



January 17, 2025

Honorable Dar'shun Kendrick State Representative 411-B Coverdell Legislative Office Building Atlanta, GA 30334

SUBJECT: Fiscal Note House Bill (LC 59 0033)

Dear Representative Kendrick:

The bill would create a state income tax credit for workforce-ready graduates employed in high-tech, full-time jobs in rural counties, as defined in the bill, and subject to certain wage and employment duration requirements. Work-force ready graduates are individuals who have completed a workforce readiness program certified by the Georgia Department of Labor (GDOL) and hold a degree in specified high-tech disciplines. From January 1, 2026, workforce-ready graduates employed in a qualifying job, for at least 40 weeks during a 12-month period, can claim a tax credit up to \$4,000 for each year of employment, with a maximum of \$12,000 of credits per individual. Individuals employed in high-tech, full-time jobs before January 1, 2026, do not qualify for this credit.

Tax credits utilized in any year cannot exceed the taxpayer's income tax liability. Any unused credits can be carried forward for up to three years, but they cannot be applied to any prior years' liabilities. The bill would be effective July 1, 2025, and is applicable for tax years beginning on or after January 1, 2026.

# **Impact on State Revenue**

Georgia State University's Fiscal Research Center (FRC) noted that estimating the revenue impact of the bill is particularly difficult because the criteria for certification of workforce-ready programs and graduates are to be determined by GDOL. It is not feasible to determine the precise number who would receive this certification. However, FRC was able to estimate the overall entry-level employment in the state that meets the criteria included in the bill.

Based on an assumption that all or most of those individuals eligible for the credit become certified, FRC provided the estimates in Table 1. The appendix provides details of the analysis.

Table 1. Estimated State Revenue Effects of LC 59 0055								
(\$ millions)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031			
High Estimate	(\$0.14)	(\$0.29)	(\$0.44)	(\$0.59)	(\$0.60)			
Low Estimate	(\$0.11)	(\$0.22)	(\$0.33)	(\$0.45)	(\$0.45)			

# Table 1. Estimated State Revenue Effects of LC 59 0033

# Impact on State Expenditures

The Department of Labor (DOL) would incur additional costs associated with the bill, while the Department of Revenue (DOR) would incur additional costs only if the number of certified graduates is much higher than estimated by FRC.

#### Fiscal Note for House Bill (LC 59 0033) Page 2

- DOL To certify the programs and graduates, DOL estimated the need for two service specialists at a total cost of \$160,000 (salary and benefits). An additional \$11,000 for computer, software, and other regular operating expenses associated with the positions would be needed.
- DOR DOR estimated the need for additional auditors and business analysts should the number of graduates be significantly higher than the number estimated by FRC. DOR also noted that changes to information systems would be required, regardless of the number of certified graduates. The changes would require approximately 16 weeks of staff time, estimated at approximately \$181,000.

Respectfully,

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Greg S. Griffin State Auditor

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Richard Dunn, Director Office of Planning and Budget

GSG/RD/mt

# Analysis by the Fiscal Research Center

LC 59 0033 proposes to create a new state income tax credit based for workforce-ready graduates employed in high-tech, full-time jobs in rural Georgia counties on or after January 1, 2026. Qualifying employment must meet the following criteria:

- Employment location must be in a rural Georgia county with a population less than 50,000 and poverty rate of at least 10 percent.
- Role must be as a data scientist, software developer, information security analyst, web developer, computer sales engineer, information technology manager, computer research scientist, network and systems administrator, or computer support specialist.
- The job and the employer must be located in a rural county.
- The employer must be a small business, defined as being independently owned and operated, not dominant in its field, and employing fewer than 20 employees.
- Regular work week must be 30 hours or more.
- Cannot have a predetermined end date.
- Pay must be at or above the average hourly wage of the county with the lowest average hourly wage in the state, as determined by GDOL.

A workforce-ready graduate is defined as an individual who has obtained a degree in the discipline of engineering or computer, information, or data science within a high-tech area of study and who is certified by GDOL as having completed a workforce readiness program approved by GDOL. The criteria for workforce readiness programs are undefined and are to be established by January 1, 2026.

