



# DOAA

Georgia Department  
of Audits & Accounts

**Greg S. Griffin**  
State Auditor

March 4, 2026

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

SUBJECT: Fiscal Note  
House Bill 1085 (LC 44 3373)

Dear Chairman Blackmon:

The bill would make changes to the existing jobs tax credits provided for under O.C.G.A. §§ 48-7-40 and 40.1 and the existing manufacturer’s investment tax credits provided for under §§ 48-7-40.2, 40.3, and 40.4. Changes include adding ‘forestry manufacturing’ to the list of qualified businesses, defining forestry manufacturing, and providing for special treatment of forestry manufacturing jobs and businesses under these code sections. The bill would also allow job and investment tax credits under these code sections to be transferable when earned by forestry manufacturers and to increase the amounts of such tax credits for forestry manufacturers.

The bill would become effective July 1, 2026, and be applicable to tax years beginning on or after January 1, 2027. The transferability provisions in all sections and a provision in Section 1 making forestry manufacturers eligible for an increased credit amount apply only to job and investment credits earned prior to January 1, 2031.

### Impact on Revenue

Georgia State University’s Fiscal Research Center (FRC) estimated that the bill would decrease revenue as shown in Table 1. The appendix provides details of the analysis.

**Table 1. Estimated State Revenue Effects of HB 1085 LC 44373**

(\$ millions)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
State Revenue Effect	(\$1.7)	(\$4.0)	(\$5.4)	(\$6.5)	(\$5.2)

### Impact on Expenditures

The Department of Revenue (DOR) would incur additional one-time and annual costs as a result of the bill. The Taxpayer Services Division would need two additional financial examiners at an annual cost of \$176,600 (salary and benefits). The examiners validate account status and process both returns and income tax withholding requests. The positions would have one-time costs of \$3,650 for computers and other equipment.

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

### Sections 1 and 2

Section 1 of the subject bill adds forestry manufacturing to the definition of business enterprises that can claim jobs tax credits under § 48-7-40. The section defines forestry manufacturer by specifying the NAICS codes that would qualify and further to include specified manufacturing activities that would qualify regardless of the establishment's primary NAICS code.

Similarly, Section 2 adds forestry manufacturing to the defined set of businesses that can claim jobs tax credits under 48-7-40.1 and makes credits issued under 48-7-40.1 to forestry manufacturers transferable.

In addition, Sections 1 and 2 insert new subsections (n) and (l), respectively, that enable forestry manufacturers to sell or transfer earned but unutilized credits to another Georgia taxpayer one time and adds certain reporting requirements on the Department of Revenue (DOR) related to such transfers. These new subsections include a sunset date of December 31, 2030, that is specific to the subsection, but which automatic repeal "shall not impair or affect a forestry manufacturer's ability to transfer" unused credits after January 31, 2031, if such credits were earned for taxable years before December 31, 2030.

The NAICS codes included in the definition of forestry manufacturers comprise 321, 322, 33711, 221117, 325193, 325194, 325199, 337211, and 337212. Also eligible would be any establishment "that utilizes wood fiber, forest-derived biomass, wood residuals, or forestry by-products as a primary feedstock in the manufacture of forest products, renewable fuels, bio-based chemicals, bioenergy, or other value-added products that support or derive economic value from the forest products supply chain," regardless of primary NAICS code.

As the current-law definition of business enterprise under these code sections already includes establishments classified under NAICS sectors 31–33, all but one of the forestry manufacturing codes specified in this bill — 221117, Biomass Electric Power Generation — currently qualify for the jobs tax credits provided for under § 48-7-40 and § 48-7-40.1. Thus, the fiscal impact of this section comes from the addition of the biomass electric power industry and the allowance of transfers for credits granted for forestry manufacturing jobs.

The revenue impact estimates in Table 1 are based on the following data and assumptions:

- Quarterly Census of Employment and Wages (QCEW) data were used to estimate employment in the industries impacted by the bill. These data indicate that forestry manufacturing codes currently qualifying for jobs tax credits make up approximately 3 percent of currently qualifying jobs. This share of credits is assumed to see an increase in utilization due to the allowance of transfers. The increased utilization is modeled using the observed utilization rate of the existing land conservation tax credit, which has similar transferability regulations.
- The forestry-related credits are then adjusted upward to account for the addition of the biomass electric power industry using the ratio of estimated QCEW employment in this sector to total employment in all forestry manufacturing codes, approximately 0.48 percent.
- Baseline credit generation and utilization are based on observed credit activity and projected forward using the forecast growth in relevant employment by the Georgia State University Economic Forecasting Center, 1.6 percent per year.
- Beginning in 2031, newly generated credits are no longer transferable and revert to the historical utilization schedule, while unused credits earned during 2027–2030 retain their transferability and continue under the Land Conservation Tax Credit utilization schedule.

