs not subject to annual appropriation, uncertainty about the appropriation of USDA supplemental disaster relief funds, timing of payments from any approved claims, and effective tax rates and loss carryforwards of farm businesses receiving payments. The appendix provides details of the analysis.

Table 1. Estimated State and Local Revenue Effects from HB 223 LC 50 1106S

($ *millions*)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Revenue Effect from Exempting Disaster Payments					
State Effect	-	($55.8)	($88.6)	($6.7)	($5.9)
Revenue Effects from Timber Tax Credit					
State Effect High	-	($44.8)	($48.6)	($7.2)	($3.4)
State Effect Low	-	($35.9)	($39.0)	($5.8)	($2.7)
Revenue Effect from Sales Tax Exemption for Building Materials					
State Effect High	($9.8)	($9.8)			
State Effect Low	($7.0)	($7.0)			
Local Effect High	($9.6)	($9.6)			
Local Effect Low	($6.9)	($6.9)			
Net State Revenue Effects					
High	($9.8)	($110.4)	($137.2)	($13.9)	($9.3)
Low	($7.0)	($98.7)	($127.6)	($12.5)	($8.6)
Net Local Revenue Effects					
High	($9.6)	($9.6)			
Low	($6.9)	($6.9)			

Impact on Expenditures

The Department of Revenue (DOR) would be able to implement the provisions of the bill with existing resources. However, changes to information systems will require 16 weeks, equating to approximately $181,000 in staff time.

Respectfully,

Greg S. Griffin
State Auditor

Richard Dunn, Director
Office of Planning and Budget

GSG/RD/mt

Analysis by the Fiscal Research Center

Section 1 – Exempt Disaster Payments
The University of Georgia Extension Services has estimated the damage done by Hurricane Helene to agricultural producers in the state by major output category, shown in Table 2. These figures are estimated direct losses, including to crops, trees, livestock, and structures (e.g., greenhouses, chicken houses, etc.) and do not include losses of agriculture support sector businesses.

Table 2. Estimated Direct Losses by Major Sector

Sector	Loss (*in millions)*
Cotton	$351
Pecans	$62
Peanuts	$40
Vegetables	$122
Citrus	$12
Soybeans	$4
Nursery Crops	$315
Poultry	$194
Beef Cattle	$1
Dairy	$100
Timber	$1,285
Total	$2,486

Hurricane Helene also impacted most of Georgia's neighboring states, specifically Alabama, Florida, Georgia, North Carolina, and South Carolina. Based on reports from agricultural extension services and other sources in these states, total estimated losses by state for this storm are as follows in Table 3.

Table 3. Agricultural Loss Estimates from Hurricane Helene

($ millions)	Helene	Share
Florida	$101	1.4%
Georgia	$2,486	33.6%
North Carolina	$3,903	52.7%
South Carolina	$452	6.1%
Virginia	$159	2.2%
Tennessee	$301	4.1%
Total	$7,403	

The USDA has several disaster assistance programs to help agricultural producers after natural disasters or similar, unexpected losses. Major USDA disaster relief or assistance programs through which Georgia producers may receive payments eligible for the proposed exemption include:

- Tree Assistance Program (TAP), for crop producing trees, bushes, or vines
- Livestock Forage Disaster Program (LFP), for grazed forage
- Livestock Indemnity Program (LIP), for livestock deaths above normal levels
- Emergency Assistance for Livestock, Honey Bees, and Farm-Raised Fish (ELAP)
- Noninsured Crop Disaster Assistance Program (NAP), for crops not eligible for the Federal Crop Insurance (FCI) program
- Hurricane Insurance Protection-Wind Index (HIP-WI)

Funding for TAP, LIP, ELAP, and NAP is not subject to annual appropriations, as the programs were permanently authorized by the 2014 U.S. Farm Bill, and losses are paid from the Commodity Credit Corporation (CCC) Fund. HIP-WI was first offered by USDA's Risk Management Agency (RMA) for the 2020 hurricane season and was expanded to include Tropical Storm Option (TS) in 2023.

The Disaster Relief Supplemental Appropriation Act 2025 allocates $30.8 billion to cover expenses related to hurricane, wildfires, and other disasters during 2023 and 2024. Based on FEMA disaster payment data, the share of the disaster relief related to Helene is estimated to be 23.6 percent of all national disasters occurred during 2023 and 2024. Further, applying the Georgia share (33.6 percent) of the damage from Table 3, the state's estimated allocation is $2.4 billion.

