Economic and Community Development & Tourism

Contains Recommendations*

Homelessness Spending
State Hotel-Motel Fee
Workforce Development
Stable Housing Accountability

Contains No Recommendations

Low-Income Housing Tax Credit
Historic Rehabilitation Tax Credit
Georgia Job Tax Credit
Qualified Interactive Tax Credit
Georgia Research and Development Tax Credit
Manufacturing Sales Tax Exemption
Computer Equipment Sales Tax Exemption
High-Tech Data Center Sales Tax Exemption
MLK Center for Nonviolent Social Change
Universal Service Fund
Musical Tax Credit
Georgia's Film Tax Credit
Quality Jobs Tax Credit
Insurance Premium Tax Abatement
Jet Fuel Sales Tax Exemption
Manufacturer's Investment Tax Credit
High-Tech Data Center Equipment Tax

*Until the follow-up review is completed, the recommendation status is based on the most recent agency update to DOAA. The status is subject to change.

Performance Audit Division

Greg S. Griffin, State Auditor | 404.656.2180 | audits.ga.gov

Homelessness Spending

Requested Information on Programs and Services

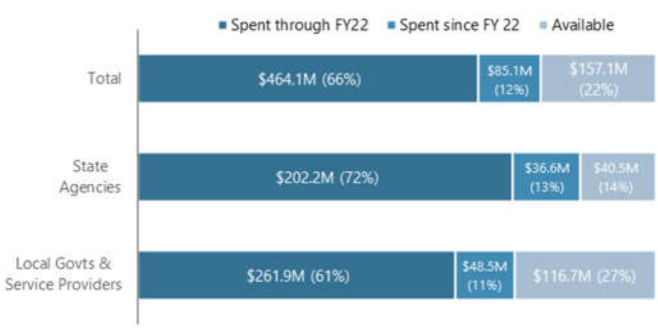
BACKGROUND

Senate Bill 62, which passed during the 2023 legislative session, required the state auditor to conduct a performance audit of spending on homeless programs and services. Accordingly, we examined the funds available from federal, state, and local fund sources and how funds were spent; the use of grants and contracts to award funds and monitor service delivery; and the use of the Georgia Homeless Management Information System (HMIS).

The Department of Community Affairs (DCA) and other state entities administer a variety of homeless programs. Some are federally funded programs that target specific populations.

In 2022, approximately 10,700 individuals were reported as experiencing homelessness in Georgia.

Approximately 78% of Total Federal Funds Available Has Been Spent



KEY RECOMMENDATIONS

The General Assembly could consider:

- Establishing a council responsible for statewide coordination, as has been done in other states.
- Requiring the council to use HMIS to conduct statewide analyses of homelessness conditions and trends.

KEY FINDINGS

In Georgia, homelessness is addressed through a network of programs and services administered at the state and local levels but primarily funded through federal grants. The majority of these federal grants can be spent over multiple years, depending on the grant period. State funding is significantly smaller for a few targeted programs. Most federal and state funding ultimately reaches the state's network of local organizations that provide direct services to the homeless population. Though a significant amount of activity occurs locally, Georgia's response to homelessness may be improved through statewide coordination.

Significant federal funds are awarded for and spent on homeless programs and services.

- Between federal fiscal years 2018 and 2022 (the latest year for which complete federal data was available), an estimated $706 million in federal funds was available to state agencies, local governments, and service providers. Approximately 78% ($549 million) of federal funds available during the period reviewed has been spent.
- Approximately 40% of funds available ($279 million) were for state agencies, which expended approximately 85% of federal funds ($239 million), leaving $41 million for future spending.
- Approximately 60% of funds available were for local governments and service providers ($214 million and $213 million, respectively), with most funds available to spend in areas with substantial homeless populations. In total, these entities spent approximately 73% of federal funds ($310 million), leaving $117 million for future spending.
- Because state and local governments serve as pass-through entities for federal funds, most of the federal funding is spent by service providers. In the period reviewed, these entities spent a total of $352 million.

State funds accounted for a small portion of total spending during the period reviewed.

- Between state fiscal years 2018 and 2023, the state spent $158.4 million on homeless programs and services. Most state expenditures were incurred by the Department of Community Affairs and Department of Behavioral Health and Developmental Disabilities.

The state lacks a coordinated response to homelessness.

- Operations and management of homelessness related activities and services are decentralized and primarily concentrated at the local level. No state-level entity is responsible for coordinating efforts across regions.
- Other states with a designated lead entity have adopted broad strategies for preventing and addressing homelessness, including collection, aggregation, and analysis of statewide data on homelessness.

Full report available at: https://www.audits2.ga.gov/reports/summaries/homelessness-spending/

Homelessness Spending
Final Status Pending – Follow-Up Review will be completed in 2026

Finding 1: Between federal fiscal years 2018 and 2022, an estimated $811.8 million in federal funds was available for homeless programs and services.	
No recommendations included	
Finding 2: Between fiscal years 2018 and 2022, 60% of federal funds available were spent on homelessness programs and services, though funds will be available for additional years.	
No recommendations included	
Finding 3: As the final recipients of federal funding, service providers spent $347.4 million to directly serve homeless populations between fiscal years 2018 and 2022.	
No recommendations included	
Finding 4: Expenditures of state funds for homeless programs fluctuated between fiscal years 2018 and 2022.	
No recommendations included	
Finding 5: Most local government survey respondents reported they did not spend their own funds on homelessness programs in 2022.	
No recommendations included	
Finding 6: Law enforcement agencies do not track expenditures but reported performing certain activities to address homelessness during their normal duties.	
No recommendations included	
Finding 7: The state's grant administration process is primarily based on federal requirements.	
No recommendations included	
Finding 8: While CoCs and service providers use HMIS to meet HUD requirements, its use to improve homeless service delivery statewide is not currently maximized.	
Should the General Assembly decide to establish a statewide entity to coordinate the state's response to homelessness (as discussed in Finding 9), it should consider requiring the council to use HMIS to conduct statewide analyses of homelessness conditions and trends.	Not Implemented
Finding 9: While a significant amount of funding is used to serve Georgia's homeless populations, the state lacks a coordinated, strategic response to address the problem.	
If the General Assembly wants a more strategic approach to address homelessness, it could consider establishing a council responsible for statewide coordination, as has been done in other states.	Not Implemented

Performance Audit Division

Greg S. Griffin, State Auditor | 404.656.2180 | audits.ga.gov

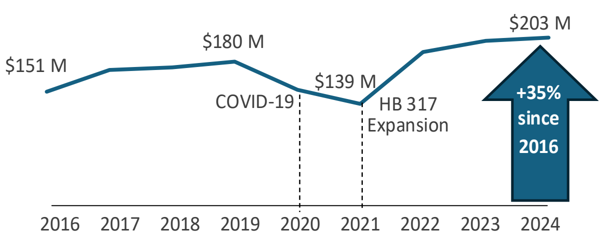
State Hotel-Motel Fee

Improvements needed for more effective collection of the hotel-motel fee

BACKGROUND

The state hotel-motel fee, first passed in 2015, is a $5 nightly fee levied on the rental of accommodations. While initially limited to stays in hotel and motel rooms, House Bill 317 expanded the fee in 2021 to include more accommodation types (e.g., cabins, campgrounds). It also incorporated marketplace innkeepers, which are businesses that facilitate vacation and short-term rentals of at least $100,000 per year. The Department of Revenue (DOR), the state's tax administration agency, administers the fee.

Since fiscal year 2016, Georgia has collected $1.6 billion in fee revenue from the hotel-motel fee, averaging $176 million annually. Under state law, these funds must be used for transportation purposes.



The House Appropriations Committee requested this special examination of the state hotel-motel fee. Based on this request, we reviewed the extent to which DOR ensures all required innkeepers collect and remit the fee and the extent to which DOR ensures innkeepers are remitting the correct fee amounts.

KEY RECOMMENDATIONS

The Department of Revenue should:

- Update its guidance regarding the hotel-motel fee;
- Explore options to identify additional taxpayers required to pay the fee; and
- Develop a risk-based audit selection strategy.

KEY FINDINGS

While DOR has identified most taxpayers subject to the hotel-motel fee, it should take additional steps to maximize revenue collected. DOR can use data to identify additional taxpayers that should be paying the fee and update taxpayer guidance to reflect current requirements. Additionally, DOR generally follows best practices for collections and audit procedures but lacks a strategic audit selection approach.

DOR has not updated guidance to reflect legislation passed in 2021.

