

# Finance and Taxation

***Contains Recommendations****

Rural Hospital Tax Credit (2023)

Rural Hospital Tax Credit (2024)

State Hotel-Motel Fee

Rural Hospital Tax Credit (2025)

***Contains No Recommendations***

Rural Hospital Tax Credit (2022)

Low-Income Tax Credit

Grocery Sales Tax Exemption

Prescription Drug Sales Tax Exemption

Historic Rehabilitation Tax Credit

Georgia Job Tax Credit

Qualified Interactive Tax Credit

Georgia Research and Development Tax Credit

Computer Equipment Sales Tax Exemption Manufacturing Sales Tax Exemption

High-Tech Data Center Equipment Sales Tax Exemption

Retirement Income Exclusion

Qualified Education Expense Tax Credit Musical Tax Credit

Georgia Film Tax Credit

Georgia Agricultural Sales Tax Exemption

Quality Jobs Tax Credit

Non-Profit Hospital Exemptions

Exemption on the Sale of Lottery Tickets

Special Tax Deduction for Life Insurance

Other State Tax Credit

Social Security Benefit Exclusion

Jet Fuel Sales Tax Exemption

Global Intangible Low-taxed Income (GILTI) Exclusion Bank Tax Credit

Construction Services Sales Tax Exemption

Insurance Premium Tax Abatement

Natural Gas Sales Tax Exemption

Coin-Operated Amusement Machines Sales Tax Exemption

Professional, Scientific, and Technical Services Sales Tax Exemption

Employer Credit for Providing or Sponsoring Childcare for Employees or for Purchasing Childcare Property

Waste Management and Remediation Services Tax Exemption

Administrative and Support Services Tax Exemption

Personal and Laundry Services Tax Exemption

Qualified Law Enforcement Donation Tax Credit

Qualified Education Expense Tax Credit

Rural Hospital Tax Credit (SB 366 Version)

PEACH Education Tax Credit

Qualified Foster Child Donation Credit

Trade-In Exemption on Vehicles Tax Exemption

Manufacturer's Investment Tax Credit

High-Tech Data Center Equipment Sales Tax Exemption

*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

# Rural Hospital Tax Credit

## Credit Administration Consistent with Statutory Requirements

## BACKGROUND

O.C.G.A. § 48-7-29.20 requires the Department of Audits and Accounts to conduct an annual audit of the Rural Hospital Tax Credit (RHTC) program that includes the following:

1. All contributions received by rural hospital organizations;
2. All tax credits received by individual and corporate donors; and
3. All amounts received by third parties that solicited, administered, or managed donations pertaining to O.C.G.A. § 48-7-29.20 and 31-8-9.1.

The program was established in 2017 and allows taxpayers to donate to eligible rural hospitals and reduce their state income tax liability by the amounts they donate. Taxpayers may choose a specific hospital or, if one is not designated, a hospital will be selected based on a ranking of need.

The Department of Revenue (DOR) administers portions of the RHTC related to taxpayer eligibility criteria, and the Department of Community Health (DCH) administers portions related to hospital eligibility criteria. A third-party vendor (Georgia HEART) provides services to hospitals and contributors but is under contract with hospitals, not the state, for these services.

## KEY RECOMMENDATIONS

To improve hospital reporting:

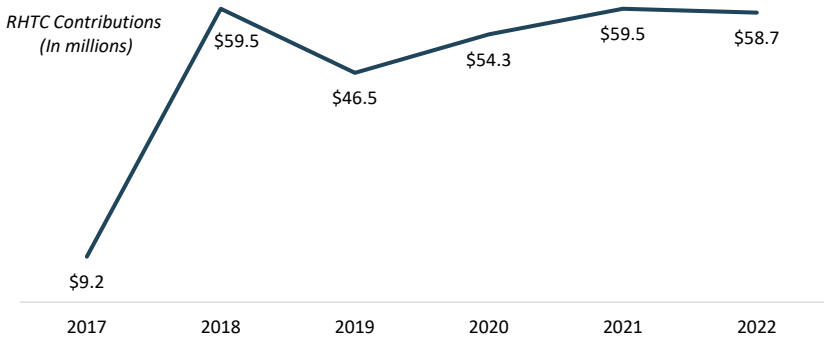
- DCH should add clarifying information or instructions to the Donation and Expenditure Report template on its website.
- Hospitals that receive RHTC funds should ensure that they are reporting accurate information on contribution expenditures and third party fees.
- DCH should review the Donation and Expenditure Reports for accuracy and require corrected/additional information from the hospitals when necessary.

## KEY FINDINGS

Taxpayer credits nearly reached the annual program cap of $60 million in tax years 2021 and 2022. In 2022, hospitals reported spending nearly $49 million and having another $40 million in donations still available for future years. Finally, hospitals, state agencies, and other entities with program responsibilities were largely compliant with program requirements.

### Contributions to rural hospitals were approximately $58.7 million in tax year 2022.

- Contributions decreased slightly from the tax year 2021 contribution amount of $59.5 million but have remained well above the 2019 amount of $46.5 million.




- In tax year 2022, 22 of 55 eligible rural hospitals received more than $1 million and 22 received less than $500,000.
- As required by state law, contributions not designated to a hospital by the donor were distributed to the neediest hospital on the DCH financial need list.

### Hospitals spent $49 million in RHTC funds and had $40 million in unspent funds in tax year 2021.

- Hospitals reported that the majority of the RHTC funds were spent on capital assets or regular operating expenses in tax year 2021.
- Twenty-six of the 55 eligible hospitals reported having unspent funds. Amounts ranged from $6,201 to $7 million.

### RHTC hospitals that received RHTC contributions were eligible and in compliance with state law, but improvements in reporting are needed.

- DCH reviewed and updated the list of eligible hospitals in tax year 2022; 55 hospitals were eligible in tax year 2022, down from 56 in tax year 2021.
- While all hospitals submitted the required reports, we identified inconsistencies in contribution expenditure reports submitted from tax years 2018 to 2021. These inconsistencies were identified in contribution amounts received, third party fees paid, expenditures exceeding available funds, and prior year unspent funds.
- No hospital exceeded the $4 million contribution limit, and all paid Georgia HEART no more than 3% of contributions.

# Rural Hospital Tax Credit (2023)
## Follow-Up completed as part of 2024 RHTC Report

| | |
|---|---|
| **Finding 1: Eligible hospitals received approximately $58.7 million in RHTC contributions in tax year 2022, with amounts to individual hospitals varying significantly.** | |
| No recommendations included | |
| **Finding 2: All RHTC contributions to hospitals were within statutory limits in tax year 2022.** | |
| No recommendations included | |
| **Finding 3: While rural hospitals that received RHTC contributions were eligible and in compliance with state law, improvements in reporting are needed.** | |
| DCH should add clarifying information or instructions to the Donation and Expenditure Report template on its website. For example, the form should indicate that the Prior Year Unspent Funds should equal the Unspent Funds from the previous hospital report and that expenditures should not exceed available RHTC funds. | Fully Implemented |
| Hospitals that receive RHTC funds should ensure that they are reporting accurate information on contribution expenditures and third party fees. | Fully Implemented |
| DCH should review the Donation and Expenditure Report for obvious errors and require corrected/additional information from the hospitals when necessary. | Fully Implemented |
| **Finding 4: Rural hospitals reported spending $48.7 million of RHTC funds in 2021, with approximately $40 million in funds remaining unspent.** | |
| No recommendations included | |
| **Finding 5: Rural hospital tax credits were primarily claimed by individual taxpayers in tax year 2021.** | |
| No recommendations included | |
| **Finding 6: Administrative fees retained by Georgia HEART in tax year 2021 were within statutory limits.** | |
| No recommendations included | |
| **Finding 7: Undesignated donations are distributed to rural hospitals in accordance with state law.** | |
| No recommendations included | |

Performance Audit Division
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# Rural Hospital Tax Credit

## Credit Administration Largely Consistent with Statutory Requirements

## BACKGROUND

O.C.G.A. § 48-7-29.20 requires the Department of Audits and Accounts to conduct an annual audit of the Rural Hospital Tax Credit (RHTC) program that includes the following:

1. All contributions received by rural hospital organizations;
2. All tax credits received by individual and corporate donors; and
3. All amounts received by third parties that solicited, administered, or managed donations pertaining to O.C.G.A. §§ 48-7-29.20 and 31-8-9.1.

The program was established in 2017 and allows taxpayers to donate to eligible rural hospitals and reduce their state income tax liability by the amounts they donate. Taxpayers may choose a specific hospital or, if one is not designated, a hospital will be selected based on a ranking of need.

The Department of Revenue (DOR) administers portions of the RHTC related to taxpayer eligibility criteria, and the Department of Community Health (DCH) administers portions related to hospital eligibility criteria. A third-party vendor (Georgia HEART) provides services to hospitals and contributors but is under contract with hospitals, not the state, for these services.

## KEY RECOMMENDATIONS

DOR should:

- Create a mechanism to allow contribution reports to be amended.
- Strengthen controls related to contributions that are not made and for statutory limits related to tax liability.

Georgia HEART should:

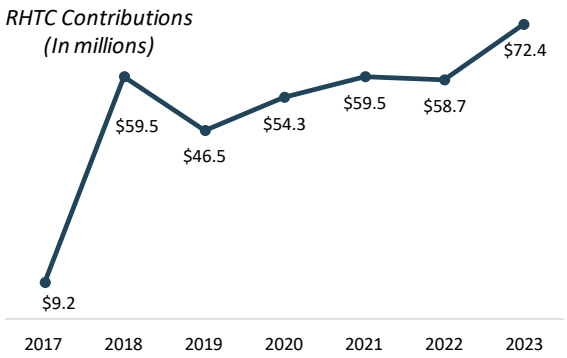
- Ensure that it does not report inaccurate contributions.
- Notify DOR about erroneous reporting identified during its internal audits.

## KEY FINDINGS

Taxpayer credits nearly reached the annual aggregate limit of $75 million in tax year 2023. In 2022, hospitals reported spending nearly $58.1 million and having another $40 million in donations still available for future years. Finally, hospitals, state agencies, and other entities with program responsibilities were largely compliant with program requirements.

### Contributions to rural hospitals totaled $72.4 million in 2023.

- In tax year 2023, the RHTC annual aggregate limit increased from $60 million to $75 million. Contributions have been close to the annual aggregate limit in most years since the RHTC was established.
- In 2023, 28 of the 55 eligible hospitals received more than $1 million, and 9 received less than $500,000.
- As required by state law, contributions not designated to a hospital by the donor were distributed to the neediest hospital on the DCH financial need list (Irwin County Hospital).