The Federal Crop Insurance payments are sourced from Commodity Year Statistics Reports from Federal Crop Insurance Corporation. In order to estimate the full impact of exempting crop insurance proceeds, these data were examined for the years preceding and during Hurricane Micheal's impact on Georgia's farmers. The annual average amount of crop insurance proceeds from 2014 to 2017 was $136.2 million. A clear off-trend spike occurred during 2018 and less so in 2019. Comparing these years to the average is one way to estimate the amount of crop insurance proceeds that were a result of Hurricane Micheal. Along with a large spike during the hurricane year, losses apparently attributable to the hurricane remained for claims during 2019, though 48 percent of the impact was during 2018. Using this method the full impact of Hurricane Michael on Crop insurance proceed payments was $325.5 million.

Table 4. Crop Insurance Proceeds During and Pre-Hurricane Michael

($ millions)	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Total Indemnity	$143.1	$98.8	$146.3	$156.3	$356.8	$242.0
Difference from the 2014–17 Average of $136.2 million					$220.6	$105.9

These same data for 2020 through 2024 indicate a large off-trend spike during 2024 of $320.8 million, which is 1.45 times the size of the same increase during 2018—these are comparative to the relative sizes of the storms' damage. The impact of the HIP-WI program, which was not in place during 2018, might also increase the amount of crop insurance proceeds for Helene when compared to Micheal. If this pattern follows for Helene, where the impact of hurricane-related crop insurance proceeds continues in the year following the storm at 48 percent of the size, then $154.0 million of hurricane-related costs will impact 2025. A two-year total of $474.8 million is 1.5 times the size of Micheal's impact on crop insurance proceeds. The estimate assumes that Helene-related crop insurance proceeds will total $474.8 million.

Data from the Georgia Department of Revenue (DOR) regarding disaster payment related to Hurricane Michael were used to estimate how long it will take for taxpayers to file and effectively deducts the income exempted under this bill. Table 5 shows the yearly annual share of disaster payments relative to the year the hurricane disaster occurred.

Table 5. Estimated Share of Annual Income Exemption

Year 1	**Year 2**	**Year 3**	**Year 4**
35.5%	56.4%	4.3%	3.8%

In addition, it is possible, if unlikely, that farm businesses experiencing significant losses from Hurricane Helene and receiving USDA disaster relief payments would have operating losses for the tax year of the storm. If that is the case and these losses are carried forward to reduce taxable income in subsequent years, the taxpayers' effective tax rates and thus the revenue impact could be significantly lower, or the impact could simply be delayed as operating losses are carried forward longer. Table 6 shows the estimated fiscal impact of exempting disaster payments from state taxable income.

Table 6. Estimated Revenue Effects of Section 1

($ *millions*)	FY 2026	FY 2027	FY 2028	FY 2029
Revenue Effect	($55.8)	($88.6)	($6.7)	($5.9)

Section 2 – Timber Tax Credit

Section two of the subject bill proposes to create an income tax credit for casualty losses incurred on commercial timberland due to damage attributed to Hurricane Helene in the fall of 2024, subject to certain requirements and restrictions outlined below. The amount of the credit is equal to 100 percent of the timber casualty loss incurred by the taxpayer between September 24, 2024, and December 31, 2024, as a result of damage or destruction to the eligible timber property caused by Hurricane Helene, up to $400 per acre.

The credit is limited to commercial timber producers in the disaster area, defined as real property encompassed by the borders of the 66 counties included in the renewal of the State of Emergency pronounced in the Executive Order of the Governor, No. 10.29.24.01. To receive the tax credit the taxpayer must apply for preapproval no later than December 31, 2025. The aggregate amount of these timber credits cannot exceed $200 million. Furthermore, the taxpayer must either restore each acre for which timber casualty losses were incurred to a condition that has an adequately stocked stand that is expected to result in forest products or ecological services in the foreseeable future; or replant a quantity of timber that is projected to yield at least 90 percent of the value of timber casualty loss claimed, before the credit can be claimed. Tax credits allowed in excess of a taxpayer's income tax liability shall be refundable to such taxpayers, provided that such taxpayer is the same taxpayer that incurred the timber casualty loss. Credits claimed, but not used in a given taxable year may be carried forward for 10 years. Claimed credits that are neither used nor refunded may be transferred once to a single, other taxpayer, subject to certain requirements outlined in the bill. The transferee can acquire the subject tax credits for no less than 60 percent of the amount of the credit.

