DOAA
Georgia Department
of Audits & Accounts

Greg S. Griffin
State Auditor

February 4, 2025

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

SUBJECT: Fiscal Note
House Bill (LC 59 0047)

Dear Representative Park:

The bill would create a refundable state child tax credit equal to 10 percent of the federal child tax credit. The credit would be applicable to 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 reduce state revenue as shown in **Table 1**. The appendix provides details of the analysis.

Table 1. Estimated Revenue Effects of LC 59 0047

($ *millions*)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Low estimate	($397.5)	($206.9)	($206.9)	($206.9)	($206.9)
High estimate	($397.5)	($397.9)	($398.2)	($398.2)	($397.8)

Impact on State Expenditures
The Department of Revenue (DOR) would incur additional one-time and annual costs as a result of the bill. Annual costs include $270,000 for the salaries and benefits of three personnel, two auditors and one tax examiner, as well as $340,000 to print and mail notices and assessments for audits and paper refund checks. One-time costs include $6,075 for computers and accessories for new staff.

DOR also noted that changes to information systems would take 12 weeks, which equates to approximately $146,000 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

The bill proposes to create a new, refundable state tax credit equal to 10 percent of the federal child tax credit (CTC) under IRC Section 24. Eligibility for the federal credit depends on, among other things, AGI being below certain limits based on filing status and the number of eligible dependents.

The state credit is to be allowed only if the taxpayer's income for purposes of determining eligibility for the federal child credit remains below the relevant eligibility limits after adding back net operating loss (NOL) carryforwards deducted in determining eligibility for the federal credit.

Prior to the Tax Cuts and Jobs Act (TCJA), the federal credit was capped at $1,000 per child, fully refundable, and phased out at $75,000 for single filers and $110,000 for joint filers. With the passage of TCJA effective in 2018, the credit doubled to $2,000 per child and income phase-out limits were increased to $200,000 for single filers and $400,000 for joint filers. With the expiration of TCJA at the end of 2025 under current law, the CTC is set to revert to pre-TCJA credit amounts and income limits.

We use Statistics of Income (SOI) data for Georgia from the Internal Revenue Service, aggregated data from returns filed for tax year (TY) 2022 with a Georgia address at the time of filing. These SOI data 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. SOI data show federal returns from Georgia claimed approximately $3.9 billion of federal CTC's in TY 2022, including amounts reported on both line 19 and line 28 (the refundable portion of the federal credit) of Form 1040.

From the TY 2022 base year, we project the Georgia credit amount – 10 percent of the federal credit – under the following high and low scenarios:

- *High estimate:* assumes the TCJA provisions for CTC will be extended beyond 2025. Under this scenario, projections are based on the Governor's Office of Planning and Budget (OPB) 2024 projections of the state's under-17 children population through TY 2030. OPB's projections show an increase of approximately 0.14 percent per year from 2023 to 2030.
- *Low estimate:* assumes the expiration of TCJA provisions on December 31, 2025, with the CTC reverting to pre-TCJA rules. Based on the SOI data from TY 2017–18, it is estimated that the total credit will be reduced by approximately 48 percent in TY 2026. The estimates for TY 2023–25 remain consistent with those under the high estimate. For TY 2026, the estimated reductions resulting from the scheduled expiration of TCJA are applied, adjusted for the population growth rate of children under age 17, From TY 2027–29, only the population growth rate of children under-17 is applied.

Table 2 shows the projected amounts of refundable state credits in TY 2025-29 under these assumptions for the low and high estimates. For the revenue impacts in Table 1, credits earned for a given TY are assumed to impact collections at the time of filing of returns, TY 2025 in FY 2026, etc.

Table 2. High-Low Estimates State Child Tax Credits, TY 2025–29

($ millions)	TY 2025	TY 2026	TY 2027	TY 2028	TY 2029
Low Estimate	$397.5	$206.9	$206.9	$206.9	$206.9
High Estimate	$397.5	$397.9	$398.2	$398.2	$397.8