### Hospitals spent $58 million in RHTC funds and had $40 million in unspent funds in 2022.

- Hospitals reported that the majority of the RHTC funds were spent on capital assets or regular operating expenses in 2022.
- Twenty-five of the 55 eligible hospitals reported having unspent funds. Amounts ranged from $10,000 to $7.2 million.

### Entities have improved controls and were generally in compliance with state law, but controls should continue to be strengthened.

- DCH verified that all 55 hospitals receiving contributions in tax years 2022 and 2023 were eligible based on statutory criteria. DCH also fully implemented recommendations made in last year's audit, including adding clarifying information to its hospital reporting template and modifying work processes to improve the accuracy of hospital reporting.
- DOR controls ensure that total contributions do not exceed individual hospital limits or annual aggregate limits. However, between tax years 2018 and 2023, we identified a small amount of credits—$335,000, or 0.1% of all credits—that were available to be claimed because of erroneous reporting to DOR or because corporate credits exceeded statutory limits.
- No hospital exceeded the $4 million contribution limit, and all paid Georgia HEART no more than 3% of contributions. We found a limited number of errors in contribution reports that Georgia HEART submitted to DOR, which impact available tax credits.

# Rural Hospital Tax Credit (2024)
## Follow-Up completed as part of 2025 RHTC Report

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|---|---|
| **Finding 1: Eligible hospitals received approximately $72.4 million in RHTC contributions in tax year 2023, with amounts to individual hospitals varying significantly.** | |
| No recommendations included | |
| **Finding 2: All RHTC contributions to hospitals were within statutory limits in tax year 2023.** | |
| No recommendations included | |
| **Finding 3: Rural hospitals that received RHTC contributions were generally in compliance with state law.** | |
| No recommendations included | |
| **Finding 4: Rural hospitals reported spending $58 million of RHTC funds in 2022, with approximately $40 million in funds remaining unspent.** | |
| No recommendations included | |
| **Finding 5: Individual taxpayers claimed the majority of rural hospital tax credits in tax year 2022.** | |
| No recommendations included | |
| **Finding 6: Individual taxpayers claimed the majority of rural hospital tax credits in tax year 2022.** | |
| DOR should create a mechanism to allow or require rural hospital organizations/ Georgia HEART to report contributions that require amendment, and DOR should adjust credits that need to be lowered. | Fully Implemented |
| Georgia HEART should notify DOR about erroneous reporting identified during its internal audits. | Fully Implemented |
| DOR should modify its information system to allow rural hospital organizations/ Georgia HEART to report a $0 contribution if the preapproved donor has indicated they will not contribute. | Fully Implemented |
| Georgia HEART should stop reporting inaccurate $1 contributions. | Fully Implemented |
| DOR should continue to improve controls related to corporate credits. | Fully Implemented |
| **Finding 7: Administrative fees retained by Georgia HEART in tax year 2022 were within statutory limits.** | |
| No recommendations included | |
| **Finding 8: Undesignated donations are distributed to rural hospitals in accordance with state law in tax year 2023.** | |
| No recommendations included | |

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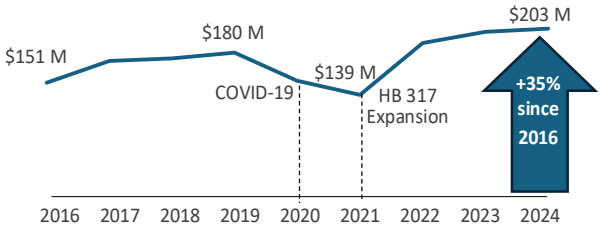
# State Hotel-Motel Fee

## 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.

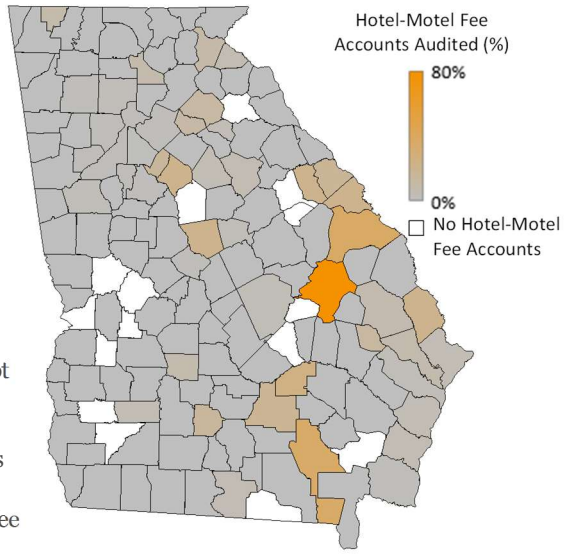
- DOR did not update all of its guidance to address the statutory changes implemented in July 2021. DOR issued a new policy bulletin in 2021, but it did not update its regulations to reflect the fee's expansion or provide definitions of key terms (e.g., shelter and accommodation) necessary to understand 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.




*Full report available at: https://www.audits2.ga.gov/reports/summaries/state-hotel-motel-fee/*

# 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
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# Rural Hospital Tax Credit

## Credit Administration Largely Consistent with Statutory Requirements

## BACKGROUND

O.C.G.A. § 48-7-29.20 requires the Department of Audits and Accounts to conduct an annual audit of the Rural Hospital Tax Credit (RHTC) program that includes the following:

1. All contributions received by rural hospital organizations;
2. All tax credits received by individual and corporate donors; and
3. All amounts received by third parties that solicited, administered, or managed donations pertaining to O.C.G.A. §§ 48-7-29.20 and 31-8-9.1.

The program was established in 2017 and allows taxpayers to donate to eligible rural hospitals and reduce their state income tax liability by the amounts they donate. Taxpayers may choose a specific hospital or, if one is not designated, a hospital will be selected based on a ranking of need.

The Department of Revenue (DOR) administers portions of the RHTC related to taxpayer eligibility criteria, and the Department of Community Health (DCH) administers portions related to hospital eligibility criteria. A third-party vendor (Georgia HEART) provides services to hospitals and contributors but is under contract with hospitals, not the state, for these services.

## KEY RECOMMENDATIONS

DOR should:

- Continue to ensure contribution amendments are reported and credits are adjusted based on reported amendments.
- Consider formalizing policies for reporting contributions that require amendment to preserve institutional knowledge.
- Ensure controls regarding corporate credit limits are implemented appropriately and within the statute of limitations.

Georgia HEART should:

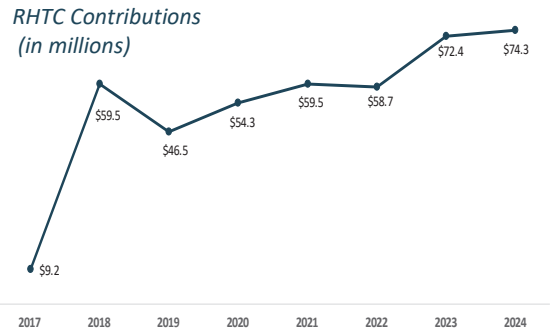
- Continue reporting contribution amendments.

## KEY FINDINGS

Taxpayer credits nearly reached the annual aggregate limit of $75 million in tax year 2024. In 2023, hospitals reported spending nearly $70.5 million and having accumulated another $42.0 million in donations still available for future years. Hospitals, state agencies, and other entities with program responsibilities were largely compliant with program requirements.

### Contributions to rural hospitals totaled $74.3 million in 2024.

- In tax year 2024, taxpayers contributed $74.3 million to eligible rural hospitals, nearly reaching the $75 million aggregate limit. Contributions to each hospital ranged from nearly $71,000 to $4.0 million.
- In 2024, 34 of the 54 eligible hospitals received more than $1 million, and 11 received less than $500,000.




- As required by state law, contributions not designated to a hospital by the donor were distributed to the neediest hospital on the DCH financial need list (Northeast Georgia Medical Center Lumpkin).

### Hospitals spent $70.5 million in RHTC funds and had $42.0 million in unspent funds in 2023.

- Hospitals reported that the majority of the RHTC funds were spent on capital expenditures or regular operating expenses in 2023.
- Twenty-five hospitals reported having unspent funds, ranging from $8,000 to $8.8 million.

### DCH and DOR have improved processes and generally complied with state law.

- DCH verified that all hospitals receiving contributions in tax years 2023 and 2024 were eligible based on statutory criteria. Based on discussions during last year's audit, DCH added steps to its eligibility review procedures to ensure hospital reports are current and accurate.
- In response to recommendations made in last year's audit, DOR requested Georgia HEART communicate contributions requiring amendment to DOR via email and modified its systems to allow for the reporting of $0 contributions. DOR also finalized its process for identifying excess credits claimed by corporate taxpayers based on statutory limits; however, we found excess credits claimed on 2022 returns have not yet been adjusted.
- No hospital exceeded the $4 million contribution limit, and all paid Georgia HEART no more than 3% of contributions. Georgia HEART also improved contribution reporting based on last year's recommendations.

# Rural Hospital Tax Credit (2025)

Final Status Pending – Status will be updated in 2026

| | |
|---|---|
| **Finding 1: Eligible hospitals received $74.3 million in RHTC contributions in tax year 2024, with amounts to individual hospitals varying significantly.** | |
| No recommendations included | |
| **Finding 2: All RHTC contributions to hospitals were within statutory limits in tax year 2024.** | |
| No recommendations included | |
| **Finding 3: Rural hospitals that received RHTC contributions were generally in compliance with state law. DJJ should better ensure that facilities consistently adhere to incident reporting requirements and timelines.** | |
| No recommendations included | |
| **Finding 4: Rural hospitals reported spending $70.5 million of RHTC funds in 2023, with $42.0 million in funds remaining unspent.** | |
| No recommendations included | |
| **Finding 5: Individual taxpayers claimed the majority of rural hospital tax credits in tax year 2023.** | |
| No recommendations included | |
| **Finding 6: DOR has taken steps to improve reporting for contributions that require amendment, though further improvements to controls can be made.** | |
| DOR and Georgia HEART should continue to ensure contribution amendments are reported and credits are adjusted based on reported amendments. In addition, DOR should consider formalizing its policies and/or procedures for reporting contributions requiring amendment to ensure institutional knowledge is preserved. | Status Pending |
| DOR should ensure recently finalized controls regarding corporate credit limits are implemented appropriately and within the statute of limitations. | Status Pending |
| **Finding 7: Administrative fees retained by Georgia HEART in tax year 2023 were within statutory limits.** | |
| No recommendations included | |
| **Finding 8: Undesignated donations were distributed to rural hospitals in accordance with state law in tax year 2024.** | |
| No recommendations included | |

Performance Audit Division
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# Rural Hospital Tax Credit

## Requested Information on Contributions and Compliance

## BACKGROUND

O.C.G.A. § 48-7-29.20 requires the Department of Audits and Accounts to conduct an annual audit of the Rural Hospital Tax Credit (RHTC) program that includes the following:

1. All contributions received by rural hospital organizations;
2. All tax credits received by individual and corporate donors; and
3. All amounts received by third parties that solicited, administered, or managed donations pertaining to O.C.G.A. § 48-7-29.20.

