DOAA
Georgia Department
of Audits & Accounts

Greg S. Griffin
State Auditor

March 21, 2025

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

SUBJECT: Fiscal Note
House Bill 328 (LC 50 1204S)

Dear Chairman Hufstetler:

The bill would increase the annual aggregate cap for tax credits provided to student scholarship organizations (SSOs) donors from $120 million to $140 million. The bill would also disallow any carryforwards, reduce the percent of a business enterprise's insurance premium tax (IPT) liability that may be offset by the credit from 75 to 30 percent, eliminate the existing caps on IPT credits, and reduce the credit rate to 95 percent of donations preapproved between July 1 and December 31 each year. The proposed changes to the tax credit would be applicable to taxable years beginning on or after 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 328 LC 50 1204S

($ millions)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
High Estimate	($2.2)	($21.6)	($21.3)	($21.4)	($22.9)
Low Estimate	($0.5)	($5.4)	($5.2)	($5.3)	($6.8)

Impact on Expenditures
The Department of Revenue (DOR) would be able to implement 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, O.C.G.A § 48-7-29.16 allows individual and corporate income taxpayers and business enterprises paying the insurance premium tax (IPT) to claim dollar-for-dollar tax credits for contributions made to qualified student scholarship organizations (SSOs), subject to the following limits:

- Currently, the aggregate amount of tax credits allowed under this code section cannot exceed $120 million per year.
- For business enterprises claiming a qualified education expense credit (QEEC) against the state IPT, the credit amount is equal to the lesser of the qualified expense or 75 percent of the enterprises IPT liability, capped at $1 million.
- The aggregate amount of tax credits allowed under this code section against the IPT cannot exceed $6 million per year.
- Currently, unused tax credits may be carried forward for up to three years.
- Tax credits are subject to preapproval by the commissioner on a first-come, first-served basis.

The subject bill proposes the following revisions to the program:

- The total aggregate cap on these credits would be raised from $120 to $140 million.
- Unused credits would no longer be allowed to be carried forward.
- For business enterprises taking a QEEC against the IPT, the credit amount would be changed to the lesser of the qualified expense or 30 percent of the enterprise's IPT liability.
- The $1 million cap on individual credits against the IPT and the $6 million aggregate cap on credits against the IPT would both be eliminated.
- The bill also adds a provision that stipulates any QEEC preapproval authorized between July 1 and December 31 of a given tax year (TY) shall only be allowed a credit up to 95 percent of the donation.

The QEEC was first established in 2008. Since then, the aggregate cap has been raised three times and preapprovals have generally hit the new cap in the following year, indicating significant demand for these credits. Furthermore, according to data from the Georgia Department of Revenue (DOR), 2025 preapprovals for the QEEC hit the cap of $120 million on January 3, 2025. Table 2 below shows the aggregate cap and the date it was reached for the past four tax years. Based on the historical pattern of credit preapprovals and the significant demand for these credits, we assume QEETC preapprovals will reach the new annual aggregate cap of $140 million before July 1 of each tax year.

Table 2. Dates of Preapprovals Reaching Aggregate Cap

TY	Cap ($ *millions*)	Date Reached
2022	$100	4/27/22
2023	$120	1/13/23
2024	$120	1/2/24
2025	$120	1/3/25

To estimate the revenue impact, baseline QEEC tax expenditures are estimated based on historical utilization data from DOR. The baseline estimates are adjusted to account for the change in carryforward periods from five to three years for credits generated in TY 2025 and beyond. Additionally, the data from DOR indicated that total utilization of the QEEC has averaged approximately 77 percent of the preapproved amount over the available years of data. The high and low estimates under the proposed law are based on the following data and assumptions:

- The high estimate assumes that taxpayers respond to the elimination of carryforwards and utilize approximately 77 percent of preapproved credits in the year they are generated.

- These data also indicate that approximately 66 percent of generated credits were utilized in the first two years after generation.
- The low estimate assumes taxpayers are unable to fully adjust to the elimination of carryforwards and that utilization will be approximately 66 percent of the preapproved amount in the year of preapproval.

These estimates are summarized in Table 3 below.

Table 3. Baseline and Pro Forma Credit Utilization

	TY 2025	TY 2026	TY 2027	TY 2028	TY 2029	TY 2030
Baseline	$86.3	$87.1	$87.4	$87.5	$85.9	$85.4
Proforma						
High Estimate	$86.3	$108.7	$108.7	$108.7	$108.7	$108.7
Low Estimate	$86.3	$92.6	$92.6	$92.6	$92.6	$92.6

The revenue impact estimates of the proposed bill are the differences between the high and low estimates under the proposed bill and baseline projections. Historically, 77 percent of QEETC's taken have been taken by individuals. The remaining 23 percent have been taken by corporate taxpayers. Assuming corporate taxpayers adjust their quarterly payments, tax-year utilization of the credit is converted to fiscal years by assuming 10 percent of impact estimated by this bill will impact the current fiscal year and 90 percent will impact the following fiscal year at the time of filing.