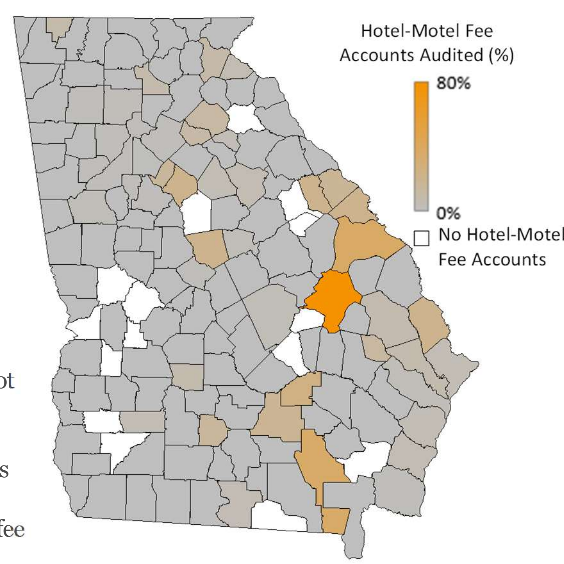
- DOR did not update all of its guidance to address the statutory changes implemented in July 2021. DOR issued a new policy bulletin in 2021, but it did not update its regulations to reflect the fee's expansion or provide definitions of key terms (e.g., shelter and accommodation) necessary to understand the fee's broader applicability.
- DOR has not updated its audit procedures manual to include marketplace innkeepers or a current definition of the fee's scope. We reviewed sales and use tax audits and identified 19 that did not include a relevant hotel-motel fee audit.

DOR should take additional steps to identify taxpayers required to collect the fee.

- Of the approximately 5,200 taxpayers that may have been required to submit the hotel-motel fee, we found 350 businesses (7%) that had never done so. The fee may not be applicable to many of these for varying reasons, such as a business closure. However, a regular review of DOR data that includes all relevant industries can help ensure taxpayers subject to the fee are identified.
- Other external data sets are also available to identify taxpayers not readily identifiable in DOR's data, though DOR would need to weigh costs associated with acquiring and analyzing the data against the potential increase in revenue.

DOR follows best practices in collections and audit procedures but does not use a strategic process for audit selection.

- DOR uses best practices to collect unpaid amounts when taxpayers do not pay the fee by the monthly deadline. Between fiscal years 2016 and 2024, DOR collected $19 million (74%) of the total $25.5 million owed for unpaid hotel-motel fees.
- DOR's audit procedures are generally consistent with best practices, but the agency has not established a comprehensive strategy for selecting which accounts to audit. As a result, as shown in the map, the number and percentage of hotel-motel fee audits varied widely by county.



State Hotel-Motel Fee
Final Status Pending – Follow-Up Review will be completed in 2027

Finding 1: DOR has identified most taxpayers required to pay the hotel-motel fee but should take additional steps to improve compliance.	
DOR should develop a strategy to review business registration data using industry-relevant NAICS codes and compare to those remitting the fee.	Status Pending
DOR should explore available industry data to determine its use in identifying taxpayers required to remit the fee.	Status Pending
DOR should issue new regulations for the hotel-motel fee and update the Frequently Asked Questions on its website.	Status Pending
DOR should develop an outreach strategy to inform taxpayers of the hotel-motel fee requirements.	Status Pending
DOR should explore changes within its accounts registration portal to help taxpayers identify applicable taxes and fees.	Status Pending
Finding 2: DOR follows best practices for hotel-motel fee collections.	
No recommendations included	
Finding 3: The hotel-motel fee refund controls are not clearly defined, but few problems were identified.	
DOR should formalize written procedures that provide tax examiners with adequate guidance regarding whether a hotel-motel fee refund should be approved or denied.	Status Pending
DOR should reassess its system of controls around the fee refund and determine whether additional controls are needed.	Status Pending
Finding 4: DOR's audit procedures align with best practices but lack a strategic process for selecting audits.	
DOR should develop a risk-based strategy for audit selection.	Status Pending
DOR should update its policies and procedures manual to reflect the current hotel-motel fee legislation.	Status Pending
DOR should reiterate to staff its policy to include the hotel-motel fee in sales and use tax audits when appropriate.	Status Pending

Performance Audit Division

Greg S. Griffin, State Auditor | 404.656.2180 | audits.ga.gov

Workforce Development

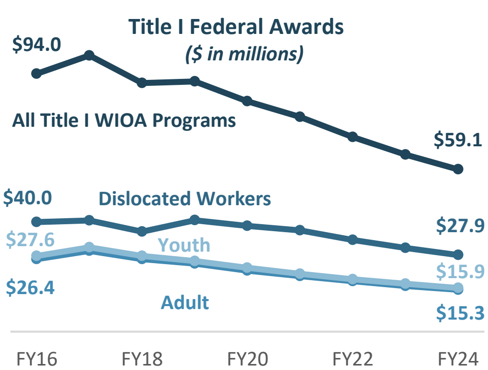
Requested information on selected workforce development programs

BACKGROUND

Georgia's workforce development system is a network of federal and state programs designed to help individuals—especially those facing barriers to employment—gain meaningful work and support the state's economic growth.

During state fiscal years 2022-2024, annual expenditures for reviewed programs averaged approximately $156 million. Core programs are funded by the federal Workforce Innovation and Opportunity Act (WIOA) and administered by the Technical College System of Georgia (TCSG), the Georgia Vocational Rehabilitation Agency (GVRA), and 17 Local Workforce Development Areas (LWDAs). Non-core programs are administered by TCSG, the Georgia Department of Labor (GDOL), and the Georgia Department of Human Services (DHS).

The House Appropriations Committee requested this special examination.



KEY RECOMMENDATIONS

The State Workforce Development Board, in consultation with the governor, should:

- Consider several steps to enhance the coordination of programs, including adding programs to the state workforce development plan, enhancing relationships, and improving data sharing.
- Assess the current number of LWDAs due to the decline in federal funding.

All agencies that administer the workforce development programs in our review should:

- Improve performance measurement and the transparency of results.

KEY FINDINGS

We reviewed 10 workforce development programs that have a primary goal of assisting individuals with barriers to employment. Funding constraints have limited services to individuals eligible for WIOA Title I programs and reduced the number of one-stop locations, which are intended to serve as access points for workforce development services. We also identified opportunities to improve coordination and the transparency of program performance information.

Federal funding declines have resulted in fewer Title I participants and expanded use of waiting lists.

- Federal awards account for nearly 80% of expenditures for Georgia's workforce development programs, with state and other sources making up the remainder.
- The primary source of funding for the LWDAs—WIOA Title I—has declined significantly over the past decade, from $94.0 million in 2016 to $59.1 million in 2024. This decline is a result of the federal formulas that allocate less to states like Georgia that have relatively lower unemployment rates.
- The impact of declining federal funding is significant for those still seeking employment services. The number of individuals enrolled in Title I programs fell by more than half in the last five years, with adults and dislocated workers experiencing the largest drops. In addition, delayed federal allocations have forced 11 of 17 LWDAs to create waiting lists for at least one program.

Enhanced coordination can improve service delivery, reduce duplications, and better serve individuals with barriers to employment.

- Georgia has made progress in aligning core workforce programs within a single agency, but coordination with other programs serving similar populations seems limited. Compared to other southeastern states, Georgia's workforce plan includes fewer non-core programs.
- Coordination with programs outside the combined plan is inconsistent. Most LWDAs report little or no coordination with SNAP E&T, despite overlapping target populations and similar services. Better coordination between WIOA and SNAP E&T can create efficiencies, such as using WIOA funds for training and SNAP E&T funds for supportive services.

While Georgia's programs often met their performance goals, additional measures for all programs could be adopted to improve transparency.

- In fiscal year 2024, Georgia's core workforce programs generally met or exceeded federally negotiated performance goals for measures such as employment rates, median earnings, and credential attainment. Many also surpassed national averages.
- Non-core programs are less likely to have established performance goals, making it difficult to assess their effectiveness.
- Additional performance measures—such as job retention rates, cost per participant, and employer satisfaction—would provide a more comprehensive evaluation of the workforce system and allow additional program comparisons.
- Existing performance information is spread across various sources, with no single location containing information for the programs reviewed.

Full report available at: https://www.audits2.ga.gov/reports/summaries/workforce-development/

Workforce Development
Final Status Pending – Follow-Up Review will be completed in 2028

Finding 1: Georgia's workforce development system consists of a network of federal and state programs administered by TCSG and other agencies.	
No recommendations included	
Finding 2: Most funding for the workforce development programs in our review comes from federal awards, which have declined significantly for Title I programs.	
The SWDB, in consultation with the governor, should evaluate the current number of LWDAs due to the consistent reduction in Title I funds used to support the system.	Status Pending
Finding 3: Declining federal funding and delayed allocations have reduced enrollment and led many LWDAs to adopt Title I program waiting lists.	
The General Assembly should consider appropriating one-time funds to TCSG to enable the agency to establish a revolving loan program that provides bridge loans to LWDAs to mitigate the impact of federal funding delays.	Status Pending
Finding 4: Incorporating additional programs into the state's workforce development plan would strengthen coordination.	
The SWDB, in consultation with the governor, should consider including additional non-core programs in the combined state plan to better incorporate other workforce programs that serve similar populations.	Status Pending
Finding 5: Better coordination between WIOA and SNAP E&T could create efficiencies in service delivery.	
DHS and TCSG should increase interagency cooperation, which may include establishing a formal referral mechanism between SNAP E&T and Title I or designating all LWDAs as SNAP E&T training providers.	Status Pending
Finding 6: Limited data sharing across workforce programs hinders cross-agency coordination of services.	
The SWDB, in consultation with the governor, should continue efforts to integrate data systems across workforce programs.	Status Pending
TCSG and DHS should establish a data sharing mechanism that assists LWDA staff with determining WIOA program eligibility.	Status Pending
Finding 7: Title I and Wagner-Peyser programs met performance goals for most indicators and often surpassed national average performance.	
All agencies should establish goals for each performance measure to provide information useful for assessing program results.	Status Pending
Finding 8: Adopting additional performance measures and compiling measures in a single location would enable a more effective evaluation of the workforce development system.	
The SWDB, in consultation with the governor, should require state agencies with workforce development programs to report a common set of state performance measures.	Status Pending
TCSG should coordinate with the SWDB to collect and publish program performance data in a common location, such as the SWDB website.	Status Pending
The SWDB should consider adopting systemwide measures that demonstrate the collective performance of the state's workforce development system programs and initiatives.	Status Pending