The program was established in 2017 and allows taxpayers to donate to eligible rural hospitals and reduce their state income tax liability by the amounts they donate. Taxpayers may choose a specific hospital or, if one is not designated, a hospital will be selected based on a ranking of need.

The Department of Revenue (DOR) administers portions of the RHTC related to taxpayer eligibility criteria, and the Department of Community Health (DCH) administers portions related to hospital eligibility criteria. A third-party vendor (Georgia HEART) provides services to hospitals and contributors but is under contract with hospitals, not the state, for these services.

## KEY RECOMMENDATIONS

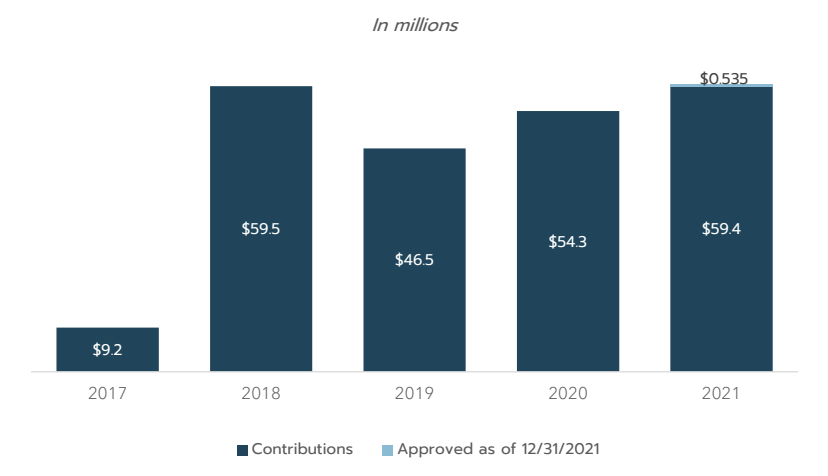
This report does not contain recommendations.

## KEY FINDINGS

Hospitals, taxpayers, and third parties were compliant with statutory provisions.

### Approved contributions to rural hospitals totaled $59.4 million in calendar year 2021.[1]

- Contributions have continued to increase from the low of $46.5 million in tax year 2019 and almost met the highest amount of $59.5 million in tax year 2018.




- In tax year 2020, 17 of the 56 eligible hospitals received more than $1 million in contributions, and 18 received less than $500,000. The average annual amount received by a hospital was $970,000.
- As required by state law, contributions not designated to a hospital by the donor were distributed to the neediest hospital on the DCH ranking. In addition, in 2021 Georgia HEART implemented our 2020 recommendation to report undesignated contributions to DOR.

### All RHTC hospitals met eligibility requirements and received annual contributions within the statutory limit of $4 million.

- DCH reviewed and updated the list of eligible hospitals in 2021; 56 hospitals were eligible in 2020 and 2021.
- All hospitals submitted the required program reports to DCH.

### DOR has strengthened controls related to corporate credits.

- Based on a recommendation made in the 2020 RHTC audit report, DOR implemented a new process to ensure that corporate tax credits were within legal limits.
- DOR adjusted the tax credits for the accounts identified in the 2020 audit, approximately $96,000.

[1] *Tax year 2020 data was used to report credits earned and claimed, while calendar year 2021 data reported by DOR was used to report the most recent contributions approved by DOR.*

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.

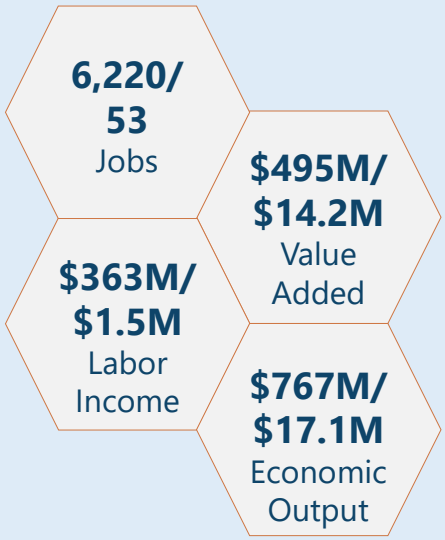
## ECONOMIC ACTIVITY

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




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.




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.

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

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

DOAA
Georgia Department of Audits & Accounts

December 2022

# Tax Incentive Evaluation: Grocery Sales Tax Exemption

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

## BACKGROUND

Georgia's enactment of House Bill 265 in the 1996 legislative session phased in a state sales tax exemption on food purchased for off-premises consumption. The applicable tax rate was lowered to 2% effective October 1, 1996, to 1% a year later, and to 0% beginning October 1, 1998. Local sales taxes are not impacted. The provision—O.C.G.A. § 48-8-3(57)—is commonly referred to as the grocery sales tax exemption.

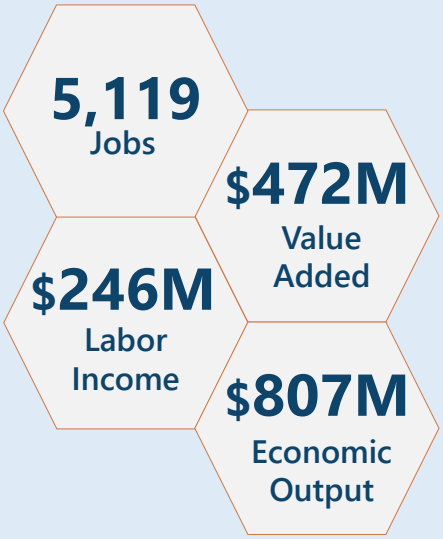
This review was requested by the House Ways and Means Committee and performed in accordance with O.C.G.A. § 28-5-41.1. Georgia State University's Fiscal Research Center (FRC) prepared the report.

## ECONOMIC ACTIVITY

Sales tax exemption is targeted to consumers, not companies. Therefore, the economic impact is a result of the additional money consumers can spend on goods and services.

While the grocery tax exemption was not created for the purpose of economic development, the increased spending by consumers benefiting from the exemption does result in additional jobs and economic activity. The figures to the right are estimated for FY 2021 by FRC, though the figures do not account for opportunity costs.

O.C.G.A. § 28-5-41.1 requires an analysis of net economic activity, which includes opportunity cost of the forgone revenue. If the exempted tax revenue of $691.4 had been collected and expended by the state, FRC estimated the creation of 18,577 jobs and economic output of $1.45 billion.




## REVENUE

The exemption is estimated to grow from $691.4 million in FY 2021 to $838.4 million in FY 2023. In 2023, the resulting economic activity is estimated to bring in $28.9 million in state revenue and $27.9 million in local revenue.

FRC estimated that the alternate use of the revenue in FY 2023 would have generated $54.0 million in state revenue and $20.3 million in local revenue.

## COST

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

## PUBLIC BENEFIT

The exemption **lowers the price of food**, making the cost for Georgians to feed themselves more affordable.

The exemption on groceries makes Georgia's sales tax less regressive. Lower income households spend a greater portion of their income on food than higher income households. For example, the 4% tax savings represent 1.66% of the income of those making less than $15,000. By contrast, it represents just 0.19% of the income of households with incomes between $100,000 and $150,000.

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

*Full report available at: https://www.audits2.ga.gov/reports/summaries/tax-incentive-evaluation-grocery-sales-tax-exemption*

DOAA
Georgia Department of Audits & Accounts

December 2022

# Tax Incentive Evaluation: Prescription Drug Sales Tax Exemption

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

## BACKGROUND

In 1984, Georgia enacted a state and local sales tax exemption for prescription drugs, glasses and contacts, as well as any insulin obtained without a prescription. The exempted state sales tax rate is 4%, while the average local sales tax rate is 3.37%, according to the Tax Foundation. The provision—O.C.G.A. § 48-8-3(47)—is commonly referred to as the prescription drug sales tax exemption.

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

Sales tax exemption is targeted to consumers, not companies. Therefore, the economic impact is a result of the additional money consumers can spend on goods and services.

While the prescription drug sales tax exemption was not created for the purpose of economic development, the increased spending by consumers benefiting from the exemption does result in additional jobs and economic activity. The figures to the right are estimated for FY 2021 by FRC, though the figures do not include a consideration of opportunity costs.

O.C.G.A. § 28-5-41.1 requires an analysis of net economic activity, which includes the opportunity cost of the forgone revenue. If the exempted tax revenue had been collected and expended by the state and local governments, FRC estimated the creation of 16,812 jobs and economic output of $1.72 billion.




## REVENUE

The exemption is estimated to grow from approximately $852 million in FY 2021 (combined state and local government revenue expenditure) to FY 2021 to $938.2 million in FY 2023. In 2023, the resulting economic activity is estimated to bring in $33.0 million in state revenue and $13.4 million in local revenue.

FRC estimated that the alternate use of the revenue in FY 2023 would generate $53.2 million in state revenue and $12.2 million in local revenue.

## COST

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

## PUBLIC BENEFIT

The exemption **lowers the price of prescriptions**, making the cost of needed healthcare more affordable for Georgians.

The exemption on prescriptions and other health-related items makes Georgia's sales tax less regressive. Lower income households spend a greater portion of their income on prescriptions than higher income households. For example, the 4% tax savings represent 0.34% of the income of those making less than $15,000. By contrast, it represents just 0.05% of the income of households with incomes between $100,000 and $150,000.

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*Full report at: https://www.audits2.ga.gov/reports/summaries/tax-incentive-evaluation-prescription-drug-sales-tax-exemption*

DOAA
Georgia Department of Audits & Accounts

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.

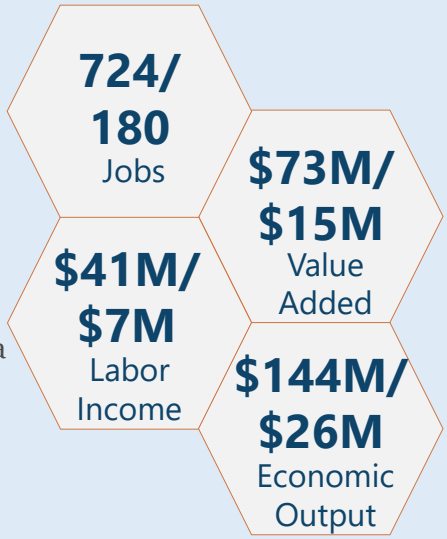
## ECONOMIC ACTIVITY

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




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.




