DOAA
Georgia Department
of Audits & Accounts

Greg S. Griffin
State Auditor

March 13, 2025

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

SUBJECT: Fiscal Note
House Bill 357 (LC 62 0083)

Dear Chairman Blackmon:

The bill would create a tax credit for individuals and businesses that make financial contributions to certain mortgage loan originators (MLO). Mortgage loan originators, as defined under this bill, are mortgage providers exempt from typical licensing requirements because they operate as nonprofit corporations making loans to promote home ownership or home improvement for the disadvantaged.

The bill contains an annual credit total of $20 million, with no qualified organization permitted to receive more than $2 million. Tax credit limits are $5,000 per year for a single filer; $10,000 for those married couple filing jointly; $10,000 for an individual taxpayer who is member of a LLC, a shareholder in a "S" corporation, or a partner in a partnership; and 75% of income tax liability for corporations or other entities not already listed. The credit is nonrefundable but can be carried forward for five years.

The bill would be effective for tax years starting on or after January 1, 2026, and donations can earn credits through December 31, 2030.

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 357 LC 62 0083

($ *millions*)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Revenue Impact	($0.79)	($8.14)	($10.65)	($13.23)	($14.98)

Impact on Expenditures

The Department of Revenue (DOR) would be able to implement the provisions of the bill with existing resources. However, changes to information systems would require 16 weeks, equating to approximately $181,000 in existing 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 subject bill proposes to create an income tax credit whereby taxpayers can earn tax credits equal to donations to mortgage loan originators (MLO) that operate as a 501(c)3 nonprofit organization and promote home ownership or home improvement to the disadvantaged.

The IRS maintains data on revenue for nonprofit organizations through their 990 return filings. Charitable organizations that are classified as "Housing Development, Construction and Management" organizations, among other activities, assist disadvantaged individuals in purchasing housing or obtaining financing for such housing. Charitable organizations that are classified as "Housing Support" organizations provide supportive services that help people obtain and remain in suitable housing. Collectively, these organizations received $39.5 million in income during 2022, the most recent data available. These observations demonstrate considerable demand to support charitable housing initiatives supporting the disadvantaged, absent this credit.

The proposed credits are equal to the amount of donations to qualified MLO's, subject to the following taxpayer and aggregate limitations:

- Individuals can earn credits up to $5,000 per year for single filers and $10,000 per year for married couples.
- Corporate filers can earn credits up to 75 percent of their tax liability.
- Individuals who are members of Subchapter S or are in a business partnership can earn credits up to $10,000.
- Aggregate credits generated in a year cannot exceed $20 million.
- Credit amounts utilized in any year cannot exceed the taxpayer's tax liability, but unused credit amounts can be carried forward for up to five years.

The bill also proposes rules for qualified MLO's:

- They must be certified and listed by the state as qualified organizations to receive donations.
- They cannot use more than 10% of the contributions for administrative expenses.
- Donations cannot be made with the expectation of a direct personal benefit.

The estimates assume sufficient demand in the proposed donation-based credit program to generate credits up to the annual maximum before 2030. This is based on the pattern of other programs of this type in Georgia as well as the observation that there is currently considerable demand to support housing initiatives for the disadvantaged.

To model the fiscal impacts of HB 357 LC 62 0083 the pattern of growth after passage of similar donation-based tax credit programs were analyzed. The Qualified Education Expense Credit (QEEC) was established in 2009 and has reached its cap annually since 2011. The Rural Hospital Tax Credit (RHTC) was established in 2017 and reached only about 20 percent of its cap in that year but was initially enacted with a 70 percent credit rate that was raised to 90 percent part way through its first year. Raised again to a credit rate of 100 percent for 2018, the RHTC reached its aggregate cap that year and between 98 and 100 percent of the cap since 2021.

More recently, the Qualified Foster Care Donation Credit Program (QFCD), which took effect on January 1, 2023, began with a moderate level of preapproved amounts, reaching approximately 58 percent of its cap in its first year and 68 percent in its second. The Qualified Law Enforcement Donation Credit (QLEF), established in the same year, reached only 9.2 percent of its cap in its initial year and 18.2 percent in its second.

The estimates assume that generated credit amounts for the proposed MLO credit will be 58 percent of the $20 million proposed cap in its initial year, tax year (TY) 2026. That percentage is estimated to increase in TY 2027-30 as shown in Table 2.

Based on data from these same similar donation-based tax credit programs, the estimate assumes that 68 percent of credits generated will be utilized in their initial year, 11 percent in the following year, and 6 percent in the third year. Table 2 summarizes the expected credits generated and utilized for TYs 2026–30.

Table 2. Estimated State Revenue Effects under Current Law versus Pro Forma

($ *millions*)	TY 2026	TY 2027	TY 2028	TY 2029	TY 2030
Generated, percent of cap	58%	67%	80%	90%	100%
Credits Generated	$11.60	$13.40	$16.00	$18.00	$20.00
Credits Utilized	$7.89	$10.39	$13.05	$14.80	$16.54

Based on the expected mix of corporate and individual taxpayers earning credits tax-year utilization of the credit is converted to fiscal years by assuming 10 percent of the fiscal impact estimated by this bill will impact the current FY and 90 percent will impact the following FY upon filing. The resulting fiscal impacts for FY 2026 –30 are in Table 1.