DOAA
Georgia Department of Audits & Accounts

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Tax Incentive Evaluation: Rural Hospital Tax Credit

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

The Rural Hospital Tax Credit (RHTC) (O.C.G.A. § 28-5-41.1) was enacted in 2017 to provide financial support to rural hospitals in Georgia. The tax credit is equal to the donation, with limits of $5,000 for individuals and $10,000 for married couples and pass-through entities prior to July 1 of each year (unlimited after July 1). Corporations are limited to 75% of their income tax liability. The credit has an annual cap of $100 million beginning in 2025, up from $75 million.

PURPOSE

The RHTC is intended to strengthen the financial stability and service capacity of Georgia's rural hospitals by allowing state income taxes to be redirected to eligible rural hospitals. The credit is intended to offset the financial pressures faced by small, rural healthcare facilities—many of which serve low-income or medically underserved populations but operate with limited economies of scale and high uncompensated care costs.

FRC noted that the RHTC has been successful in achieving its goals of providing additional support to rural hospitals. Tax credit contributions increase the viability of vulnerable, rural hospitals.

IMPACT ON EMPLOYMENT, ECONOMIC ACTIVITY, AND REVENUE

While RHTC may significantly impact a community, its purpose is not state-level economic growth.

FRC estimated forgone state revenue was $79.5 million in FY 2025. It determined that the tax credit increased donations to the state's hospitals by 28%. The increase was not greater because the credit shifted donations from non-eligible to eligible hospitals. This shift limits the economic impact to the state, but it also means the portion of donations made to the eligible, rural hospitals that can be attributed to RHTC is higher than the percentage above.

FRC used IMPLAN, a regional input-output model that analyzes economic activity, to estimate RHTC's economic impact in FY 2025. FRC estimated the tax credit resulted in an increase of 232 jobs and $25.8 million in value added to the state economy. The economic activity would have led to additional state taxes of $1.4 million, offsetting approximately 2% of the forgone revenue. The state has a negative economic ROI because the state loses more revenue ($79.5 million minus $1.4 million gain) than the value added to the economy ($25.8 million).

Employment			Economic Impact			Revenue Impact		
Jobs	Cost/ Job	Labor Income	Output	Value Added	Economic ROI	State Tax Expenditure	State Tax Generated	Fiscal ROI
232	$336,638	$18M	$44.7M	$25.8M	33%	$79.5M	$1.4M	2%

ANCILLARY IMPACTS

FRC found the tax credit enables improvements in infrastructure, staffing, and service delivery at eligible rural hospitals and reduces the likelihood of closure of financially vulnerable rural hospitals. Additionally, research on charitable tax credits suggests this type of taxpayer-directed giving can increase the efficiency of public spending by lowering administrative overhead and aligning resources with local priorities.

OTHER STATES

FRC found only one of Georgia's neighboring states, Alabama, had adopted a tax credit comparable to the RHTC. Tennessee and North Carolina support rural hospitals through grants and other initiatives.

OPTIONS TO IMPROVE RETURN ON INVESTMENT

FRC did not identify a method to improve the ROI.