Workforce Development

Final Status Pending – Follow-Up Review will be completed in 2027

Finding 8: Fewer one-stop center locations, the absence of required partners, and unreliable location information may decrease access to services.	
TCSG should continue efforts to expand virtual one-stop locations and services across the state.	Status Pending
The SWDB, in consultation with the governor, should consider adding SNAP as a required partner at comprehensive one-stop centers to assist with Title I eligibility determinations.	Status Pending
LWDAs should ensure information on their websites about the number, location, and names of one-stop centers is accurate and consistent.	Status Pending
TCSG should coordinate with one-stop operators to ensure information about their locations is accurate and consistent on the TCSG website.	Status Pending
TCSG should include a one-stop location search feature on its new WorkSource Georgia website to provide accessible information for job seekers.	Status Pending
Finding 10: Obstacles such as affordable childcare and adequate transportation prevent some participants from obtaining workforce development services.	
No recommendations included	

Performance Audit Division
Greg S. Griffin, State Auditor | 404.656.2180 | audits.ga.gov

Stable Housing Accountability Program

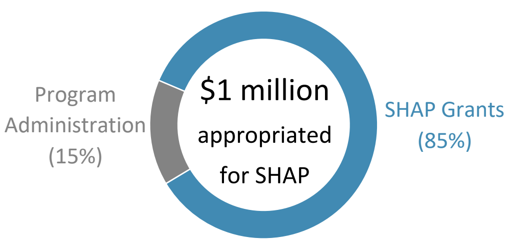
Improvements needed to ensure effective grant execution

BACKGROUND

In 2024, House Bill 1410 created a state-funded homelessness grant program known as the Stable Housing Accountability Program (SHAP). The legislation also required the state auditor to conduct a performance audit of SHAP expenditures. to be published in 2025. Based on statutory requirements, this audit evaluated whether the grant award process followed statute and best practices, whether funds were spent on eligible expenditures, and whether performance metrics were consistent with best practices.

While statutorily under the State Housing Trust Fund, SHAP is primarily administered by the Department of Community Affairs (DCA).

In fiscal year 2025, the General Assembly appropriated $1 million to SHAP to cover the first year of grants and administrative expenses. DCA selected six providers to receive awards for calendar year 2025. All six were experienced providers already providing services similar to those required by SHAP.



KEY RECOMMENDATIONS

DCA should:

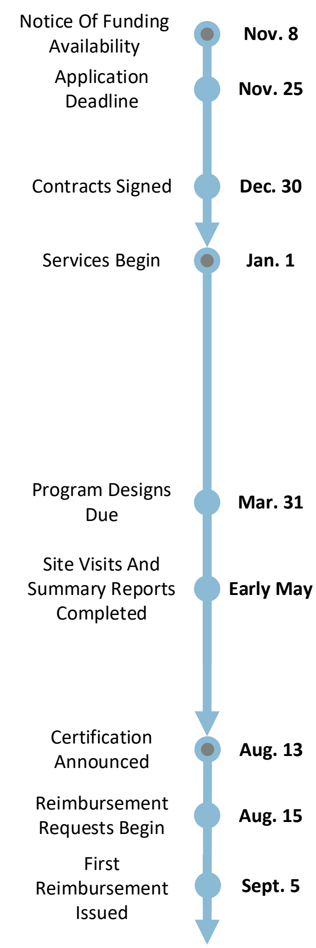
- Create written standard procedures for the SHAP grant award process and implement sufficient controls to ensure scoring consistency.
- Continue with plans to certify providers prior to issuing awards.
- Consider additional outcome-based performance measures and establish clear methods to collect and monitor the data.

KEY FINDINGS

The Department of Community Affairs (DCA) did not ensure reviewers scored applications consistently, which impacted grant selection for the Stable Housing Accountability Program (SHAP). Additionally, the certification process was not developed until after grants were awarded, resulting in delays that prevented providers from seeking reimbursements until more than seven months of the grant year had passed. DCA indicated the short implementation period contributed to these issues, and it is making changes to these processes for the upcoming grant year.

SHAP's award process lacked controls necessary to ensure grants were appropriately awarded.

- DCA did not have sufficient controls to ensure consistent scoring and calculations for SHAP grant applications. DCA staff indicated the process was modeled after other Housing Assistance Division grants, but the absence of formal procedures led to inconsistencies in how staff scored applications.
- DCA's post-scoring review process did not ensure scoring inconsistencies were identified and addressed.
- Calculation errors led to one provider receiving an award despite having a lower score than another applicant.



Delays in the certification process prevented timely reimbursements to SHAP providers.

- SHAP providers faced significant delays in accessing grant funds because of an extended certification period.
- DCA did not certify that providers met statutory requirements until more than seven months after program services began. Certification is required by statute before providers can request reimbursements (unique to this program); as a result, providers were unable to access funds for most of the grant year.

DCA did not establish performance measures to assess program and provider performance.

- DCA did not establish performance measures for SHAP until late in the 2025 grant year, preventing effective monitoring of program and provider outcomes. Performance measures should be developed prior to issuing awards to communicate program goals and monitor progress.
- Performance measures published for the 2026 grant year focus primarily on program outputs, such as the number of participants enrolled or receiving services, rather than outcomes to measure program effectiveness.

Full report available at: https://www.audits2.ga.gov/reports/summaries/stable-housing-accountability-program/

Stable Housing Accountability Program

Final Status Pending – Follow-Up Review will be completed in 2027

Finding 1: SHAP providers generally did not expand capacity or services after receiving the grant.	
No recommendations included	
Finding 2: SHAP providers were approved for grants early but unable to access reimbursements for most of the year.	
DCA should establish a minimum time period for posting SHAP grants to ensure all applicants are able to complete their applications.	Status Pending
DCA should continue with plans to certify programs prior to selecting grant awardees so providers can access reimbursements in a timely manner.	Status Pending
Finding 3: DCA's award process did not ensure SHAP applicants were scored consistently.	
DCA should develop written procedures for the overall award process, including instructions for how applications should be scored and how to identify and address scoring inconsistencies.	Status Pending
DCA should ensure score sheets have locked tallying cells.	Status Pending
Finding 4: DCA's certification process did not ensure providers met all requirements.	
DCA should strengthen the certification process to ensure potential awardees meet program requirements, including ensuring providers have written policies that align with SHAP statutory requirements.	Status Pending
DCA should clearly define and enforce a minimum interval of drug testing regularity.	Status Pending
Finding 5: The SHTF director was fully funded by SHAP funds but also performed non-SHAP duties.	
DCA should ensure SHAP funds are only used to fund the portion of staff time dedicated to SHAP activities.	Status Pending
Finding 6: DCA did not implement measures to monitor SHAP providers' performance during the 2025 grant period.	
DCA should continue with its plans to measure performance but should consider additional measures that focus on program impacts and client outcomes.	Status Pending
DCA should define a successful program exit for SHAP so performance measures more specifically address program objectives.	Status Pending
DCA should define the data categories it will use to determine program success, including exit reasons.	Status Pending

DOAA
Georgia Department of Audits & Accounts

June 2022

Tax Incentive Evaluation: Low-Income Housing Tax Credit

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

BACKGROUND

Georgia's Low-Income Housing Tax Credit (LIHTC) was enacted in 2000 and effective for qualifying projects placed in service after January 1, 2001. The program is governed under O.C.G.A. § 48-7-29.6 for purposes of state income taxes and O.C.G.A. § 33-1-18 for insurers to claim against their state insurance premium tax liabilities. The Georgia LIHTC is a 100% match of the federal LIHTC for qualified projects located in the state. The amount of credits a taxpayer may use in any year is limited by the taxpayer's income tax or insurance premium tax liability for that year. Unutilized credits may be carried forward for up to three years.

This review was requested by the Senate Finance Committee and performed in accordance with O.C.G.A. § 28-5-41.1. Georgia State University's Fiscal Research Center (FRC) prepared the report.

ECONOMIC ACTIVITY

Using recent data from the Department of Community Affairs (DCA), FRC determined that a representative year of LIHTC projects would result in 29,619 jobs during the construction phrase and another 250 jobs during facility operations.

However, not all jobs that receive the LIHTC are created due to the presence of the credit. FRC compared historic LIHTC activity in Georgia communities to the activity that occurred in statistically similar communities in states without a state LIHTC. As a result, FRC estimated that 21% of the LIHTC units in Georgia were attributable to the state credit. During the construction phase, the number of jobs attributable to the state LIHTC was 6,220 (29,619 * 21%).