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.

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

*Full report available at: https://www.audits2.ga.gov/reports/summaries/tax-incentive-evaluation-historic-rehabilitation-tax-credit*

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.

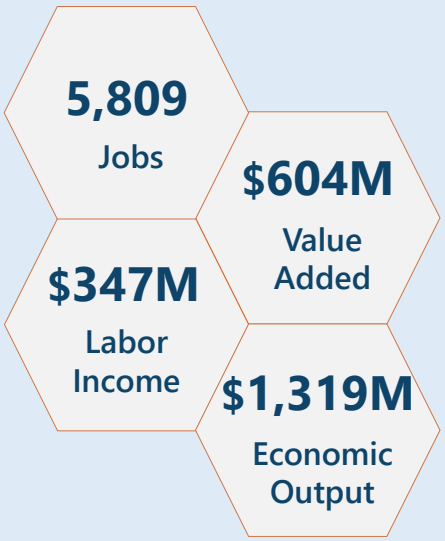
This review was requested by the House Ways and Means Committee and performed in accordance with O.C.G.A. § 28-5-41.1. Georgia State University's Fiscal Research Center (FRC) prepared the report.

## 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.




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.




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.

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

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

DOAA
Georgia Department of Audits & Accounts

December 2022

# 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.

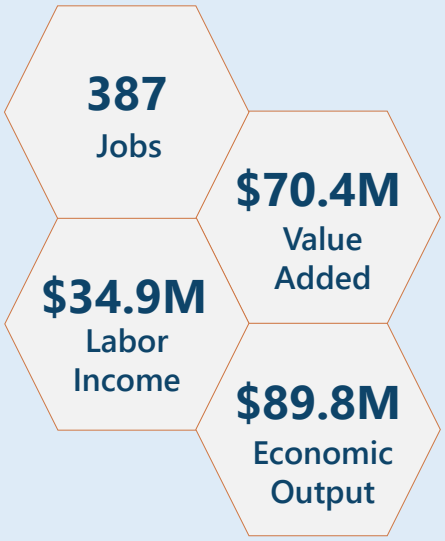
This review was requested by the Senate Finance Committee and performed in accordance with O.C.G.A. § 28-5-41.1. Georgia Southern University's Center for Business Analytics and Economic Research (CBAER) prepared the report.

## 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.




*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.




* 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.

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

*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.

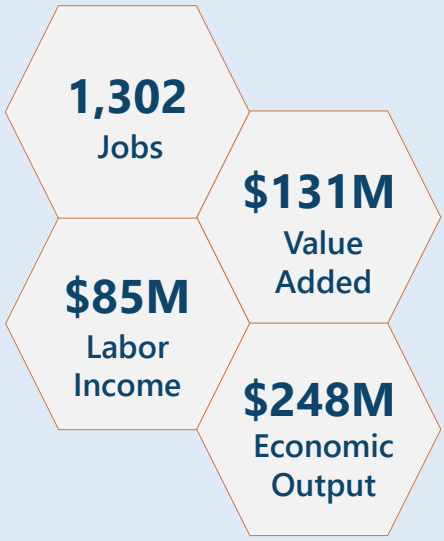
This review was requested by the Senate Finance Committee and performed in accordance with O.C.G.A. § 28-5-41.1. The University of Georgia's Carl Vinson Institute of Government (the Institute) prepared the report.

## 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.




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.




## 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.

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

*Full report available at: https://www.audits2.ga.gov/reports/summaries/research-and-development-tax-credit*

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%).

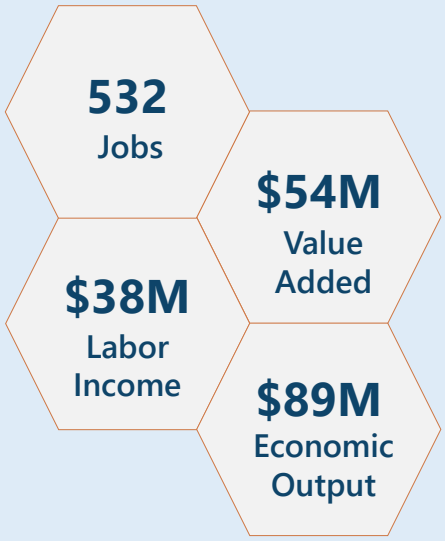
This review was requested by the Senate Finance Committee and performed in accordance with O.C.G.A. § 28-5-41.1. The University of Georgia's Carl Vinson Institute of Government (the Institute) prepared the report.

## 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.



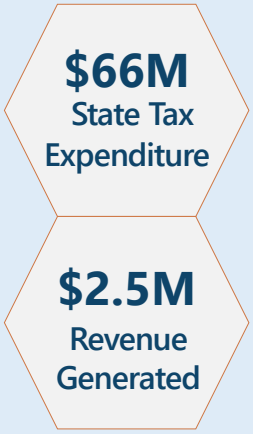

Note: 2021 economic activity attributable to the tax exemption

## 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.




## 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.

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

*Full report available at: https://www.audits2.ga.gov/reports/summaries/computer-equipment-sales-tax-exemption*

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.

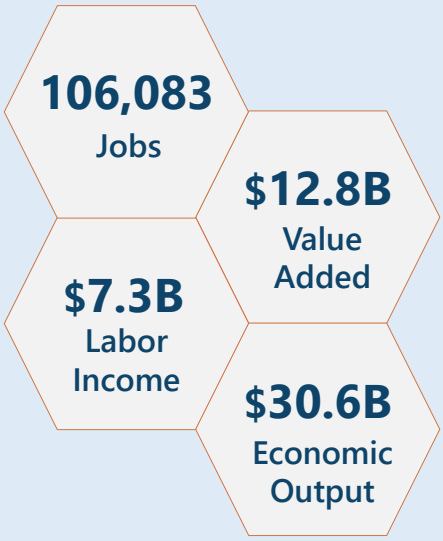
This review was requested by the House Ways and Means Committee and performed in accordance with O.C.G.A. § 28-5-41.1. Georgia Southern University's Center for Business Analytics and Economic Research (CBAER) prepared the report.

## 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.




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.




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.

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

*Full report available at: https://www.audits2.ga.gov/reports/summaries/manufacturing-sales-tax-exemption*

DOAA
Georgia Department of Audits & Accounts

December 2022

# 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.

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

*Full report available at: https://www.audits2.ga.gov/reports/summaries/high-tech-data-center-sales-tax*

DOAA
Georgia Department of Audits & Accounts

February 2023

# Tax Incentive Evaluation: Retirement Income Exclusion

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

## BACKGROUND

In 1981, Georgia enacted an income tax exclusion for retirement income received by taxpayers aged 62 years and over. Currently, taxpayers aged 65 and over may exclude up to $65,000, while those 62 to 64 (as well as those permanently and totally disabled) may exclude up to $35,000. The exclusion applies to retirement income such as capital gains, interest, and pensions, as well as up to $4,000 of earned income. Limits apply to individual taxpayers, so a married couple filing jointly may exclude twice the given limit. The exclusion is intended to induce retirees to live in Georgia and provide a boost to economic growth.

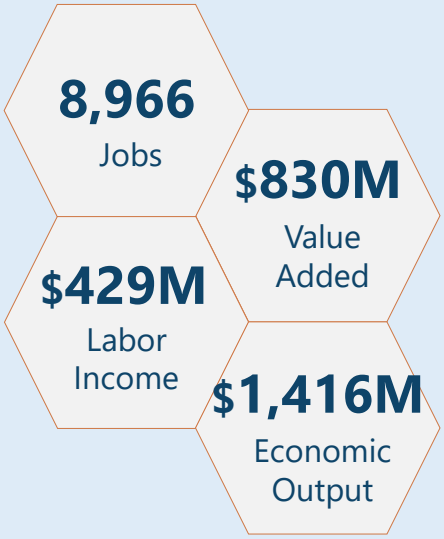
This review was requested by the House Ways and Means Committee and performed in accordance with O.C.G.A. § 28-5-41.1. Georgia State University's Fiscal Research Center (FRC) prepared the report.

## ECONOMIC ACTIVITY

Studies indicate such exclusions play a limited role in retirees' migration, and Georgia's net in-migration for those over 65 was only 3,000 in 2019. As a result, the economic impact calculated by FRC is limited to the additional money available to retirees that can be spent on goods and services.

While the exclusion may not result in significantly more retirees in Georgia, the increased spending by consumers benefiting from the exclusion does result in additional jobs and economic activity. The figures to the right are estimated for FY 2021 by FRC, though they do not account for opportunity costs.

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 31,182 jobs and economic output of $2.44 billion.




## REVENUE

The exclusion is estimated to grow from $1.16 billion in FY 2021 to $1.37 billion in FY 2023. In 2023, the resulting economic activity is estimated to bring in $81.3 million in new state ($41.8) and local ($39.5) tax revenue.

Finally, FRC estimated that the alternate use of the revenue would have generated $90.6 million in state revenue and $33.3 million in local revenue in FY 2021.




Note: Revenue generated is projected for 2023.

## COST

The Department of Revenue reported **negligible cost** associated with administering this exclusion. To the extent that this exclusion is a part of an audited tax return, it can add additional cost to the audit process.

## PUBLIC BENEFIT

The exclusion provides relief to lower-income retiree households and reduces the tax burden on residents who do not directly benefit from certain public services that account for a large portion of the state budget (e.g., education).

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

*Full report available at: https://www.audits2.ga.gov/reports/summaries/retirement-income-exclusion*

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

# Qualified Education Expense Tax Credit

## Economic Analysis

## Key Findings

The Qualified Education Expense Tax Credit's (QEEC) fiscal impact is driven by the relationship between the forgone tax revenue and the reduction in the number of public school students and their associated costs. The portion of scholarship recipients who would have attended a public school without a scholarship (i.e., the "switcher rate") is unknown; therefore, the precise fiscal impact cannot be determined. However, research indicates that switcher rates could be high enough to result in state cost savings. Cost savings do occur at the local level. In addition, the QEEC may create economic impacts and public benefits.

