DOAA
Georgia Department of Audits & Accounts

Greg S. Griffin
State Auditor

March 12, 2025

Honorable Chuck Hufstetler
Chairman, Senate Finance
121-C State Capitol
Atlanta, GA 30334

SUBJECT: Fiscal Note
House Bill 136 (LC 50 1130S)

Dear Chairman Hufstetler:

The bill would revise provisions regarding the tax credits to donors based on contributions to qualified foster child support organizations. The bill increases the annual cap from $20 million to $30 million, expands the definition of aging foster children and justice-involved youth, and broadens the scope of qualified expenditures for credit-eligible contributions. Additionally, the bill allows tax credits to be taken against the Insurance Premium Tax (IPT) for insurance companies. It lowers the credit basis of 100 percent of contributions to 95 percent and eliminates the carryforward period. Finally, it modifies conditions under which a taxpayer may claim the credit and increases the monetary limits for mentorship services and direct cash assistance to eligible youth. The bill would be effective on July 1, 2025, with tax provisions applying to taxable years beginning January 1, 2026.

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 Effects of HB 136 LC 50 1130S

($ *millions*)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Low Revenue Estimate	($0.7)	($7.4)	($6.8)	($7.3)	($8.2)
High Revenue Estimate	($0.3)	($3.1)	($2.1)	($1.9)	($2.2)

Impact on 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 three 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 1130S introduces several key modifications to the existing tax credit program, with anticipated effects on credit utilization and state revenue. Changes that would be expected to increase its utilization are:

- Raising the annual tax credit cap from $20 million to $30 million.
- Allowing the credit to be taken against the insurance premium tax (IPT), expanding the program to include insurance companies and increasing the number of potential donors. This change is expected to accelerate credit utilization, as insurance providers are now included in the pool of potential utilizers of the credit.

The bill also makes multiple changes that would be expected to decrease its utilization:

- The credit rate is reduced from 100 percent of the amount donated to 95 percent.
- The current three-year carryforward allowance for unused credits is eliminated.

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, established with a credit rate of 100 percent of donations, was established in 2009 and has reached its cap annually since 2011. RHTC preapproval records are not available for 2017 but based on donations reported in a 2022 performance audit report from the Department of Audits, likely reached only about 20 percent of its cap that first year. The credit rate effective in 2017 was initially only 70 percent, but was increased to 90 percent by SB 180, signed into law on May 8 and effective beginning with TY 2017. In the 2018 legislative session, the credit rate was increased to 100 percent by HB 769, effective beginning TY 2018, and effectively reached the $60 million cap (preapprovals of $59.5 million, according the 2022 performance audit). After falling well short of the cap, approximately 78 percent, in 2019 because of IRS regulation changes that denied an itemized deduction for donations earning these and similar credits, preapprovals in 2020 reached 90.5 percent and have ranged between 98 and 100 percent since.

To model the fiscal impact of the current bill, we estimate the current baseline of expected usage of the program under current law and compare it to the expected usage under the bill. The QFCD credit program, which took effect on January 1, 2023, began with a moderate level of preapproved amounts, reaching approximately 58 percent of its cap in its first year and 68 percent in its second—lower than the RHTC after its first year as well as other similar programs. Preapprovals and credit generation reported by the Department of Revenue (DOR) was nearly $13.5 million for TY 2024. Based on its current trajectory, we anticipate that the QFCD program will reach its current 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.

Based on DOR data on utilization of credits generated from similar programs, QEEC and RHTC, we assume for the baseline that 68 percent of credits generated will be utilized in the year they are generated, 11 percent in the following year, and 6 percent in the third year. These data and assumptions correspond to the current-law estimates detailed in Table 2 below.

To estimate the fiscal impact of LC 50 1130S, especially given the fact that it proposes to make changes that each potentially expand or reduce its utilization, we model estimates for a high and a low revenue pro forma scenarios. Under this bill the QFCD program would be unique among the other donation-based tax credit programs in three respects. It would allow for the credit to be taken against the IPT, it would have a credit rate of 95% rather than 100%, and it would not allow for carryforwards. The elimination of carryforwards generates uncertainty for estimation.

The high-revenue case estimates are based on the following assumptions:

- Generated credits from the baseline are reduced by five percent, assuming taxpayers do not change their donation choices based on the reduced credit rate. The RHTC's credit rate was temporarily below 100 percent but it's donation pattern after the first year was consistent with a newly established donation-based credit program.
- Donations allowed to generate credits under the $10 million increase in annual cap are assumed to increase toward the maximum in the same pattern as previous programs. Based on the donation pattern from during the initial years of this programs as well as similar donation-based programs in their early years, donations are assumed to be 58 percent of the maximum in the initial year and reach the cap in year five.
- Credit utilization in the year the credit is earned is assumed to be unaffected by the bill, 68 percent, but utilization of carryforwards after that year is eliminated.

The low-revenue case estimates are based on the following assumptions:

- Credits generated are not impacted by the change in the credit rate and maximize the donation cap by year five.
- Donations allowed to generate credits under the $10 million increase in annual cap are assumed to increase toward the maximum in the same pattern as previous programs. Donations are assumed to be follow the same pattens as the high-revenue case based on the same rationale.
- The inclusion of insurance companies and the elimination of carryforwards have the potential to impact utilization. The timing of utilization is not tracked or available for credits taken against the IPT. However, there is considerable utilization by insurance companies for the three credits they are currently taking, the low income housing tax credit, the Georgia jobs tax credit, and the agribusiness tax credit. Thus, the low-revenue case estimates assume that 85 percent of credits generated are utilized in their initial year.

These estimates of donations (credits generated) and credits utilized under current-law and the high- and low-revenue scenarios are detailed in Table 2.

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

($ *millions*)	TY 2026	TY 2027	TY 2028	TY 2029	TY 2030
Credits Generated					
Current Law	$15.0	$16.0	$18.0	$20.0	$20.0
Low Revenue Case	$20.8	$22.7	$26.0	$29.0	$30.0
High Revenue Case	$19.8	$21.6	$24.7	$27.6	$28.5
Credits Utilized					
Current Law	$12.5	$13.4	$14.9	$16.5	$16.9
Low Revenue Case	$20.0	$20.2	$22.1	$24.7	$25.5
High Revenue Case	$15.8	$15.5	$16.8	$18.7	$19.4

Historically, 90 percent of credits taken based on donation-based program have been taken against the personal income tax. The remaining 10 percent is assumed to be made by corporate taxpayers. Tax-year utilization of the credit is converted to fiscal years by assuming 5 percent of impact estimated by this bill will impact the current FY and 95 percent will impact the following FY upon filing. Finally differences from the current-law baseline from the high and low pro forma estimates were used to calculate the net revenue effects presented in Table 1.