O.C.G.A. § 28-5-41.1 requires the analysis to include net economic activity, which includes opportunity cost. If the credited taxes had been collected and expended by the state, FRC estimated the creation of approximately 2,000 jobs and economic output of $187.9 million.

Construction/Ongoing Activity

6,220/ 53 Jobs

$495M/ $14.2M Value Added

$363M/ $1.5M Labor Income

$767M/ $17.1M Economic Output

Note: Economic activity that would not exist without the tax credit

REVENUE

FRC determined that a representative year of projects led to forgone state tax revenue of $749 million.

The economic activity attributable to the state LIHTC resulted in $31.9 million in new state ($23.2) and local ($8.6) tax revenue for one year. Ongoing increased property tax revenue for local governments was estimated at $4.9 million.

Finally, FRC estimated that the alternate use of the revenue would have generated $4.0 million in state revenue and $1.6 million in local revenue.

$749M Tax Expenditure

$31.9M Revenue Generated

Note: Amounts are for a representative year

COST

Credit administration is the responsibility of three agencies: DCA, the Department of Revenue, and the Office of Insurance and Fire Safety. DCA was unable to isolate costs for the state LIHTC program but indicated that program fees cover all cost of operations (i.e., state funds are not used). The remaining two agencies reported administrative costs of approximately $88,000.

PUBLIC BENEFIT

FRC noted that existing research has pointed to personal and public benefits from safe and secure long-term housing. These benefits are in the areas of health, public safety, and educational outcomes.

December 2022
Revised January 2024

Tax Incentive Evaluation: Historic Rehabilitation Tax Credit

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

BACKGROUND

Georgia's Historic Rehabilitation Tax Credit (HRTC) program was enacted in 2002 to enhance the existing federal tax credit, which incentivizes the rehabilitation of historically important properties. HRTC allows owners of eligible properties to claim a state income tax credit equal to 25% of qualified expenditures (30% in target areas). O.C.G.A. § 48-7-29.8 currently has a $5 million annual cap for historic homes and $30 million annual cap for other historic structures. The credit will be phased out in 2024 for homes and in 2027 for other structures.

This review was requested by the Senate Finance Committee and performed in accordance with O.C.G.A. § 28-5-41.1. Georgia State University's Fiscal Research Center (FRC) prepared the report.

ECONOMIC ACTIVITY

Using recent data, FRC calculated that a representative year of HRTC projects would result in 2,011 jobs during the construction phase, as well as 500 ongoing jobs at commercial properties.

However, not all jobs that receive the HRTC are created solely due to the presence of the credit. FRC compared historic rehabilitation investment in Georgia communities to investment in similar communities in states without a state credit. As a result, FRC estimated that 36% of jobs were created as a direct result of the HRTC (2,011 construction jobs * 36% = 724).

O.C.G.A. § 28-5-41.1 requires the analysis to include net economic activity, which includes opportunity cost. If the credited taxes had been collected and expended by the state, FRC estimated the creation of 867 jobs and economic output of $67.8 million.

Construction/Ongoing Activity

724/180 Jobs

$73M/$15M Value Added

$41M/$7M Labor Income

$144M/$26M Economic Output

Note: Economic activity that would not exist without the tax credit

REVENUE

FRC determined that a representative year of projects led to forgone state tax revenue of $32.3 million.

Economic activity attributable to the HRTC results in $3.7 million in new state tax revenue, with the construction accounting for $3.4 million and ongoing operations resulting in $0.3 million (annually). Local governments would have an additional $0.3 million.

Finally, FRC estimated that the alternate use of the forgone revenue would have generated $2.2 million in state revenue and $800,000 in local revenue.

$32M Tax Expenditure

$4.1M Revenue Generated

Note: Amounts are for a representative year

COST

The HRTC is administered by both the Department of Community Affairs (DCA) and the Department of Revenue (DOR).

Estimated costs for DCA in FY 2023 are $329,000, though collected fees will cover all but $45,000 of that amount. DOR was unable to provide costs associated with the program.

PUBLIC BENEFIT

Research shows that programs like HRTC provide benefits associated with the amenity and tourism of the area. They can also encourage the preservation of structures offering affordable housing and contribute to neighborhood revitalization without gentrification.

DOAA
Georgia Department of Audits & Accounts

December 2022

Tax Incentive Evaluation: Job Tax Credit

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

BACKGROUND

Georgia's Job Tax Credit (JTC) program was instituted in 1990 to increase employment in the state's most distressed counties. In its current form, all 159 counties are placed into one of four tiers based on their economic conditions. Tax credits are provided for jobs in certain industries, with the amounts ranging from $750 to $3,500 per job per year for up to five years. The amounts are primarily based on the county tier, though some counties have specially designated areas that provide a greater credit amount.

This review was requested by the House Ways and Means Committee and performed in accordance with O.C.G.A. § 28-5-41.1. Georgia State University's Fiscal Research Center (FRC) prepared the report.

ECONOMIC ACTIVITY

In 2019, 22,668 newly created jobs received the JTC. FRC estimated that those 22,668 newly credited jobs led to a total of 50,954 jobs in the state, when counting indirect and induced jobs in other businesses.

However, not all jobs that receive the JTC are created solely due to the presence of the credit. Prior research has shown that market conditions, the availability of qualified workers, and other factors are even more important to job creation. FRC estimated that 11.4% of jobs were created as a direct result of the JTC (50,954 jobs * 11.4% = 5,809).

O.C.G.A. § 28-5-41.1 requires the analysis to include net economic activity, which includes opportunity cost. If the credited taxes had been collected and expended by the state, FRC estimated the creation of 1,771 jobs and economic output of $138.5 million.

5,809 Jobs

$604M Value Added

$347M Labor Income

$1,319M Economic Output

Note: Economic activity that would not exist without the tax credit

REVENUE

In 2019, companies earned $65.6 million in tax credits for jobs created that year. Because jobs created in earlier years were within the five-year window to claim credits, total tax expenditures in 2019 were over $120 million.

FRC estimated that economic activity attributable to the JTC resulted in $48.2 million in new state ($26.9) and local ($21.3) tax revenue.

Finally, FRC estimated that the alternate use of the revenue would have generated $3.8 million in state revenue and $1.6 million in local revenue.

$66M Tax Expenditure

$48M Revenue Generated

Note: Amounts are for jobs newly created in 2019

COST

The JTC is administered by both the Department of Community Affairs (DCA) and the Department of Revenue (DOR).

DCA reported annual costs of approximately $195,000, primarily for salaries and benefits. DOR costs were estimated at $131,000, also for personnel.

PUBLIC BENEFIT

JTC is an economic development incentive with a broad purpose of expanding employment.

Tax Incentive Evaluation: Interactive Entertainment Tax Credit

DOAA summary of report prepared by Georgia Southern University's Center for Business Analytics and Economic Research

BACKGROUND

The Qualified Interactive Entertainment Production Company (QIEPC) tax credit (O.C.G.A. § 48-7-40.26) is available to businesses primarily engaged in qualified activities that also have a physical location in Georgia, minimum in-state payroll of $250,000, and gross income below $100 million. The base tax credit is 20% of project expenditures, with an additional 10% available if companies add a Georgia logo to their game. The credit's aggregate cap is $12.5 million annually, while a single company is limited to $1.5 million in a year.

This review was requested by the Senate Finance Committee and performed in accordance with O.C.G.A. § 28-5-41.1. Georgia Southern University's Center for Business Analytics and Economic Research (CBAER) prepared the report.

ECONOMIC ACTIVITY

CBAER estimated that the qualifying investment by companies receiving the QIEPC tax credit led to 387 jobs in 2021. Amounts on the right are for 2021.

Not all jobs that receive the tax credit are created solely due to the presence of the credit, though CBAER was unable to provide a precise estimate of those that would exist in its absence. CBAER noted that while the Georgia industry was much larger than companies receiving the credit, the credit was a factor in retaining smaller companies because it provided an important source of funds to offset expenses.

O.C.G.A. § 28-5-41.1 requires the analysis to include net economic activity, which includes opportunity cost. If the credited taxes had been collected and expended by the state, CBAER estimated the creation of 110 jobs and total 2017-21 economic output of $112.9 million.

387 Jobs

$70.4M Value Added

$34.9M Labor Income

$89.8M Economic Output

*Attributes all qualifying investment to the credit, which may overstate the credit's impact.

REVENUE

The tax expenditure was estimated to total $26 million for the 2017 to 2021 period and to grow to $62.5 million for 2022 to 2026. In the first period, activity resulted in $7.4 million in state tax and $5.6 million in local tax revenue. The $13.0 million total is expected to grow to $14.9 in the next five-year period.

CBAER estimated that the alternate use of the revenue would generate $3.5 million in state revenue and $3.4 million in local revenue over five years.

$26.0M 5-Year Tax Expenditure

$13.0M 5-Year Revenue Generated

* Tax expenditure includes claims made only on credits earned 2017-21

COST

The Departments of Economic Development and Revenue have **negligible costs** for credit administration.