Table 2 summarizes the baseline and pro forma jobs tax credits related to forestry manufacturing based on these data and assumptions.

**Table 2. Projected Forestry Manufacturer Utilization of Job Tax Credits**

(\$ millions)	TY 2027	TY 2028	TY 2029	TY 2030	TY 2031
Baseline	\$6.0	\$6.1	\$6.1	\$6.2	\$6.3
Pro Forma	\$6.9	\$7.2	\$7.3	\$7.5	\$6.5
Fiscal Impact*	(\$1.0)	(\$1.2)	(\$1.2)	(\$1.2)	(\$0.2)

\* Numbers may not add due to rounding.

**Sections 3, 4, and 5**

Sections 3–5 of the subject bill modify the existing manufacturing investment tax credits provided for by O.C.G.A. §§ 48-7-40.2, 40.3, and 40.4, respectively. These sections define forestry manufacturing in the same manner as Section 2, and like that section, make biomass electric power generators eligible for these credits. These sections also increase the value of investment tax credits for forestry manufacturers in tier 1, tier 2, and tier 3 or 4 counties. Section 3 allows forestry manufacturers in tier 1 counties a credit in an amount equal to 8 percent of the cost of all qualified investment property acquired by the taxpayer in a given year, whereas under current law the value is equal to 5 percent of the cost. Section 4 increases the credit for forestry manufacturers in tier 2 counties to 5 percent from 3 percent under current law. The credit for tier 3 and 4 counties is not increased by Section 5, though the changes to eligible industry definitions are the same, allowing credits for biomass electric power generators.

In addition, Sections 3-5 insert a new subsection (e) in each of the three code sections. Each subsection (e) enables forestry manufacturers to sell or transfer earned but unutilized credits to another Georgia taxpayer one time and adds certain reporting requirements on the Department of Revenue (DOR) related to such transfers. The new subsections (e) include a sunset date of December 31, 2030, that is specific to the subsection, but which automatic repeal “shall not impair or affect a forestry manufacturer's ability to transfer” unused credits after January 31, 2031, if such credits were earned for taxable years before December 31, 2030.

The fiscal impact estimates for these bill sections are based on the following data and assumptions:

- Baseline estimates are derived from observed investment tax credit generation and utilization and are projected forward using forecast growth in gross state product from the Georgia State University Economic Forecasting Center: 4.7 percent.
- County-level employment data for the relevant NAICS industries were obtained from QCEW and used to allocate baseline credits across the county tiers defined in O.C.G.A. § 48-7-40.
- Additional credit generation was estimated by applying the percentage increase in the credit rate for each tier to the share of credits attributed to forestry manufacturing industries, approximated using relative employment in the applicable NAICS codes from the QCEW data. Credit utilization is assumed to remain consistent with observed historical rates. Credits associated with the addition of NAICS 221117 were estimated by applying the sector’s share of employment relative to total forestry manufacturing employment to the estimated forestry-related credits, resulting in estimates of 21 jobs in tier 2 counties and 124 jobs in tiers 3 and 4.

Historically 9 percent of manufacturing investment tax credits have been utilized in their initial year, with 4 percent in the subsequent years. HB 1085 allows unused credits earned by forestry manufacturers to be transferred to any Georgia taxpayer, which is expected to materially increase utilization compared to the historical rate of approximately 13 percent. Similar to the earlier section of the bill, the Land Conservation Tax Credit utilization schedule is applied for tax years 2027–2030 to reflect this transferability. Beginning in 2031, newly generated forestry manufacturer credits are no longer transferable and revert to the historical utilization schedule, however, unused credits generated

during 2027–2030 retain their transferability and continue under a higher utilization schedule for their remaining carry-forward period.

Baseline and pro forma forestry manufacturing-related investment credit utilization, based on these data and assumptions for tax years (TY) 2027–31 is summarized in Table 3 below. Newly utilized jobs and investment tax credits are assumed to immediately impact revenues through reduced quarterly estimated tax payments. For the revenue impact, estimates are based on the difference between the baseline and pro forma utilized credits in Tables 2 and 3 and have been converted to fiscal years assuming a 50/50 fiscal split.

**Table 3. Projected Forestry Manufacturer Utilization of Investment Tax Credits**

<i>(\$ millions)</i>	<b>TY 2027</b>	<b>TY 2028</b>	<b>TY 2029</b>	<b>TY 2030</b>	<b>TY 2031</b>
Baseline	\$0.6	\$0.7	\$0.7	\$0.7	\$0.8
Pro Forma	\$3.0	\$4.1	\$5.6	\$6.4	\$4.0
Fiscal Impact	(\$2.4)	(\$3.4)	(\$4.9)	(\$5.6)	(\$3.2)