DOAA
Georgia Department
of Audits & Accounts

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Tax Incentive Evaluation: Bank Tax Credit

DOAA summary of report prepared by Georgia State University's Fiscal Research Center (FRC)

Georgia's bank tax credit offsets special occupation taxes levied on financial institutions by cities and counties. Local governments may impose a tax of up to 0.25 percent on gross receipts, as well as a minimum annual tax of no more than $1,000 a year. O.C.G.A. § 48-7-29.7 provides a credit against the banks' state income tax liability that is equal to 100% of these local taxes. The credit is not refundable, but unused portions can be carried forward up to five years.

PURPOSE

Georgia's bank tax credit is intended to prevent double-taxing of financial institutions and ensure that banks are not taxed more heavily than other corporations. Double taxation would occur because Georgia banks are taxed at the state level through the corporate income tax and at the local level through the gross receipts tax.

IMPACT ON EMPLOYMENT, ECONOMIC ACTIVITY, AND REVENUE

FRC found that $47.6 million in FY20 has been claimed (newer years are still within the carryforward period). Using IMPLAN, a regional input-output model that analyzes economic activity, FRC estimated that $47.6 million within the industry would result in 178 total jobs and $50.3 million in value added to the state economy.

However, FRC estimated that the same amount of economic activity (e.g., loans, interest income) would have occurred even in the absence of the exemption, at least during the short term covered in this review. As a result, there was no economic activity (i.e., jobs, labor income, value added, output) that can be tied specifically to the exemption.

Due to the lack of any short-term economic activity attributable to the exemption, there is no economic or fiscal return on investment and the cost per job cannot be calculated.

Employment			Economic Impact			Revenue Impact		
Jobs	Cost/ Job	Labor Income	Output	Value Added	Economic ROI	State Tax Expenditure	State Tax Generated	Fiscal ROI
0	N/A	$0M	$0M	$0M	0%	$47.6M	$0M	0%

ANCILLARY IMPACTS

The FRC noted that the bank tax credit provides several benefits to state residents. While the economic impact of the credit is not measurable in the short term, its absence could have an effect in the long term. Without such a credit, banks may be less likely to maintain the same number of local bank branches, limiting citizens' access to bank branches in nearby areas.

OTHER STATES

Georgia's bank tax credit is uncommon in the United States. Rather than offering credits, many states avoid double taxation by exempting banks from certain taxes or creating an income or excise tax specific to financial institutions. For example, Alabama financial institutions are exempt from shares tax but are subject to an excise tax based on income, and South Carolina's financial institutions pay an income tax that is designed separately from other corporate income taxes.

OPTIONS TO IMPROVE RETURN ON INVESTMENT

The purpose of the credit is not to obtain a return on investment but to instead prevent double taxation of an industry.