PUBLIC BENEFIT

CBAER cited non-monetary benefits such as contributing to the development of new forms of entertainment, strengthening the development of the entertainment production industry, and strengthening the human capital needed for the software development industry.

Full report available at: https://www.audits2.ga.gov/reports/summaries/tax-incentive-evaluation-interactive-entertainment-tax-credit/

DOAA
Georgia Department of Audits & Accounts

December 2022

Tax Incentive Evaluation: Research and Development Tax Credit

DOAA summary of report prepared by University of Georgia's Carl Vinson Institute of Government

BACKGROUND

Georgia's Research and Development Tax Credit (RDTC), signed into law in 1997, provides an income tax credit equal to 10% of a business enterprise's year-over-year increase in qualified research expenses. O.C.G.A. § 48-7-40.12 defines the increase as the additional qualified expenses over a base amount. The credit can be applied to 50% of the company's tax liability, carried forward up to 10 years, and applied to employee withholding.

This review was requested by the Senate Finance Committee and performed in accordance with O.C.G.A. § 28-5-41.1. The University of Georgia's Carl Vinson Institute of Government (the Institute) prepared the report.

ECONOMIC ACTIVITY

The Institute calculated that research spending by companies claiming the RDTC resulted in just over 26,000 total jobs in 2018. That number includes jobs in those companies, their suppliers, and in businesses where employees spend their incomes.

However, not all jobs that receive the RDTC are created solely due to the presence of the credit. The Institute's review of existing research found that 95% of the additional research investment would have occurred even if the credit did not exist. As a result, it estimated that 5% of the above jobs were created as a result of the RDTC (26,048 jobs * 5% = 1,302).

O.C.G.A. § 28-5-41.1 requires the analysis to include net economic activity, which includes opportunity cost. If the credited taxes had been collected and expended by the state, the Institute estimated the creation of 6,295 jobs and economic output of $492 million.

1,302 Jobs

$131M Value Added

$85M Labor Income

$248M Economic Output

Note: Economic activity that would not exist without the tax credit

REVENUE

The Institute determined that forgone state revenue totaled $234 million in 2018. Forgone revenue is projected at $305 million in 2025.

Economic activity attributable to the RDTC resulted in $3.9 million in new state tax revenue in 2018, which is projected to grow to $4.6 million in 2025.

$234M Tax Expenditure

$3.9M Revenue Generated

COST

The Department Revenue reported **negligible costs** associated with administration of the credit.

PUBLIC BENEFIT

Companies engage in research to maintain or grow their market share. The credit lowers the cost of research, some of which may have spillover benefits for society at large. The credit may also elevate the profile of the state's business environment, leading to clustering of businesses, suppliers, and customers (something not captured in a static economic model). Additionally, one user of the credit cited firm investment in the state's educational systems, which benefit students who may never be employed by the company.

DOAA
Georgia Department of Audits & Accounts

December 2022

Tax Incentive Evaluation: Manufacturing Sales Tax Exemption

DOAA summary of report prepared by Georgia Southern University's Center for Business Analytics and Economic Research

BACKGROUND

O.C.G.A. § 48-8-3.2 exempts manufacturers from paying state and local sales taxes on goods and services necessary to the manufacturing process—consumable supplies, energy, equipment, industrial materials, and machinery. The same code section includes companies engaged in mining, quarrying, oil and gas extraction, electric power generation, and newspaper publishing. Of the industries exempted by the code section, manufacturing represents more than 90% of establishments, jobs, and state gross domestic product.

This review was requested by the House Ways and Means Committee and performed in accordance with O.C.G.A. § 28-5-41.1. Georgia Southern University's Center for Business Analytics and Economic Research (CBAER) prepared the report.

ECONOMIC ACTIVITY

CBAER estimated the economic activity associated with the manufacturing industry. It found that companies receiving the exemption supported an average of 424,333 total jobs over the FY 2018 to FY 2022 period.

Not all economic activity associated with these companies is due to the sales tax exemption. While CBAER noted that the exemption is important in the manufacturing industry, it estimated that only 25% of companies would have made a different manufacturing decision in its absence. As a result, activity attributable to the exemption is reduced (424,333 jobs*25% = 106,083).

O.C.G.A. § 28-5-41.1 requires the analysis to include net economic activity, which includes opportunity cost. If the credited taxes had been collected and expended by the state, CBAER estimated the creation of 34,800 jobs and average economic output of $10.1 billion.

106,083 Jobs

$12.8B Value Added

$7.3B Labor Income

$30.6B Economic Output

Note: Economic activity attributable to the tax exemption

REVENUE

State tax expenditures exceeded $3.0 billion in each of the last five years, reaching $3.9 billion in 2022. Local governments had forgone revenue of another $2.9 billion.

Activity attributable to the exemption resulted in additional state and local revenue. The state collected an average of $1.7 billion each year, while local governments collected $1.8 billion.

CBAER estimated that the alternate use of the state tax expenditure would generate $158 million in state taxes.

$3.4B Average Tax Expenditure

$1.7B Average Revenue Generated

Note: State averages for FY 2018 to FY 2022

COST

The Department of Revenue reported **negligible costs** for credit administration.

PUBLIC BENEFIT

CBAER cited economic benefits that are not quantified above, such as the creation of an environment conducive to manufacturing. It noted that manufacturing provides employment for 424,000 Georgia and represents 8% of employment. CBAER also noted that exempting manufacturing inputs represents good tax policy because it eliminates (hidden) taxes that would be built into the price paid by consumers.

DOAA Georgia Department of Audits & Accounts

December 2022

Tax Incentive Evaluation: Computer Equipment Sales Tax Exemption

DOAA summary of report prepared by University of Georgia's Carl Vinson Institute of Government

BACKGROUND

Since 2001, Georgia has provided a state and local sales tax exemption for the purchases of computer equipment over $15 million. O.C.G.A. § 48-8-3(68) is available to companies that make a purchase or a series of purchases that total $15 million or more in a single year. Beginning in 2024, the first $15 million in qualifying computer equipment purchases will be taxed at 10% of the state sales tax rate (i.e., 4% state rate x 10% = 0.4%).

This review was requested by the Senate Finance Committee and performed in accordance with O.C.G.A. § 28-5-41.1. The University of Georgia's Carl Vinson Institute of Government (the Institute) prepared the report.

ECONOMIC ACTIVITY

The Institute calculated that 21-24 companies have claimed the exemption in recent tax years. Qualifying purchases grew from $1.1 billion in 2018 to nearly $1.7 billion in 2021. It should be noted that many of these dollars do not stay within the Georgia economy because most computers are manufactured elsewhere. Nevertheless, computer purchases by these companies were associated with 7,200 jobs in 2021.

However, not all purchases occurred only due to the presence of the exemption. The Institute estimated that most purchases would have occurred even without an exemption. Specifically, it attributed 7.35% of the economic activity to the exemption (7,238 jobs x 7.35% = 532 jobs).

O.C.G.A. § 28-5-41.1 requires the analysis to include net economic activity, which includes opportunity cost. If the exempted state sales tax had been collected, the Institute estimated the creation of 6,295 jobs and economic output of $492 million.

532 Jobs

$54M Value Added

$38M Labor Income

$89M Economic Output

Note: 2021 economic activity attributable to the tax exemption

REVENUE

The Institute determined that forgone state revenue grew from $44 million in 2018 to $66 million in 2021.

Economic activity attributable to the exemption resulted in $1.6 million in new state tax revenue in 2018. The revenue was estimated at $2.5 million in 2025. The offsetting revenue represents approximately 4% of the forgone state revenue.

The Institute did not calculate the forgone revenue to local governments. Assuming an average local sales tax rate of 3.35%, the forgone revenue would equal $55 million. The actual figure may vary based on the rates in the actual jurisdictions with qualifying taxpayers.

$66M State Tax Expenditure

$2.5M Revenue Generated

COST

The Department of Revenue reported **negligible costs** associated with administration of the exemption.

PUBLIC BENEFIT

The exemption is an economic development incentive. The Institute noted that it is one of many factors that create a positive business climate.

Tax Incentive Evaluation: High-Tech Data Center Sales Tax Exemption

DOAA summary of report prepared by University of Georgia's Carl Vinson Institute of Government

BACKGROUND

In 2018, Georgia adopted a state and local sales tax exemption to attract the construction and operation of high-tech data centers (HTDCs). O.C.G.A. § 48-8-3(68.1) exempts from sales tax certain building materials used for HTDCs and computer equipment used in their operation. To qualify for the exemption, projects must meet minimum investment and quality job requirements that vary based on the population of the county. In 2022, the requirements were lowered for projects in a county with a population below 50,000.

This review was requested by the Senate Finance Committee and performed in accordance with O.C.G.A. § 28-5-41.1. The University of Georgia's Carl Vinson Institute of Government (the Institute) prepared the report.

ECONOMIC ACTIVITY

The Department of Revenue reported that too few taxpayers have utilized the exemption to permit the public release of information. As a result, the Institute relied on previous studies and interviews of industry officials to estimate the cost of constructing and operating a large HTDC (hyperscale).

