



DOAA

Georgia Department
of Audits & Accounts

Greg S. Griffin
State Auditor

January 27, 2025

Honorable Sam Park
State Representative
609 Coverdell Legislative Office Building
Atlanta, GA 30334

SUBJECT: Fiscal Note
House Bill (LC 59 0046)

Dear Representative Park:

The bill would create a refundable state income tax credit equal to 20 percent of the federal earned income tax credit (EITC). The bill would be effective for tax years beginning on or after January 1, 2025.

Impact on State 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

(\$ millions)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Net Revenue Effect	(\$676)	(\$698)	(\$722)	(\$745)	(\$769)

Impact on State Expenditures

The Department of Revenue (DOR) would incur additional one-time and annual costs as a result of the bill, which it estimates will impact approximately 970,000 filers. Annual costs are staffing are associated with the need for two additional auditors and one additional tax examiner. Annual printing and postage costs are primarily associated with the expectations associated with the audit process, including sending notices and assessment letters.

Table 2. Estimated DOR Costs

	One-Time Costs	Annual Costs
Staffing (2 Auditors, 1 Tax Examiner)	\$6,075	\$270,125
Printing and Postage	\$0	\$340,000
Total	\$6,075	\$610,125

Respectfully,

Greg S. Griffin
State Auditor

Richard Dunn, Director
Office of Planning and Budget

GSG/RD/mt

Analysis by the Fiscal Research Center

The bill proposes to create a state earned income tax credit (EITC) equal to 20 percent of the federal EITC, subject to the taxpayer's income for purposes of determining eligibility for the EITC remaining below the relevant eligibility limits, after adding back net operating loss (NOL) carryforwards deducted on their federal return in arriving at federal adjusted gross income (AGI). Eligibility for the credit depends on, among other things, AGI being below certain limits based on filing status and the number of eligible dependents.

Based on administrative tax return data from the Department of Revenue (DOR) for which federal EITC data are available (roughly 94 percent of all returns), approximately 942,000 Georgia taxpayers claimed the federal credit in tax year (TY) 2022, including about 880,000 full-year residents, 27,000 part-year residents, and 32,000 nonresidents. The total amount of federal EITC claimed was approximately \$2.6 billion, \$2.4 billion of that by full-year residents. For purposes of this fiscal note, it is assumed that the Georgia EITC would be adjusted for part-year and nonresident filers, as are most deductions and exemptions, to reflect the filer's Georgia share of total AGI shown on the Georgia return's Schedule 3, line 9.

Approximately 2,000 filers claiming the EITC also reported federal NOL carryforwards on their Georgia returns, where they are an addition to federal AGI in arriving at Georgia AGI and taxable income. Reported NOL carryforwards are added to reported federal AGI for comparison to the relevant EITC eligibility limits.

Using a microsimulation model of the proposed credit, together with the DOR return data for TY 2022, it is estimated that about 933,000 Georgia filers would have received the Georgia EITC in an aggregate amount of about \$502 million for TY 2022, had the proposed law been in effect at the time.

We use Statistics of Income (SOI) data for Georgia from the Internal Revenue Service for the estimates. These aggregated data include returns filed for TY 2022 with a Georgia address at the time of filing, so would not include nonresident Georgia taxpayers and would also differ in counting of part-year residents, excluding those who move out of state before filing their returns for the year. If the omitted part-year filers and non-resident filers include significant numbers of EITC filers, the revenue loss estimated here would be higher. Estimation based on taxpayer simulations using Georgia DOR administrative income tax data (for e-filers only) resulted in similar, though slightly lower, revenue impact estimates. SOI data show approximately 1.01 million TY 2022 federal returns from Georgia claiming approximately \$2.8 billion of federal EITCs. Given refundability of the proposed state EITC, this implies pro forma TY 2022 Georgia EITCs of approximately \$565 million.

We project the SOI-based estimates for TY 2023 forward applying the actual cost-of-living adjustments made to EITC amounts and income limits by the IRS through TY 2025, and inflation plus population growth from CBO and OPB, respectively, for subsequent years. Inflation is measured with a one-year lag, as the prior year's inflation is the basis for annual inflation adjustments to EITC parameters made by the IRS.

Credits are assumed to impact state revenues at the time of filing of returns. Given that TY 2025 is the first tax year affected, the first state fiscal year impacted is assumed to be FY 2026.