### *Net Fiscal Impact*

- In 2021, QEEC tax credits generated approximately $81 million in estimated forgone tax revenue—this represents the amount that the state will no longer collect from taxpayers who claim a QEEC tax credit.
- For the state to break even on the QEEC tax credit for 2021 contributions, the switcher rate would need to be 67%. Under this scenario, the state would save approximately $81 million in public education costs, which would fully offset the $81 million in forgone revenue.
- If the switcher rate is 90%, as empirical studies of other states' programs have found, the QEEC would result in an expenditure reduction of approximately $109 million and a net cost savings of approximately $28 million.
- Local cost savings would total at least $24.8 million if the switcher rate is 67% (break-even level for the state). This increases to $33.4 million when calculating based on the 90% switcher rate found in research.
- Participant income is one factor in assessing the likelihood that students would be in a public school if not for the scholarship. Several studies noted above are of states with financial need requirements, while Georgia's SSOs are only required to *consider* financial need. In 2021, approximately 2/3 of scholarship recipients were below 250% of the federal poverty level (FPL) and 1 in 6 were above 400% FPL.

### *Economic Impact & Public Benefit*

- Though research on academic and attainment outcomes is mixed, numerous empirical studies have found that school choice programs (such as private school tax scholarships and vouchers) have correlated with positive impacts on student test scores and college attainment.
- Because college enrollment and degree completion are correlated with higher lifetime wages, increased college attainment is expected to generate long-term economic impacts through increased tax revenue.
- Economic benefits are also closely aligned with the overall public benefit.

## Background

The Qualified Education Expense Tax Credit (QEEC) allows Georgia's corporate and individual taxpayers to earn a dollar-for-dollar tax credit when they donate funds to organizations that award scholarships to students attending private schools. Statute created Student Scholarship Organizations to manage donations and award scholarships to eligible students. In addition, state law established oversight responsibilities for the Georgia Department of Revenue and the Georgia Department of Education.

## Why we did this review

O.C.G.A. § 20-2A-2 charges the state auditor to issue an economic analysis report on the performance of this tax credit to the chairpersons of the House Committee on Ways and Means and the Senate Finance Committee.

This report provides an overview of the potential fiscal, economic, and public benefit impacts of the QEEC to the state.

DOAA
Georgia Department of Audits & Accounts

December 2023

# 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.

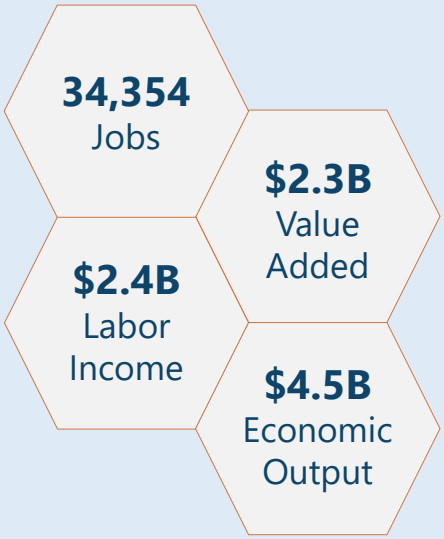
## ECONOMIC ACTIVITY

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.




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.




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.

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*Full report available at: Georgia Film Tax Credit*

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Georgia Department of Audits & Accounts

December 2023

# Tax Incentive Evaluation: Georgia Agricultural Sales Tax Exemption

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

## BACKGROUND

Georgia's Agricultural Sales Tax Exemption (GATE) (O.C.G.A. § 48-8-3.3) provides for exemptions on selected agricultural inputs. Exempt items fall into broad categories of machinery, equipment, and repair parts; seeds and seedlings; livestock, feed, and veterinary supplies; fertilizers and pesticides; and fuel and electricity. The GATE program is considered one of the most expansive sales tax exemptions on agricultural inputs in the southeast. Nearly every state offers some form of agricultural sales and use tax exemption.

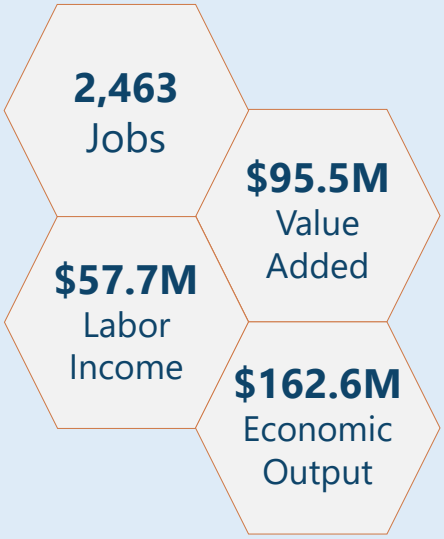
This review was requested by the House Ways and Means Committee and performed in accordance with O.C.G.A. § 28-5-41.1. The University of Georgia's Carl Vinson Institute of Government (the Institute) prepared the report.

## ECONOMIC ACTIVITY

To determine the economic activity attributable to GATE, the Institute estimated the difference between the gate value of crop, livestock, and timber production currently projected and the gate value expected if GATE did not exist. The value was estimated to be 7.65% lower, the amount of the combined state and local sales taxes.

As noted on the right, the Institute estimated that GATE results in nearly 2,500 jobs and a contribution of more than $95 million to the state economy.

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 taxes on the excluded income had been collected and expended by the state, the Institute estimated the creation of 7,960 jobs and $395.4 million in value added to the economy.

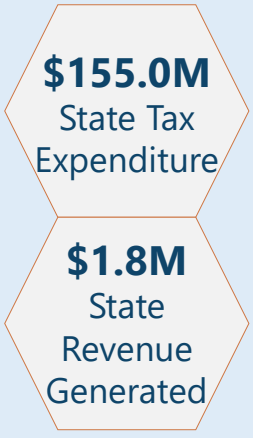



Note: Economic activity attributable to GATE

## REVENUE

The state exemption is estimated to increase from $155.0 million in FY 2023 to $166.8 million in FY 2028. (Local foregone revenue is estimated at $141.2 million in FY 2023.) In 2022, the resulting economic activity was estimated to bring in $1.8 million in state revenue.

Finally, the Institute estimated that the alternate use of the revenue would have generated $9.0 million in state revenue in FY 2023.




Note: 2023 estimates

## COST

The Department of Agriculture reported administrative costs of about $500,000 annually. Cardholders pay $150 every three years, resulting in approximately $1.8 million annually to the state treasury.

## PUBLIC BENEFIT

The Institute cited several public benefits including encouraging production, supporting employment (especially in rural Georgia), and supporting small farmers and producers of new or emerging crops.

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

*Full report available at: Georgia Agricultural Sales Tax Exemption*

DOAA
Georgia Department of Audits & Accounts

December 2023

# 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.

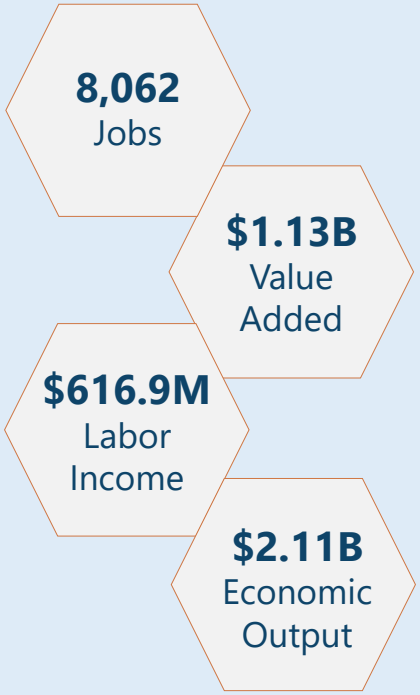
## ECONOMIC ACTIVITY

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.




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.




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.

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December 2023

# Tax Incentive Evaluation: Non-Profit Hospital Exemptions

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

## BACKGROUND

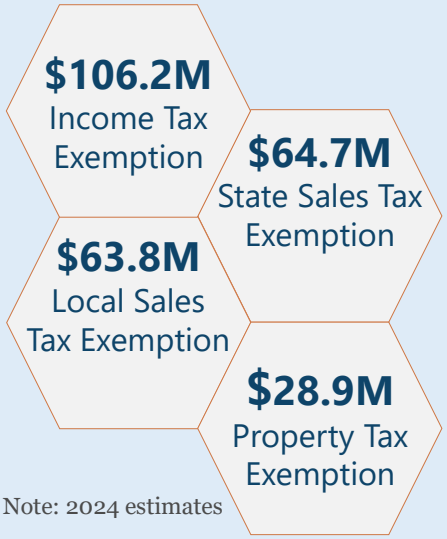
Non-profit hospitals (NPHs) are 501(c)(3) entities exempt from federal income tax. Federal nonprofit status requires these private hospitals to provide benefits to their community, including charity care and community health improvements. In Georgia, NPHs are exempt from three state and local taxes: income tax, sales and use tax, and property tax. The exemptions are intended to incentivize the hospitals to invest in the healthcare needs of low-income individuals. Every state allows at least one of these exemptions, and 29 other states allow all three.

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.

## REVENUE

The state-level exemptions are projected to increase from $170.9 million in FY 2024 to $236.6 million in FY 2028, with the corporate income tax exemption representing nearly two-thirds of the impact. Similarly, local exemptions are projected to increase from $92.7 million to $115.5 million, with the local sales tax exemption representing approximately 70%.

The fiscal impact is affected by ownership changes. For example, several for-profit hospitals (FPHs) have recently been sold to NPH systems, removing them from state and local taxation.




Note: 2024 estimates

## ECONOMIC ACTIVITY

FRC did not model the economic benefits of NPH patients or the opportunity costs of the exemptions. It focused on the public benefits generated by NPHs. FRC pointed to the level and sufficiency of these benefits as the primary policy question and noted that prior research has focused on this topic instead of economic benefits.

## COST

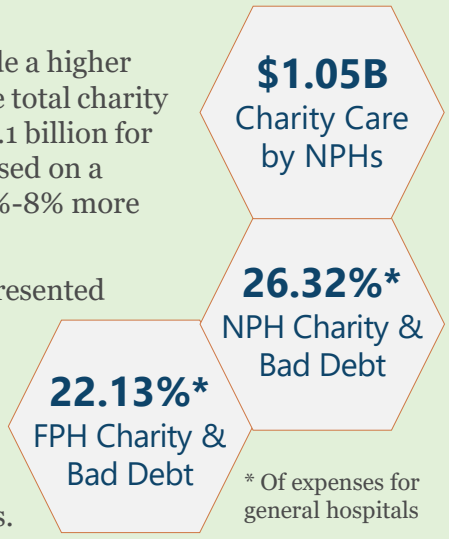
The Department of Revenue reported negligible cost associated with administering the income and sales tax exemptions. Property tax exemptions are primarily administered at the county level.