The Institute estimated the construction costs of one of these centers at $800 million. At that amount, approximately 4,200 construction jobs and 7,300 total jobs would be created during an approximate two-year construction phase. The Institute estimated 50 HTDC employees and an additional 217 jobs would be supported by the center's existence each year. The relatively high cost of inputs to HTDCs and the high salaries of their employees leads to the large number of indirect and induced jobs.

The Institute estimated that 90% of HTDCs in Georgia would not be present without the exemption. As a result, the vast majority of the economic activity noted above can be attributed to the incentive.

O.C.G.A. § 28-5-41.1 requires the analysis to include net economic activity, which includes opportunity cost. If the exempted state sales tax had been collected, the Institute estimated the creation of 2,153 jobs.

REVENUE

As noted above, the Institute could not obtain the amount of forgone state tax revenue from the Department of Revenue. However, using the hypothetical scenario of an $800 million HTDC, forgone state revenue would total approximately $80 million.

Economic activity attributable to the exemption would result in approximately $19.4 million in additional state taxes during construction. HTDC operations would result in another $250,000 to $275,000 in state taxes each year.

COST

The Department of Revenue reported **negligible costs** associated with administration of the exemption.

PUBLIC BENEFIT

HTDCs may have mixed impacts on the greater public. The facilities are high electricity and water users, which could strain local resources during droughts, heat waves, or cold snaps. However, the construction of HTDCs may lead to needed investment in this infrastructure. In addition, HTDCs prefer sites with renewable energy availability, encouraging diverse energy sources. Finally, HDTCs can lead to improvement in an area's broadband infrastructure.

Performance Audit Division

Greg S. Griffin, State Auditor | 404.656.2180 | audits.ga.gov

The Martin Luther King, Jr. Center for Nonviolent Social Change

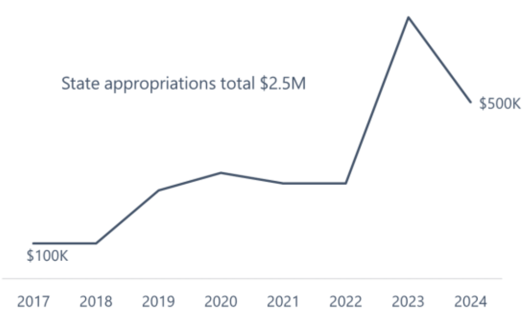
State funds primarily used for facility improvements

BACKGROUND

The House Appropriations Committee requested this special examination of The Martin Luther King, Jr. Center for Nonviolent Social Change (The King Center). Based on this request, we reviewed: (1) how state funds have been spent; (2) what improvements have been made at The King Center; and (3) how significant the state's contribution is to The King Center's operations.

Since it was founded in 1968 by Coretta Scott King, The King Center has sought to educate the public about the life, legacy, and teachings of Dr. Martin Luther King, Jr. Nearly one million people visit the center each year. -The King Center also has online programs and training open to people around the world.

The state of Georgia has provided funds to The King Center since fiscal year 2017, totaling approximately $2.5 million through fiscal year 2024. The funds are appropriated to the Georgia Department of Economic Development, which passes the funds directly to The King Center.



KEY RECOMMENDATIONS

This report is intended to answer questions posed by the House Appropriations Committee and to help inform policy decisions.

KEY FINDINGS

The King Center has generally spent state funds on facility improvements. According to officials of The King Center, the improvements have helped repair the aging structure and made the facility more appealing to tourists and community members. State funding has been a small percentage of The King Center's revenue, but staff consider the funding to be significant to their operations.

The King Center has primarily spent state funds on improving facilities.

Example of Restroom Renovation in the administration building of The King Center

- State funds provided to The King Center from fiscal year 2017 through October 2023 have primarily been used for facility repairs and updates. Of the approximately $2 million received through October 2023, The King Center had spent the majority on facility improvements.
- Facility projects undertaken with state funds include repairs and maintenance. For example, state funds were used to renovate five restrooms in the administration building, which included mold and asbestos abatement.
- Approximately 26% of the funds received were unspent as of October 2023, but officials have budgeted the funds received prior to fiscal year 2024 for facility projects.
- Fiscal year 2024 appropriations of $500,000 will not be spent on permanent facility improvements but instead have been directed to educational exhibits and marketing.

State funding does not represent a large percentage of The King Center's revenue but is still considered an important funding source.

Total Revenue, FY 2017 - 2023

- The King Center's net assets and revenue have both increased since it began receiving state funding, with the amount of state funding and other funding sources increasing accordingly.
- Between fiscal year 2017 and 2023, state funds have represented 2% to 8% of The King Center's annual revenue, but staff consider it to be crucial source of funding.
- Contributions and grants from sources such as companies, charitable foundations, and local governments are also a significant source of revenue and have increased significantly over the same time frame.
- According to The King Center, state funding has been the primary source of financing all the projects on which it was used. The King Center staff considers this funding to be critical to their operations.

Performance Audit Division

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Universal Service Fund

Requested Information on the Use of Funds

BACKGROUND

The House Appropriations Committee requested this review of the Universal Service Fund (USF). Based on this request, we reviewed what companies are eligible for a USF, how USF funds have been spent, changes in the end-of-year balance, and policy options to help fund natural gas expansion.

Passed in 1997, Senate Bill 215 authorized natural gas deregulation in Georgia. When natural gas is fully regulated, a local distribution company delivers and sells gas to consumers at a rate set by the state's regulatory agency (interstate supplier rates are set by a federal agency). Under deregulation, the price for the sale of gas is determined by market competition, and consumers can choose the marketer from which to purchase gas. Companies that choose to deregulate have a USF, which sets aside certain natural gas revenues to fund gas expansion projects and provide low-income assistance.

The Georgia Public Service Commission (PSC) administers the USF. Statute specifies funding sources that are to be deposited into the USF and also authorizes PSC to order other revenue sources be deposited into the USF. Statute also indicates annual deposits "shall not exceed $25 million." The USF does not receive any state funds.

In 2022, USF disbursements totaled $15.7 million. Most ($14 million) was spent on expansion projects, and a small portion ($1.7 million) was used to assist low-income consumers.

KEY RECOMMENDATIONS

This report is intended to answer questions posed by the House Appropriations Committee and to help inform policy decisions.

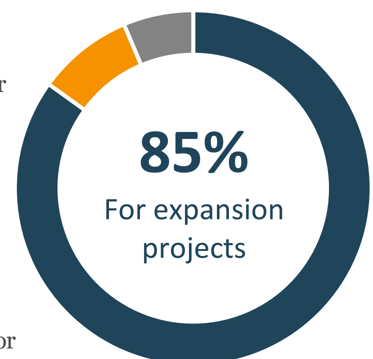
KEY FINDINGS

Under state law, a Universal Service Fund (USF) is established when a gas company chooses to deregulate, which currently applies to only one company. Most USF funding was spent on expansion projects, and a small portion was spent on low-income assistance. While gas providers we interviewed indicated they can adequately fund expansion projects with other sources, the General Assembly could consider programs used in other states to facilitate expansion if a need is identified.

A USF is only available to the one company that has deregulated.

- Under statute, the Georgia Public Service Commission (PSC) establishes a USF when a natural gas distribution company chooses to deregulate.
- Only Atlanta Gas Light (AGL) has deregulated, so it is the only company with a USF.
- Georgia's other natural gas distribution company has not deregulated, and municipal providers are not eligible for a USF.

Most USF funds have been spent on or are set aside for natural gas expansion projects.



- Between 2018 and 2022, $63.2 million was disbursed from the USF. Most ($53.5 million, or 85%) was spent on the 15 expansion projects completed during this period.
- USF funds are also used to assist low-income natural gas consumers. Between 2018 and 2022, nonprofits received $5.5 million (9%) for home energy programs for low-income consumers. Additionally, $4 million (6%) was used to help reimburse the regulated provider for uncollectible low-income consumer accounts. State law set up the regulated provider to provide natural gas to consumers who might otherwise have difficulty obtaining service.
- Between 2018 and 2022, the end-of-year balance has grown by 62%, from $32.3 million to $52.3 million. However, most of the balance ($45.1 million, or 86% for 2022) was set aside for expansion projects that PSC has already approved but have not yet been completed (partly because COVID-era issues led to project delays).

While gas providers are generally able to fund expansion projects, policy makers could consider other funding mechanisms if deemed necessary.

- Across the state, the gas providers interviewed indicated they do not experience funding challenges because expansion project costs are typically incorporated into consumer rates. However, gas providers identified other barriers that impact their ability to expand (e.g., changes in federal regulations).
- Generally, other southeastern states do not have statutory provisions to fund expansion projects, and none establish a USF or direct grant funding for this purpose. However, two states' laws help facilitate expansion for economically infeasible projects by establishing a dedicated project fund or using a specific cost recovery process.

Full report available at: https://www.audits2.ga.gov/reports/summaries/universal-service-fund/

Tax Incentive Evaluation: Musical Tax Credit

DOAA summary of report prepared by Georgia Southern University's Center for Business Analytics and Economic Research

BACKGROUND

Georgia's Musical Tax Credit (GMTC) was available from January 1, 2018 to December 31, 2022. It was designed to provide income tax credits for live musical or theatrical performances or recorded musical performances meeting various requirements, including minimum spending levels. The credits were 15% of qualified expenditures, with an additional 5% credit if expenditures occurred in tier 1 or 2 counties. No credits were awarded during the five-year period the credit was in effect.