Once hired, provided the workforce-ready graduate remains in the qualifying job for at least 40 weeks in a 12-month period, the individual is eligible to claim a state income tax credit in the amount of \$4,000 for each such year of employment. However, no individual shall be allowed more than \$12,000 of credits under this provision. No individual can receive this credit for more than one job. Individuals employed in a high-tech, full-time job prior to January 1, 2026, cannot qualify for this credit.

Absent the established criteria for workforce readiness programs, the following analysis assumes the jobs that this credit targets are all jobs that meet the other restrictions outlined above. Employment data by detailed job classification from the U.S. Bureau of Labor Statistics (BLS) break down employment by age rather than years of experience. We thus estimate the number of such entry-level jobs in the state as those held by workers in the two youngest age groups reported, those ages 16–19 and 20-24. Data from the Quarterly Census of Employment and Wages (QCEW) breaks down industry employment by firm size. These data were used to estimate the share of entry-level, high-tech employment in firms with fewer than 20 employees, ranging from 8.25 percent to 16 percent.

County-level population and poverty rate data from the American Community Survey for 2023 (ACS) were used to allocate the high-tech, entry-level small business jobs to qualifying rural counties. State-level projections of these jobs from GDOL were used to forecast the total employment in high-tech, entry-level small businesses in rural counties from FY 2026–30. The ratio of new hires to stable employment (i.e., the number of jobs that were held throughout the full quarter) were taken from Census Bureau's Quarterly Workforce Indicators (QWI). This churn ratio of approximately 33.5 percent is applied to total high-tech, entry-level small business jobs in qualifying counties.

Building on the assumptions for the high and low estimates, the utilization of the tax credit is projected based on the adoption rate and estimated tax liability. For the high estimate, it is assumed that all qualified individuals (100-percent adoption rate) will fully utilize the credit. For the low estimate, 75 percent of qualified individuals are expected to use the credit. Table 2 shows the estimates of new workforce-ready graduates for tax years (TY) 2026–30.

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	Adoption Rate	TY 2026	TY 2027	TY 2028	TY 2029	TY 2030			
High Estimate	100%	72	74	75	76	78			
Low Estimate	75%	54	55	56	57	58			

# Table 2. Estimated New Workforce-ready Graduates, TY 2026–30

Wage estimates for these entry-level, high-tech jobs are based on data from BLS. The average of the 10th and 25th percentile wages—corresponding to \$60,000 and \$80,000 annual salary, respectively—were used to estimate entry-level wages for these occupations. Microsimulations using individual income tax from DOR estimate that the average tax liability under current law for individuals with Federal Adjusted Gross Income (AGI) between \$60,000 and \$80,000 would to be approximately \$2,000 per year. Consequently, it is assumed that a qualified individual will, on average, utilize \$2,000 of the proposed tax credit annually, with any unused portion carried forward for up to three years. Furthermore, based on the estimates from BLS, the average tenure of new hires is assumed to be two years. From these assumptions, annual credit utilization is calculated for both adoption rates, and cumulative estimates incorporating the carryforward effects of unused credits, projecting total tax credit utilization through 2030. Table 3 shows the estimated credit usage for TY 2026–30. Full-year fiscal impact begins from FY 2027 and are based on one-year lag TY to FY.

#### Table 3. Estimated Tax Credit Utilization, TY 2026–30

	TY 2026	TY 2027	TY 2028	TY 2029	TY 2030
High Estimate	\$144,844	\$292,198	\$442,107	\$594,616	\$604,924
Low Estimate	\$108,633	\$219,149	\$331,581	\$445,962	\$453,693

Though the high-tech workforce-ready graduates are the intended recipient of the credit proposed under this bill, certain responses by businesses could occur as a result. If the credit makes recruiting and hiring high-tech workers in rural areas easier or even creating new small high-tech business, the revenue cost could be materially higher. Additionally, it is not clear whether fully remote workers who do not reside in a qualifying county would qualify under this bill for credits.