DOAA
Georgia Department
of Audits & Accounts

Greg S. Griffin
State Auditor

March 14, 2025

Honorable Shaw Blackmon
Chairman, House Ways and Means
133 State Capitol
Atlanta, GA 30334

SUBJECT: Fiscal Note
House Bill 376 (LC 59 0091)

Dear Chairman Blackmon:

The bill would increase the available state income tax credits for the rehabilitation of any other historic certified structures that are not historic homes in Georgia by raising the aggregate annual cap on tax credits from $30 million to $60 million for certified structures. It also raises the cap on credits for individual certified structures from $5 million to $7.5 million generally and from $10 million to $15 million for projects creating at least 200 full-time jobs or $5 million in annual payroll within two years. The annual aggregate and individual-property caps on tax credits for historic homes remain unchanged. The credit is scheduled to expire on Dec 31, 2029. The bill would be effective on July 1, 2025, and apply retroactively to taxable years beginning on or after January 1, 2025. The proposed changes to tax provisions will not change any tax payments before June 30, 2025.

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 376 LC 59 0091

(in millions)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Revenue Impact	($20.7)	($20.7)	($20.7)	($20.7)	($20.7)

Impact on Expenditures
The Department of Revenue (DOR) would be able to implement the 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. § 48-7-29.8), tax credits for the rehabilitation of certified structures other than historic homes are subject to specific caps and limitations. There is a per-project cap of $5 million generally, but for larger projects that create at least 200 jobs or generate $5 million in payroll, the cap is $10 million. The aggregate annual cap for these projects is $30 million. Credits are earned at a rate of 25 percent of qualified rehabilitation expenditures, subject to precertification by the Department of Community Affairs (DCA), as detailed in paragraph (d) of this code section. Credits are nonrefundable and may not be carried forward, but unutilized credits may be sold or assigned one-time to one or more entities. The historic rehabilitation credit is set to expire on December 31, 2029.

HB 376 proposes to raise the per-project cap for certified structures other than historic homes from $5 million to $7.5 million and for larger projects creating at least 200 jobs or $5 million in payroll, from $10 million to $15 million. Additionally, the statewide aggregate annual cap for these projects would double from $30 million to $60 million. These changes could lead to an increase in both the number of projects applying for credits and the amount claimed per project, as developers take advantage of the expanded incentives. The extent of this increase depends on market conditions, the availability of qualifying historic structures, and the financial feasibility of redevelopment projects. Lastly, the proposed bill does not change the credit's expiration date, which remains December 31, 2029.

The current-law credit structure and caps took effect in tax year (TY) 2023. Prior to TY 2023 and beginning TY 2017, an aggregate cap of $25 million applied to certified structures earning $300,000 or more in tax credits, with no aggregate cap on rehabilitation projects below that threshold. From TY 2017 through TY 2022, this $25 million aggregate cap was hit every year. Credits earned on projects below the $300,000 credit threshold, including historic homes, added between $4.5 and $10.9 million of credits each year in TY 2017–21, and in TY 2022 hit the $5 million cap that went into effect for that year. Subsequently, credits generated on certified structures other than historic homes fell less than $1 million shy of the current-law cap of $30 million in TY 2023 and hit the cap in TY 2024.

DCA reports investment data on projects that have received initial approval to move forward (Part A Preliminary Certification) and projects that have completed and are approved to file for credits (Part B Final Certification). Data from FY 2012–24 were used to estimate and project uncapped potential state credits. Though noisy, on average over the period the final certified investment in each year amounted to 75 percent of the preceding year's preliminary certifications. Application data from DOR indicated that 81.7 percent of investment was on certified structures other than historic homes. Table 2 details estimated preliminary and finally certified investment income-producing projects for FY 2019–24.

Table 2. Estimated Preliminary and Final Certified Income Producing HRTC Investment

($ *millions*)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Preliminary Certified	$196.3	$202.0	$147.0	$249.6	$212.7	$411.1
Final Certified	$102.5	$206.6	$135.2	$103.1	$113.5	$97.5

There was a noticeable jump in preliminarily approved investment in FY 2024, following moderately elevated amounts during FY 2022–23. A simple linear projection based on FY 2018–24 was used to project preliminary approved investment for FY 2025–30. The use of linear prediction captures the long run trend in investment but avoids biasing the prediction based on these recent off- trend amounts. Final certified investment each year is projected to equal 75 percent of the preceding year's projected preliminary approved investment. Table 3 shows projected preliminary certifications for FY 2025–30 along with final certifications multiplied by 25 percent to represent an estimate of the potential tax credits on final certified investment amounts absent an aggregate annual cap.

Table 3. Preliminary Investment and Potential Credits for Income-Producing Projects

(in millions)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Preliminary Certified	$354.1	$387.4	$420.7	$454.0	$487.4	$520.7
Final Certified at 25%	$77.1	$66.4	$72.6	$78.9	$85.1	$91.4

To project the revenue impact of the proposed bill, the baseline model assumes that credit generation under current law will reach the annual cap of $30 million every year. Based on credit utilization rates observed in recent years, 69 percent of credits generated are assumed to be utilized against taxpayers' tax liabilities. Again, current and proposed law do not allow for carryforwards of unutilized credits.

Under the proposed law, it is estimated that the credit generated will reach the annual cap of $60 million for TY 2025–29. The utilization rate remains at 69 percent, consistent with the baseline. Table 4 shows the estimates for additional credit generation and utilization over the baseline for TY 2025-29.

Table 4. Revenue Impact Estimates

(in millions)	TY 2025	TY 2026	TY 2027	TY 2028	TY 2029
Additional Credits Generated	$30.0	$30.0	$30.0	$30.0	$30.0
Additional Credits Utilized	($20.7)	($20.7)	($20.7)	($20.7)	($20.7)

The fiscal year impact assumes tax years fully impact the following FY upon filing.