## PUBLIC BENEFIT

A lower level of taxation should allow NPHs to provide a higher level of public benefits than FPHs. FRC estimated the total charity care attributable to NPHs' tax-exempt status to be $1.1 billion for fiscal year 2024, or 74% of their total charity care. Based on a review of Georgia hospitals in 2021, NPHs provide 7%-8% more charity care than FPHs.

Uncompensated care (charity care and bad debt) represented approximately 22% of NPH expenses, compared to 14% for FPHs. However, as noted on the right, the percentages were closer for general hospitals. Many FPHs were classified as other (psychiatric, specialty).

It should be noted that the analysis did not include the impact of federal tax policy on nonprofit hospitals.




* Of expenses for general hospitals

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*Full report available at: Non-Profit Hospital Exemptions*

DOAA
Georgia Department of Audits & Accounts

December 2023

# Tax Incentive Evaluation: Exemption on the Sale of Lottery Tickets

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

## BACKGROUND

In 1992, the Lottery for Education Act established the Georgia lottery as a means of increasing state funding for education. In 2022, sales totaled $5.8 billion with $1.47 billion going to fund education. Of the 50 states, 45 currently operate a lottery. However, Alabama is one of the five that do not have a lottery, so Georgia benefits from Alabama residents buying tickets. In almost all states, and Georgia, lottery tickets are exempt from sales tax.

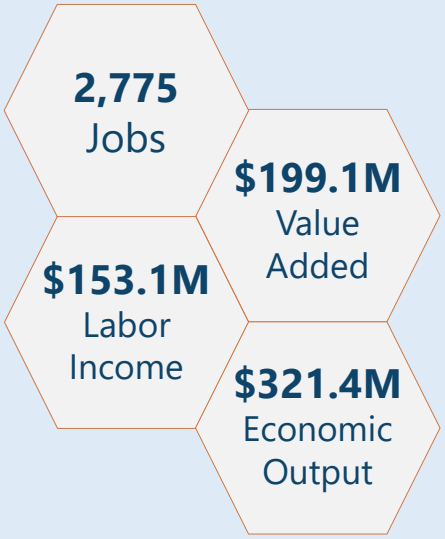
This review was requested by the House Ways and Means Committee and performed in accordance with O.C.G.A. § 28-5-41.1. The University of Georgia's Carl Vinson Institute of Government (the Institute) prepared the report.

## ECONOMIC ACTIVITY

The primary purpose of the sales tax exemption does not appear to be an immediate increase in economic activity but instead to provide additional education funds. However, the Institute was able to estimate economic activity associated with lottery ticket sale, including the creation of more than 36,000 jobs.

Ticket sales (and jobs) would exist even without the exemption. If lottery tickets were taxed, the Institute estimated a decrease in sales equal to the tax rate of 7.64%. As a result, the exemption is responsible for that portion of economic activity (36,549 jobs*7.64% = 2,775).

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 taxes on the excluded income had been collected and expended by the state, the Institute estimated the creation of 6,174 jobs and $306.7 million in value added to the economy.

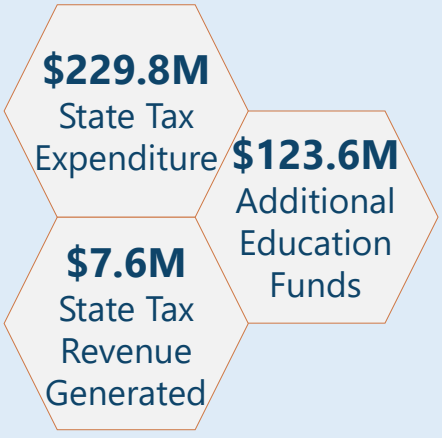



Note: Economic activity attributable to exemption

## REVENUE

The exemption is estimated to increase from $229.8 million in FY 2024 to $263.1 million in FY 2028. In FY 2024, the increased ticket sales due to the exemption are estimated to result in $123.6 million in additional education funds and $7.6 million in tax revenue.

The Institute estimated that the alternate use of the exemption funds would have generated $243 million in additional tax revenue.




Note: 2024 estimates

## COST

The Institute did not note administrative costs associated with the exemption.

## PUBLIC BENEFIT

The Institute cited the additional funding for education as the associated public benefit. It also noted that research indicates that lower income consumers are significantly more likely to purchase lottery tickets and that the sales taxes have a greater negative effect on lower income consumers.

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

*Full report available at: Exemption on the Sale of Lottery Tickets*

DOAA
Georgia Department of Audits & Accounts

December 2023

# Tax Incentive Evaluation: Special Tax Deduction for Life Insurance Companies

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

## BACKGROUND

Georgia imposes a state premium tax of 2.25% but, unlike most states, also allows local governments to collect premium taxes. O.C.G.A. § 33-8-8.1 allows life insurance companies to deduct their 1% local tax amount from the premium taxes owed to the state. The purpose of the special deduction is not stated but is presumably to reduce the cost of doing business for these companies.

This review was requested by the House Ways and Means 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.

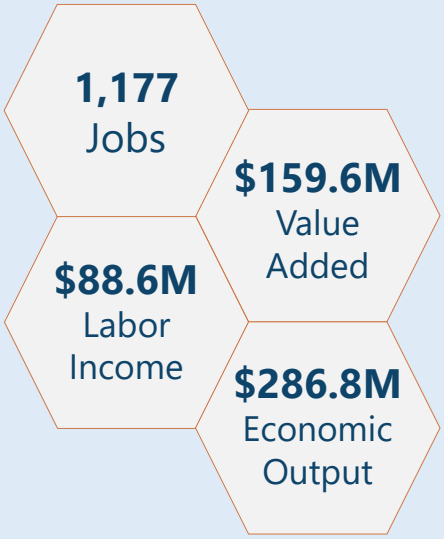
## ECONOMIC ACTIVITY

To determine the economic activity attributable to the special tax deduction, the Institute estimated the difference between the current premiums and the premiums expected if the deduction did not exist and higher prices reduced demand for policies.

As noted on the right, the Institute estimated that the deduction results in almost 1,200 jobs and a contribution of nearly $160 million to the state economy.

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 taxes on the excluded income had been collected and expended by the state, the Institute estimated the creation of 5,836 jobs and $289.9 million in value added to the economy.

As noted above, the purpose of this special deduction may not be to spur economic development but to keep the total premium tax comparable to rates charged by other states.

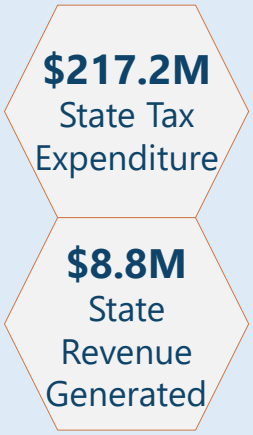



Note: Economic activity attributable to the tax deduction

## REVENUE

The deduction is estimated to increase from $217.2 million in FY 2023 to $263.5 million in FY 2028. The resulting economic activity was estimated to bring in $8.8 million in state revenue in FY 2023, with the amount growing to $10.7 million by FY 2028.

Finally, the Institute estimated that the alternate use of the revenue would have generated $12.7 million in state revenue in FY 2023.




Note: 2023 estimates

## COST

The Institute did not calculate administrative costs but noted that the deduction (compared to a lower rate) adds complexity to the taxation system. Complexity adds costs to both payers and Office of the Commissioner of Insurance.

## PUBLIC BENEFIT

The Institute noted that lower premium taxes likely decrease the costs of life insurance policies and that higher costs are generally borne by new policy holders without "locked in" premiums.

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

*Full report available at: Special Tax Deduction for Life Insurance Companies*

DOAA
Georgia Department of Audits & Accounts

December 2023

# Tax Incentive Evaluation: Other State Tax Credit

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

## BACKGROUND

The Other State Tax Credit (O.C.G.A. § 48-7-28) allows Georgia residents to claim a credit against their state income tax liability in proportion to the amount of their income earned and taxed in another state. Residents can claim the lesser of either a) the amount of tax paid to the other state(s) or b) the prorated share of the resident's income earned in the other state compared to the resident's Georgia taxable income. Similar provisions to prevent double taxation of income are common in most states. The credit has existed in its current form since 1987, though similar provisions have existed in Georgia law since 1933.

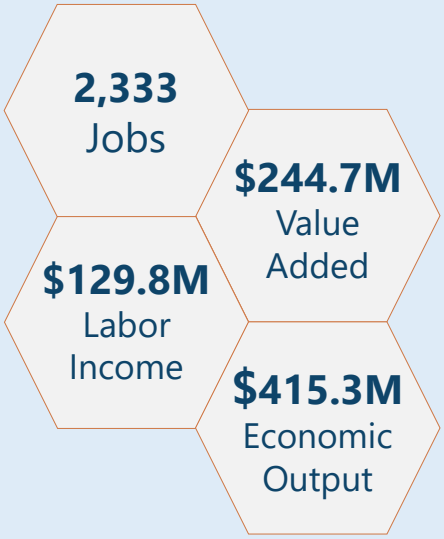
This review was requested by the House Ways and Means Committee and performed in accordance with O.C.G.A. § 28-5-41.1. Georgia State University's Fiscal Research Center (FRC) prepared the report.

## ECONOMIC ACTIVITY

The Other State Tax Credit was likely created to prevent Georgia residents from being subjected to double taxation on their income, not to spur economic development.

While not created for economic development purposes, the credit results in additional funds being available for consumer spending. This spending results in additional jobs and economic activity. The figures to the right are estimated for FY 2022 by FRC, though they do not account for opportunity costs.

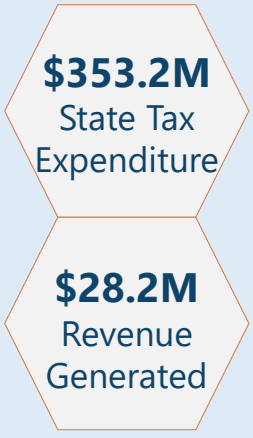
O.C.G.A. § 28-5-41.1 requires the analysis to include net economic activity, which includes the opportunity cost of the tax expenditure. If taxes on the excluded income had been collected and expended by the state, FRC estimated the creation of 9,024 jobs and $481.7 million in value added to the economy.




## REVENUE

The exclusion is estimated to increase from $353.2 million in FY 2022 to $437.2 million in FY 2028. In 2022, the resulting economic activity was estimated to bring in $13.9 million in state revenue and $14.3 million in local tax revenue.

Finally, FRC estimated that the alternate use of the revenue would have generated $20.9 million in state revenue and $9.5 million in local revenue in FY 2022.




Note: 2022 estimates

## COST

The Department of Revenue reported negligible cost associated with administering this exclusion. Additional costs could be incurred when auditing this credit.