This review was requested by the Senate Finance Committee and performed in accordance with O.C.G.A. § 28-5-41.1. Georgia Southern University's Center for Business Analytics and Economic Research (CBAER) prepared the report.

ECONOMIC ACTIVITY

The Georgia Department of Economic Development received only six applications for pre-certification of the income tax credit during the five years the credit was available. None of the six were approved, resulting in no economic activity associated with the GMTC. To determine the *potential* economic activity associated with the credit, CBAER estimated the activity from the six applications had they been approved.

CBAER estimated that the applicants would have created 45 total jobs and labor income of $2.1 million. The impact on the state's economy was estimated at $4.4 million. These amounts assume that the activities found in the applications would occur only if the credit was approved (i.e., all activity attributable to the credit). Because the applicants are anonymous to the researchers, it is unknown if the events occurred after the denial of the credit applications.

O.C.G.A. § 28-5-41.1 requires the analysis to include net economic activity, which includes opportunity cost. If the credited taxes had been collected and expended by the state, CBAER estimated the creation of seven jobs and $666,000 added to the state's economy.

REVENUE

Because no tax credits were issued, no economic activity resulted from the tax policy. However, had the applications been approved, CBAER estimated that the GMTC would have resulted in $561,000 in forgone state revenue over the 2018-2022 period.

CBAER estimated that the economic activity that would have occurred from the six credited events would have generated approximately $104,000 in state revenue and $56,000 in local revenue.

Finally, FRC estimated that the alternate use of the tax expenditure would have been lower – at $22,700 in state revenue and $3,500 in local revenue.

COST

The GMTC was administered by the Georgia Department of Economic Development and the Department of Revenue. Administrative costs were not captured.

PUBLIC BENEFIT

CBAER reported three potential public benefits of a credit like the GMTC.

CBAER noted that increasing the quality of live music and theater production throughout the state could lead to additional tourism if those beyond the immediate area attended events. It further noted that credited events could improve the quality of life for residents. Finally, by encouraging recorded musical performances for entertainment production, GMTC would expand the skills of the Georgia workforce.

DOAA
Georgia Department of Audits & Accounts

December 2023

Tax Incentive Evaluation: Georgia's Film Tax Credit

DOAA summary of report prepared by Georgia State University Fiscal Research Center

BACKGROUND

The Film Tax Credit (O.C.G.A. §48-7-40.26) was enacted in 2005 to promote investment in film, television, and digital media projects. Currently, the credit is available to production companies with a minimum of $500,000 in qualified spending in Georgia. Companies can apply for and receive a credit for 20% of eligible production expenditures with an additional 10% available to companies that offer Georgia marketing opportunities.

This review was requested by the Senate Finance Committee and performed in accordance with O.C.G.A. § 28-5-41.1. Georgia State University's Fiscal Research Center (FRC) prepared the report.

ECONOMIC ACTIVITY

FRC estimated that the film tax credit resulted in approximately 37,000 jobs in 2022 for film production, studio construction, and film tourism, as well as the jobs supported in the broader economy. FRC estimated the production companies directly employed 4,900, while another 14,600 jobs resulted from contract workers for those companies.

Most, but not all, film-related activity in the state is due to the credit. A recent film industry study suggests that 92.1% of the economic activity is attributable to the credit. As a result, initial economic activity results were reduced (37,301 jobs*92.1% = 34,354).

Because nonresidents' wages have no material economic impact on the state's economy, FRC's analysis excludes them from the economic activity calculations.

O.C.G.A. § 28-5-41.1 requires the analysis to include net economic activity, which includes the opportunity cost of the tax expenditure. If the income taxes had been collected and expended by the state, FRC estimated the creation of 27,679 jobs and $1.48 billion in value added to the economy.

34,354 Jobs

$2.3B Value Added

$2.4B Labor Income

$4.5B Economic Output

Note: Estimates are for 2022 and include film production, tourism, and studio construction

REVENUE

Credits generated in FY 2024 are expected to cost the state $1.08 billion through their carryforward period. Claimed credits are estimated to increase from $762.8 million in FY 2024 to $1.28 billion in FY 2028.

For FY 2024, the resulting economic activity was estimated to bring in $224.7 million in state revenue and $65.7 million in local tax revenue.

Finally, FRC estimated that the alternate use of the revenue would have generated $80.0 million in state revenue and $36.5 million in local revenue in FY 2024.

$1.08B Tax Expenditure

$290.4M Revenue Generated

Note: 2024 state estimates

COST

The credit is overseen by the Department of Revenue and the Department of Economic Development. These costs were assumed to be insignificant in relation to the credit's size.

PUBLIC BENEFIT

The film tax credit is an economic incentive that encourages expenditure in film and television productions. It also supports the creation of jobs in creative fields.

Tax Incentive Evaluation: Quality Jobs Tax Credit

DOAA summary of report prepared by Georgia Southern University's Center for Business Analytics and Economic Research

BACKGROUND

Georgia's Quality Jobs Tax Credit (QJTC) is part of a series of job income tax credits in effect since 1990. QJTC is designed to encourage the creation of well-paying jobs—particularly in rural areas—that meet or exceed 110% of the average wages in the county where the business is located. Most industries receiving the credit were manufacturing, professional, scientific, technical services, or wholesale trade industries. Credit eligibility is based on county tier and rurality status, and employers receive the credit for up to five years for a job.

This review was requested by the Senate Finance Committee and performed in accordance with O.C.G.A. § 28-5-41.1. Georgia Southern University's Center for Business Analytics and Economic Research (CBAER) prepared the report.

ECONOMIC ACTIVITY

In 2021,25,435 newly created jobs received the QJTC. CBAER estimated that those credited jobs led to a total of 70,718 jobs in the state, when counting indirect and induced jobs in other businesses.

However, not all jobs that receive the QJTC are created solely due to the presence of the credit. Prior research has shown that market conditions, the availability of qualified workers, and other factors are more important to job creation. CBAER provided a range but noted that 11.4% of economic activity found in its research was a reasonable estimate (70,718 jobs * 11.4% = 8,062).

CBAER noted that while the credit may not have significantly impacted jobs at the state level, it did affect the local economic landscape in areas it was utilized.

O.C.G.A. § 28-5-41.1 requires the analysis to include net economic activity, which includes opportunity cost. If the credited taxes had been collected and expended by the state, CBAER estimated the creation of 825 jobs and economic output of $115.7 million.

8,062 Jobs

$1.13B Value Added

$616.9M Labor Income

$2.11B Economic Output

Note: Economic activity attributed to the tax credit

REVENUE

In 2021, companies earned $117.4 million in QJTCs.

CBAER estimated that economic activity attributable to the credit resulted in $73.0 million in new tax revenue—state ($36.0) and local ($37.0).

CBAER estimated that the alternate use of the revenue would have generated $3.6 million in state revenue and $1.7 million in local revenue.

Finally, CBAER noted that if 11.4% of QJTC jobs exist due to the credit (the "but for" used in the economic activity section above), the cost of the five-year credit is recouped two years after the final credit year.

$117.4M Tax Expenditure

$73.0M Revenue Generated

Note: 2021 estimates

COST

The QJTC is administered by both the Department of Community Affairs (DCA) and the Department of Revenue (DOR).

No costs were included in the report.

PUBLIC BENEFIT

QJTC is an economic development incentive with a broad purpose of expanding employment, particularly in rural areas of the state.

DOAA
Georgia Department of Audits & Accounts

December 2024

Tax Incentive Evaluation: Insurance Premium Tax Abatement

DOAA summary of report prepared by the University of Georgia's Carl Vinson Institute of Government (Institute)

The state of Georgia taxes insurance companies at a rate of 2.25% of annual insurance premiums collected, but the rate is reduced for companies that invest a portion of their assets in certain Georgia-based financial instruments or property. The rate is reduced to 1.25% for companies investing at least 25% of their total assets in specified Georgia-based assets. The rate is reduced to 0.5% if companies invest at least 75% of their assets in Georgia.

PURPOSE

The Georgia insurance premium tax was created in 1960 with the intent of incentivizing in-state investment by insurance companies. While some companies do qualify for the abatement, the Institute was unable to identify a reliable source of information to determine the extent to which the abatement contributes to in-state investment.

IMPACT ON EMPLOYMENT, ECONOMIC ACTIVITY, AND REVENUE

The Institute estimated that insurance companies received abatements of approximately $280.8 million in FY24. Without the abatement, costs would increase for some customers and total gross premiums would decline approximately 1%.

Using IMPLAN, the Institute found that the economic activity attributed to the abatement led to approximately 1,250 jobs and $182.4 million added to the Georgia economy in FY24. The additional economic activity led to $19.2 million in state tax revenue, offsetting 7% of the abatement cost. The economic ROI is less than 100% because the net revenue loss ($280.8M minus $19.2M) is greater than the value added to the state economy.