In November 2024, the Georgia Forestry Commission (GFC) published a Hurricane Helene Timber Impact Assessment. This report estimated that 8.9 million acres of Georgia's forestland was in Hurricane Helene's path and that the state's timber damages totaled to $1.28 billion. This figure is not directly equivalent to casualty losses but is likely highly correlated with the measure and clearly greater than the $200 million aggregate cap of this credit. However, a nearly identical credit was passed in 2018, following Hurricane Michael. Hurricane Michael also caused significant timber damage in the state, totaling approximately $762.7 million. Despite this, Department of Revenue utilization data shows that only $80.1 million of such credits were generated and $49.5 million were utilized. Given the sufficient level of damage, and the fact that this credit was both refundable and transferable, it is unclear why the aggregate cap was not reached. This estimate assumes that those factors remain relevant. The low estimate assumes that the proportion of total generated credits to total timber damage will be identical to the observed proportion from the 2018 Hurricane Michael timber tax credit, approximately 10.51 percent. This results in an estimated $135 million of total generated credits. The low estimate further assumes the utilization rate and schedule will be the same as observed in the 2018 credit, approximately 61.8 percent, spread over three years. The high estimate assumes a 10-percent increase in generated credits, relative to the timber damage, and a 70-percent utilization rate. This is summarized in the tables below. The conversion from CY to FY uses an averaging method.

Table 7. Estimates of Total Credits Generated and Utilized

($ millions)	
Total Credits Generated – High	$148.5
Total Credits Generated – Low	$135.0
Total Credits Utilized – High	$103.9
Total Credits Utilized – Low	$83.3

Table 8. Estimated State Revenue Effects of Timber Tax Credit

($ *millions*)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
High Estimate	($44.81)	($48.62)	($7.17)	($3.36)	($0)
Low Estimate	($35.94)	($38.99)	($5.75)	($2.70)	($0)

Based on these assumptions, total credits utilized are expected to be between $83.3 and $103.9 million. Taxpayers are assumed to use the credit over a three-year period, with 86 percent used in CY 2026 (split evenly between FY 2025 and FY 2026), 7 percent used in CY 2027, and 6 percent used in CY 2028. This schedule is based on the observed utilization of the 2018 timber tax credit. If credits are utilized faster, the revenue loss will be larger in CY 2026 and CY 2027. If credits are utilized slower than expected, the revenue loss will occur later in the estimation window.

Section 3 – Sales Tax Exemption for Greenhouses and Other Farm Structures

According to data from the National Agricultural Statistical Service (NASS), improvement and construction expenses for Georgia's agriculture producers is expected to be $230 million during 2025. The estimate assumes this as the low typical annual amount of building and repair investment. The USDA Economic Research Service (ERS) predicts that capital expenditures on buildings and land improvement expenditures, including operator dwellings, to be $280 million. The estimate assumes this as the high estimate for a typical annual amount building and repair investment.

Hurricane Helene did considerable damage to buildings and equipment for Georgia's farmers. According to a report by the University of Georgia Extension Service, replanting, building, and equipment costs from Hurricane Helene damage was $870 million. Replanting supply and equipment purchases would not be exempted by this bill.

The high and low estimates for fiscal impacts from this sales tax exemption are based on the following data and assumptions:

- Based on NASS and ERS data, the high and low estimates for 2025 construction or repair of real property expenditures for agriculture producers are $230 and $280 million, respectively.
- For damage associated with Hurricane Helene, the high estimate assumes that all replanting, building, and equipment costs for poultry and beef producers and half of those costs for nursery producers qualify for this exemption, $606.5 million.
- The replanting, building, and equipment costs for poultry and beef producers could include some equipment purchases not covered by this exemption. The low estimates assume that 10 percent of those expenses are not covered, resulting in an estimate of $548.4 in construction or repair costs.
- As a general rule, roughly half of non-residential construction costs are on materials. For this exemption, most investment is assumed to be the repair of poultry houses, barns, and fences. The high estimates assume 55 percent of construction costs are on materials, and the low estimates assume 45 percent.

Table 9 describes the high and low 2025 construction and repair estimates for agricultural producers along with their associated material costs. For the fiscal impact estimates, a 50/50 fiscal split across FY 2025–26 was used. For the local revenue impact, the average local tax rate for the 66 counties impacted by Helene, 3.94 percent, was used.

Table 9. High-Low Agriculture Construction and Repair Costs for 2025

($ millions)	Construction Costs	Materials Only
High Estimate	$886.4	$487.5
Low Estimate	$780.5	$351.2

Table 10. Estimated Fiscal Impact of Section Three – Sales Tax Exemption for Agricultural Construction Materials

($ *millions*)	FY 2025	FY 2026
State Revenue Effects:		
High	($9.8)	($9.8)
Low	($7.0)	($7.0)
Local Revenue Effects:		
High	($9.6)	($9.6)
Low	($6.9)	($6.9)