## PUBLIC BENEFIT

FRC did not cite any specific public benefit of the credit. It noted the concept of fairness associated with preventing the double taxation for those that receive the credit.

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

*Full report available at: Other State Tax Credit*

DOAA
Georgia Department of Audits & Accounts

December 2023

# Tax Incentive Evaluation: Social Security Benefit Exclusion

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

## BACKGROUND

Since the federal government began taxing a portion of Social Security benefits in 1984, Georgia has provided an exclusion of those benefits from any state income taxes. Under federal law, monthly retirement, survivor, and disability payments are subject to taxation. Federal taxation (and therefore the state exemption) begins at benefits exceeding $25,000 for a single individual and $32,000 for those married filing jointly. Georgia is one of 32 states that fully exempts Social Security benefits from state income tax (another eight states have no state income tax).

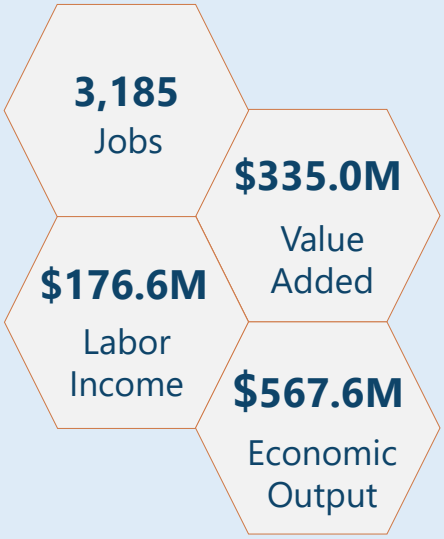
This review was requested by the House Ways and Means Committee and performed in accordance with O.C.G.A. § 28-5-41.1. Georgia State University's Fiscal Research Center (FRC) prepared the report.

## ECONOMIC ACTIVITY

FRC assumes that the state exclusion does not impact migration into or out of the state by beneficiaries, but the exclusion likely prevents a very small decrease in earnings by this group if taxes were levied (if taxes were assessed, beneficiaries would work slightly fewer hours).

Increased spending by consumers benefiting from the exclusion does result in additional jobs and economic activity. The figures to the right are estimated for FY 2021 by FRC, though they do not account for opportunity costs.

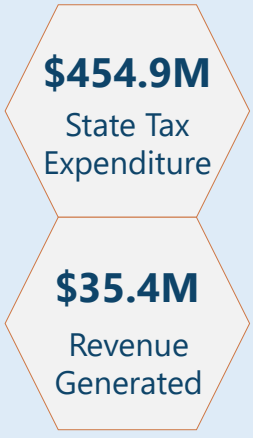
O.C.G.A. § 28-5-41.1 requires the analysis to include net economic activity, which includes the opportunity cost of the tax expenditure. If taxes on the excluded income had been collected and expended by the state, FRC estimated the creation of 11,623 jobs and $620.5 million in value added to the economy.




## REVENUE

The exclusion is estimated to decline from $454.9 million in FY 2021 to $407.8 million in FY 2028. In 2021, the resulting economic activity was estimated to bring in $18.6 million in state revenue and $16.8 million in local tax revenue.

Finally, FRC estimated that the alternate use of the revenue would have generated $26.9 million in state revenue and $12.3 million in local revenue in FY 2021.




Note: 2021 estimates

## COST

The Department of Revenue reported negligible cost associated with administering this exclusion.

## PUBLIC BENEFIT

The exclusion provides income tax relief to approximately 580,000 Social Security recipients who are full-time Georgia residents. The estimated average tax savings is $721, though the median is $465. Those who would be otherwise liable for income tax on benefits are not generally low-income.

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

*Full report available at: Social Security Benefit Exclusion*

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.

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

*Full report available at: Tax Incentive Evaluation: Georgia's Jet Fuel Exemption*

DOAA
Georgia Department of Audits & Accounts

December 2024

# Tax Incentive Evaluation: Global Intangible Low-taxed Income (GILTI) Exclusion

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

GILTI is a tax on the foreign earnings of U.S. multinational corporations that exceed a certain threshold. It targets income derived from intangible assets such as intellectual property and business processes. GILTI was established as part of the federal Tax Cuts and Jobs Act of 2017, and Georgia opted not to tax GILTI. This exclusion is considered a tax expenditure.

## PURPOSE

The purpose of the exclusion is not found in state law, and FRC did not comment on whether the purpose was met.

## IMPACT ON EMPLOYMENT, ECONOMIC ACTIVITY, AND REVENUE

While FRC estimated the GILTI exclusion's tax expenditure was $146.4 million in FY24, it also noted that a repeal would not allow the state to capture this amount. If the exclusion was repealed, a company would likely shift its GILTI share of state taxes to a subsidiary in a state with a more favorable tax treatment of the income. In that scenario, the state would not collect additional revenue and the impacts shown in the table below would not occur.

FRC identified the impact of GILTI on the state's economy as additional household income to Georgia shareholders of the benefiting companies. The $146.6 million in additional income to those households results in the impacts shown below, including 651 jobs, $69.3 million in value added to the state economy, and $3.6 million in additional state revenue.

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[1] | Labor Income | Output | Value Added | Economic ROI[1] | State Tax Expenditure | State Tax Generated | Fiscal ROI[1] |
| 651 | $219,616 | $36.2M | $117.6M | $69.3M | 48% | $146.4M | $3.6M | 2% |

1 Cost per job, economic ROI, and fiscal ROI are all calculated based on the state tax expenditure. As noted in the text, eliminating the exclusion would not result in additional state revenue; therefore, one could consider the exclusion a net gain for the state ($3.6 million generated) instead of a loss.

## ANCILLARY IMPACTS

FRC noted that there are potential legal issues with taxing GILTI income, and the full exclusion allows Georgia to avoid those.

## OTHER STATES

Twenty-one states plus the District of Columbia tax GILTI at some level. These amounts range from 5% to 50% of the base federal GILTI income (the base after the federal Section 250 deduction of 50%). There is no consensus among states about the most efficient and effective way to tax U.S.-based, multinational corporate income, if at all.

## OPTIONS TO IMPROVE RETURN ON INVESTMENT

FRC did not identify a method to improve the ROI without changing corporate taxes more broadly, which is beyond a review of GILTI. Georgia is a single factor apportionment state for corporate income taxes; therefore, a corporation would shift its GILTI share of state taxes to a subsidiary in another state if the GILTI exclusion was repealed.

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

*Full report available at: Tax Incentive Evaluation: Global Intangible Low-taxed Income (GILTI) Exclusion*

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Georgia Department of Audits & Accounts

December 2024

# 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.

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

*Full report available at: Tax Incentive Evaluation: Georgia's Bank Tax Credit*

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Georgia Department of Audits & Accounts

December 2024

# Tax Incentive Evaluation: Construction Sales Tax Exemption

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

Construction services are not explicitly cited in Georgia code as exempt from sales and use tax, because it is part of a larger group of nontaxable services. Georgia's sales tax generally applies to tangible personal property and only certain services listed as taxable. Construction services is not included in state law as a taxable service. It should be noted that construction materials are subject to sales tax.

## PURPOSE

Services in Georgia are exempt from state sales tax with only a few specific exceptions. While no reason for the exclusion of services from the sales tax base is stated in law, Institute researchers noted that services, including construction services, are analogous to labor. Labor is subject to state income tax.

## IMPACT ON EMPLOYMENT, ECONOMIC ACTIVITY, AND REVENUE

The Institute estimated that the exemption of construction services from state sales tax resulted in a state revenue reduction of $2.88 billion in FY24. If a construction tax had been implemented, researchers estimated a 7.4% increase in the cost of construction services (state and local sales tax) and a 3.7% reduction in total construction sector output.

Using IMPLAN, a regional input-output model that analyzes economic activity, the Institute estimated that the sales tax exemption resulted in nearly 27,000 total jobs and $2.83 billion in value added to the state economy in FY24. The additional economic activity led to state taxes of $201.6 million, offsetting approximately 7% of the sales tax exemption. The state has a positive economic ROI due to the net revenue impact ($2.88B minus $201.6M) being less than the value added to the economy.

| Employment | | | Economic Impact | | | Revenue Impact | | |
|---|---|---|---|---|---|---|---|---|
| Jobs | Cost/ Job | Labor Income | Output | Value Added | Economic ROI | State Tax Expenditure | State Tax Generated | Fiscal ROI |
| 26,902 | $99,677 | $1.65B | $5.10B | $2.83B | 106% | $2.88B | $201.6M | 7% |

## ANCILLARY IMPACTS

This sales tax exemption marginally stimulates economic development and promotes decreased construction costs. More affordable construction costs increase the opportunities for new residential and commercial structures. Building projects produce jobs in the construction industry, along with jobs in related areas such as landscaping, building material production and sales, architecture, surveying, and legal services.

## OTHER STATES

The Institute identified three states that tax narrowly defined construction related services. Repairs, maintenance, and installation are subject to sales tax in New York, but capital improvements are not. In Texas, remodeling, repairing, and restoring nonresidential property are subject to sales tax, while Washington collects sales taxes on improving new or existing structures and other construction-related services. It should be noted that Texas and Washington have no state income tax (i.e., no tax on labor).

## OPTIONS TO IMPROVE RETURN ON INVESTMENT

The Institute did not identify a method to improve the ROI of the sales tax exemption.

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

*Full report available at: Tax Incentive Evaluation: Construction Sales Tax Exemption*

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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.

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*Full report available at: Tax Incentive Evaluation: Insurance Premium Tax Abatement*

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December 2024

# Tax Incentive Evaluation: Natural Gas Sales Tax Exemption

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

Since 1999, the purchase of natural gas for the manufacture of electricity has been exempt from sales taxes. The exemption is used by Georgia Power and electric membership corporations. It should be noted that Georgia's fuel cost recovery rider requires utility companies to pass the cost of generating electricity directly to their customers, which means that savings resulting from the exemption should be passed directly to consumers as well.

## PURPOSE

While the purpose of the exemption is not explicitly stated, the Institute noted that the implied purpose of the exemption is to encourage the use of natural gas for electricity generation. When the exemption was created, natural gas made up 12.5% of electricity consumed in Georgia. In 2022, 28.6% of electricity was from natural gas.

## IMPACT ON EMPLOYMENT, ECONOMIC ACTIVITY, AND REVENUE

The Institute estimated that utilities received tax savings of approximately $52.9 million in FY24. Without the exemption, higher costs would be passed on to consumers due to utility regulations (about $1.50/month) and the amount of electricity generated would decline by a small amount.