Employment			Economic Impact			Revenue Impact		
Jobs	Cost/ Job	Labor Income	Output	Value Added	Economic ROI	State Tax Expenditure	State Tax Generated	Fiscal ROI
1,246	$209,952	$94.9M	$338.4M	$182.4M	70%	$280.8M	$19.2M	7%

ANCILLARY IMPACTS

Lower premium taxes reduce the cost of doing business for insurers, and surveys suggest that a portion of these savings are passed on to Georgia consumers. The Institute noted that insurers taking part in the Georgia Access health insurance market indicated the abatement was important in reducing the rates of the policies, suggesting that the abatement may be especially beneficial for those without employer-sponsored health insurance.

OTHER STATES

Only seven states offer premium tax abatement; including Georgia, five are in the Southeast. The abatements vary in design and value. For instance, Alabama provides a 0.1% rate reduction for every $1 million in value of real property investment in the state. In West Virginia, insurance companies may reduce their premium tax to zero if 25% of their assets are invested in-state and other criteria related to company size and premium sales are met.

OPTIONS TO IMPROVE RETURN ON INVESTMENT

The Institute did not identify a method to improve the ROI.

DOAA
Georgia Department of Audits & Accounts

December 2024

Tax Incentive Evaluation: Jet Fuel Sales Tax Exemption

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

Georgia exempts purchases of jet fuel from state sales and use taxes (O.C.G.A. § 28-5-41.1). The jet fuel exemption began as a temporary suspension by executive order in July 2018, but the tax was suspended indefinitely by General Assembly action in a November 2018 special session.

PURPOSE

Based on the Governor's order suspending the jet fuel tax, FRC found that the exemption is intended to increase economic competitiveness with states that have major airport hubs. The exemption also helps to ensure compliance with federal aviation regulations, which would require much of any sales tax revenue generated on jet fuel to be spent on items related to airports or aviation.

IMPACT ON EMPLOYMENT, ECONOMIC ACTIVITY, AND REVENUE

FRC estimated that companies receiving the sales tax exemption saved $64.8 million in FY24. Using IMPLAN, a regional input-output model that analyzes economic activity, FRC estimated that $64.8 million within the associated industry would result in 357 jobs and $60.3 million in value added to the state economy.

However, FRC estimated that the same amount of economic activity (i.e., jet fuel purchases and resulting flights) 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%	$64.8M	$0M	0%

ANCILLARY IMPACTS

FRC found that the jet fuel exemption provides several ancillary benefits not measured above, including a competitive business environment that factors into many businesses' location decisions. FRC noted that, in the long run, the share of routes and freight flowing through the state could be negatively impacted if fuel costs exceed that in other states. Finally, the exemption also lowers airfares out of Hartsfield-Jackson Atlanta International Airport. Lower airfares impact those flying for business or tourism purposes.

OTHER STATES

Georgia's jet fuel exemption is intended to increase competitiveness with other states with major airport hubs. Texas and New York, home to two major airport hubs, have exemptions for commercial airlines from taxation on jet fuel, while Colorado, California, and Illinois charge either sales or excise taxes.

OPTIONS TO IMPROVE RETURN ON INVESTMENT

Improving the jet fuel exemption's ROI would prove to be a difficult task due to the limited modifications for a state sales tax, along with federal regulations requiring 1% of the state's sales tax to go towards the aviation industry.

DOAA
Georgia Department of Audits & Accounts

November 2025

Tax Incentive Evaluation: Manufacturing Investment Tax Credit

DOAA summary of report prepared by the University of Georgia's Carl Vinson Institute of Government (Institute)

The Georgia manufacturing investment tax credit (GMITC) was enacted in 1994 to provide a tax credit for investments in the manufacturing and telecommunication sectors. Currently, firms must have been operating in the state for at least three years and met a minimum investment threshold of $100,000 in "qualified investment property or expenses" to qualify for the credit. The credits range from 1% to 8% of the qualified investments.

PURPOSE

The primary purpose of the GMITC is to stimulate investment in manufacturing and telecommunications sectors and support economic development in the state. There are additional incentives for investments in more economically disadvantaged counties and for environmentally beneficial investments.

IMPACT ON EMPLOYMENT, ECONOMIC ACTIVITY, AND REVENUE

The Institute noted limitations with data provided by the Department of Revenue. The data did not include company-level spending, classification of investment spending, or the number of jobs in companies receiving the credit. To determine how the spending was impacted by the tax credit, the Institute used published information regarding the impact prices have on demand for new equipment and construction in the manufacturing industry. (A tax credit on purchases essentially serves as a price discount for qualified items.)

The Institute estimated a tax expenditure of $144.2 million in FY 2024 for the GMITC. It estimated the credit increased spending on new equipment and construction by 1.34%. Using IMPLAN, a regional input-output model that analyzes economic activity, the Institute estimated the additional economic activity attributable to the credit resulted in 176 jobs and $13.4 million in value added to the state economy.

The additional economic activity would have led to increased state taxes of $500,000, offsetting less than 1% of the cost of the tax credit. The state has a negative economic ROI because the state loses more revenue ($144.2 million cost plus $500,000 gain) than the value added to the economy ($13.4 million).

Employment			Economic Impact			Revenue Impact		
Jobs	Cost/ Job	Labor Income	Output	Value Added	Economic ROI	State Tax Expenditure	State Tax Generated	Fiscal ROI
176	$816,477	$7.8M	$24.6M	$13.5M	9%	$144.2M	$0.5M	<1%

ANCILLARY IMPACTS

The Institute noted that while limited in impact, the GMITC does create opportunities for new commercial structures and purchases of new industrial equipment. The additional building opportunities can produce jobs in the construction industry, along with jobs in related areas.

OTHER STATES

The Institute found that many states offer investment tax incentives to offset corporate income tax burden for qualifying projects. However, of the states reviewed, Georgia's manufacturing investment tax credit is the most structured, using a tiered system that awards between 1% and 8% of investment depending on the economic status of the county and the nature of the project.

OPTIONS TO IMPROVE RETURN ON INVESTMENT

The Institute identified areas to improve this tax credit's ROI, including removing land transactions or used building purchases. These purchases were considered to have little or no impact on the state economy.

DOAA
Georgia Department of Audits & Accounts

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Revised January 2026

Tax Incentive Evaluation: Georgia Data Center Sales & Use Tax Exemption

DOAA summary of report prepared by the University of Georgia's Carl Vinson Institute of Government (Institute)

Georgia's Data Center Sales & Use Tax Exemption was enacted in 2018 to encourage data centers to locate in Georgia by exempting a portion of construction materials and purchases of computer servers and related equipment from state and local sales and use taxes. To qualify, data centers must meet a minimum threshold level of investment in the facility and create a minimum number of jobs as prescribed by statute.

PURPOSE

This tax incentive was created to stimulate data processing and storage in Georgia and create high-quality jobs. Along with reducing the taxes paid on building materials and computer equipment, the incentive is designed to encourage the location of data centers in rural counties with populations under 50,000. The incentive has met its purpose of encouraging the location of data centers in the state, though its success regarding placement within the state is mixed.

IMPACT ON EMPLOYMENT, ECONOMIC ACTIVITY, AND REVENUE

The Institute estimated forgone state tax revenue of $474.2 million in FY 2025. While revenue is forgone for all projects, the Institute determined that 30% of data centers in Georgia could be attributed to the tax exemption (i.e., 70% would exist in the absence of the exemption). Applying this percentage to all data center economic activity, the Institute determined that the exemption resulted in 8,505 jobs and $1.0 billion value added to the state economy due to construction, as well as 1,641 jobs and $247.0 million in value to the state economy for data center operations. State economic growth was significantly higher than the forgone state revenue.

Economic activity attributed to the exemption results in additional state revenue. In FY 2025, state tax revenue from data center construction totaled $34.6 million, while tax revenues from data center operations totaled $6.9 million.

In addition to the sales tax exemption, the Institute found that local jurisdictions may offer incentives to encourage data centers to locate in a specific county or city. Based on a review of a small number of data center projects in metro Atlanta, the Institute found that a "representative" complex with three buildings had a value of more than $2 billion (land, building, equipment). At the average millage rate for these jurisdictions, the tax bill would be $33.6 million. It found that $5.9 million would be abated and $27.8 million collected.

	Employment			Economic Impact			Revenue Impact		
	Jobs	Cost/ Job	Labor Income	Output	Value Added	Economic ROI	State Tax Expenditure	State Tax Generated	Fiscal ROI
Construction	8,505	$42,646	$626.6M	$1.87B	$1.01B	289%	$474.2M	$34.6M	9%
Operations	1,641		$147.8M	$433.4M	$247.0M			$6.9M	

ANCILLARY IMPACTS

The Institute noted that the rapid growth of data centers could potentially cause short-term strain on Georgia's electric grid and local water and sewer infrastructure. However, it also noted this growth could result in the creation of new jobs to expand the electric grid and investment to update aging infrastructure.

OTHER STATES

The Institute found that many other states also offer tax exemptions for qualifying data center projects. However, of the states reviewed, Georgia's tax exemption was among those that emphasized the creation of "high quality" jobs and had a statutorily defined timeframe for investments.

OPTIONS TO IMPROVE RETURN ON INVESTMENT

The Institute noted that modifying the items exempted or requiring greater investment in activities with more in-state impact would improve the exemption's ROI.