Using IMPLAN, the Institute found that the economic activity attributed to the sales tax exemption led to 580 jobs and $44.3 million added to the Georgia economy in FY24. The additional economic activity led to $2.4 million in new state tax revenue, offsetting 5% of the cost of the exemption. The economic ROI is less than 100% because the net revenue loss ($52.9M minus $2.4M) 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 |
| 580 | $87,069 | $29.7M | $74.0M | $44.3M | 88% | $52.9M | $2.4M | 5% |

## ANCILLARY IMPACTS

Along with market forces, the exemption helped move the source of electricity generation in Georgia from coal to natural gas, which is cleaner-burning and produces less $CO_2$. In addition, due to Georgia's fuel cost recovery rider, the costs of generating power are borne directly by the consumers. The exemption lowers the utility companies' costs of manufacturing electricity, and the savings must be passed to the consumers. The Institute estimated the savings at approximately $18 per year for the average family.

## OTHER STATES

The Institute identified a number of states that provide sales tax exemptions for natural gas use. In 2017, 10 states provided full sales tax exemptions for natural gas used for industrial purposes. Another seven—including Georgia—offer sales tax exemptions on natural gas used for electricity generation in some cases. For example, Florida exempts all fuels used by utility companies in the generation of power. Missouri has a sales tax exemption that applies to energy, all forms of gas, and machinery and equipment used to generate, transmit, or distribute electricity.

## OPTIONS TO IMPROVE RETURN ON INVESTMENT

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

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

*Full report available at: Tax Incentive Evaluation: Natural Gas Sales Tax Exemption*

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Georgia Department of Audits & Accounts

December 2024

# Tax Incentive Evaluation: Coin-Operated Amusement Machines Sales Tax Exemption

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

Georgia provides a sales tax exemption for coin-operated amusement machines (COAMs). While Georgia does not charge sales tax on game play, it does receive revenue in two ways from the Class B machines that allow players to obtain non-cash rewards: 1) the sale of master and location licenses and 2) the receipt of 13% of net revenue from each machine (i.e., revenue after payout to winners). The Georgia Lottery Corporation (GLC) monitors all Class B machines, and the state revenue is directed through GLC to HOPE and Pre-K.

## PURPOSE

The purpose of the COAM sales tax exemption is not explicitly stated in law; however, the state already receives a portion of proceeds from COAM revenue without charging sales tax.

## IMPACT ON EMPLOYMENT, ECONOMIC ACTIVITY, AND REVENUE

CBAER did not analyze the economic impact of the exemption itself. It instead compared the revenue-sharing model to an alternate model in which the state collects sales taxes on gross COAM revenue in lieu of revenue sharing. While CBAER found that this should result in slightly higher state revenue, it noted that the collection of sales taxes would have administrative costs that reduce the financial benefit.

CBAER found that an alternate model of sales tax collections on gross COAM revenue would have generated $203.6 million in FY24, compared to the actual revenue collection of $146.3 million. If the state had collected and expended the additional $57.3 million, 590 jobs would have been created and $15.4 million would have been added to the state economy. However, the revenue gain—and resulting economic activity—would be lower in future years. The state share of net revenue increased from 10% to 13% late in FY24. Had the state collected 13% for the entire year, the additional revenue obtained through a sales tax model would have been only $10.4 million.

**Impact of Replacing Revenue-Sharing with Sales Tax**

| Employment | | Economic Impact | | Revenue Impact | |
|---|---|---|---|---|---|
| Jobs | Labor Income | Output | Value Added | Additional State Tax (Compared to Actual FY24 Collections) | Additional State Tax (Compared to New 13% Revenue Share) |
| 590 | $38.5M | $85.0M | $15.4M | $57.3M | $10.4M |

## ANCILLARY IMPACTS

CBAER noted that the current model of GLC receiving a share of net revenue has long-term benefits due to the funds being directed to educational program such as HOPE scholarships and Pre-K slots. The HOPE scholarship promotes higher education accessibility, helps build a skilled workforce, and retains talent in the state, benefitting the state economy.

## OTHER STATES

CBAER found that among Southeastern states, Georgia is unique with its direct revenue-sharing model and the direct regulation of the machines by a state entity. Most other states reviewed charge sales taxes on receipts, while some may charge a license fee for the machines in addition to, or in lieu of, sales tax.

## OPTIONS TO IMPROVE RETURN ON INVESTMENT

CBAER's analysis found that the current sharing of net revenue generates slightly less state revenue than a sales tax; however, the difference is not significant when considering administrative costs and compliance related to sales tax.

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

*Full report available at: Tax Incentive Evaluation: Coin-Operated Amusement Machines Sales Tax Exemption*

DOAA
Georgia Department of Audits & Accounts

December 2024

# Tax Incentive Evaluation: Professional, Scientific, and Technical Services Sales Tax Exemption

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

Professional, scientific, and technical services are not explicitly cited in Georgia code as exempt from sales and use tax. Examples within these industries includes legal services, accounting, engineering, scientific research, and veterinary services. Georgia's sales tax generally applies to tangible personal property and only certain services listed as taxable. The services reviewed are not included in state law as a taxable service.

## PURPOSE

Services in Georgia are exempt from state sales tax with only a few specific exceptions. No reason for the exclusion of services from the sales tax base is stated in law; however, services can be considered analogous to labor, which is subject to income tax.

## IMPACT ON EMPLOYMENT, ECONOMIC ACTIVITY, AND REVENUE

CBAER estimated that the exemption of these services from state sales tax resulted in a state revenue reduction that averaged $2.71 billion annually during the five-year period reviewed, FY20-24. If a tax had been implemented on professional, scientific, and technical services, researchers estimated a 7.4% increase in the cost of the services and a 3.7% decrease in revenue to the industry.

CBAER used IMPLAN, a regional input-output model that analyzes economic activity, to estimate the exemptions economic impact over the 2020-24 period. Over the five years, CBAER estimated that the sales tax exemption resulted in an average of 28,230 total jobs and an average of $3.1 billion in value added to the state economy.

The additional economic activity would have led to state taxes of $108.9 million on average, offsetting approximately 4% of the sales tax exemption. The state has a positive economic ROI due to the value added to the economy being greater than the net revenue loss to the state ($2.7B cost plus $108.9M gain).

CBAER also noted that many of the reviewed services are provided to businesses. Taxes are often intended to be assessed at final consumption; taxing services provided to businesses at multiple stages of production or service delivery results in tax pyramiding and higher prices to the final customer.

| Employment | | | Economic Impact | | | Revenue Impact | | |
|---|---|---|---|---|---|---|---|---|
| Jobs | Cost/ Job | Labor Income | Output | Value Added | Economic ROI | State Tax Expenditure | State Tax Generated | Fiscal ROI |
| 28,230 | $87,069 | $2.2B | $5.3B | $3.1B | 120% | $2.7B | $108.9M | 4% |

## ANCILLARY IMPACTS

CBAER's report did not include a discussion of ancillary impacts of the sales tax exemption.

## OTHER STATES

CBAER found that Georgia's taxation of these services is similar to its five contiguous states. They also consider professional services industries to be exempt unless otherwise noted. CBAER found that the most commonly taxed services within professional, scientific, and technical services to be photography/ videography and design services. The report also includes a list of services within the categories reviewed and the ones taxed by each of the 50 states.

## OPTIONS TO IMPROVE RETURN ON INVESTMENT

CBAER did not identify a method to improve the ROI.

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

*Full report available at: Tax Incentive Evaluation: Professional, Scientific, and Technical Services Sales Tax Exemption*

DOAA
Georgia Department of Audits & Accounts

November 2025

# Tax Incentive Evaluation: Employer Provided Childcare Credit

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

The Employer Purchased or Sponsored Childcare Tax Credit (ESCTC) (O.C.G.A. § 48-7-40.6) was enacted in 1994 to provide a credit for up to 75% of an employers' operating costs for a childcare facility, limited to 50% of the taxpayer's total state income tax liability. Combined with the 25% federal tax credit, employers could potentially receive credits covering the full cost of childcare.

## PURPOSE

The primary purpose of the ESCTC is to encourage employers to provide childcare to their employees. Childcare can represent a prohibitive cost for many parents who would like to enter or remain in the workforce. The report noted that approximately 1,000 entities participate in this program, compared to a reported 394,000 business establishments in the state.

## IMPACT ON EMPLOYMENT, ECONOMIC ACTIVITY, AND REVENUE

FRC estimated a tax expenditure of $18.2 million in FY 2026 for the ESCTC. Using IMPLAN, a regional input-output model that analyzes economic activity, FRC estimated that $18.2 million in the childcare industry would result in 404 jobs and $21.6 million in value added to the state economy.

However, FRC determined the same amount of economic activity would have occurred even in the absence of the tax credit. It found that working parents benefiting from this program would still engage in the labor market and still access childcare, even if the credit did not exist. FRC also determined that the potentially lower costs of care have little measurable effect on the decision of working parents to utilize early childcare and education.

| 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 | $0 | $0 | $0 | 0% | $18.2M | $0 | 0% |

## ANCILLARY IMPACTS

FRC noted an employer providing childcare may benefit with employee recruitment and retention, which is a significant challenge to employers throughout the state. It also noted that while no measurable increase in the availability of childcare across the state resulted from this credit, it may help eliminate barriers for specific parents and allow some to access childcare at a reduced price.

Additionally, traditional teaching and the social and emotional learning that occurs in early childcare has been shown to improve later-life outcomes for children.

## OTHER STATES

FRC noted that the federal government and 24 other states provide tax credits for employers to establish childcare facilities or sponsor/purchase childcare for their employees. Some credits are for the purchase of childcare property, while others are for the purchase or sponsoring of childcare services.

## OPTIONS TO IMPROVE RETURN ON INVESTMENT

FRC did not identify a method to improve the ROI.



*Full report available at: Tax Incentive Evaluation – Employer Provided Childcare Tax Credit*

DOAA
Georgia Department of Audits & Accounts

November 2025

# Tax Incentive Evaluation: Waste Management and Remediation Tax Exemption

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

Waste management and remediation services encompass companies engaged in the collection, treatment, and disposal of waste materials. Examples of services include local hauling of waste, sorting recyclable material, cleanup of contaminated buildings or land, and septic pumping. Georgia's sales tax generally applies to tangible personal property and only certain services listed as taxable. The services in this review are not included in state law as a taxable service.

## PURPOSE

Services in Georgia are exempt from state sales tax with only a few specific exceptions. No reason for the exclusion of services from the sales tax base is stated in law; however, services can be considered analogous to labor, which is subject to income tax. The Institute noted it assumed the exemption exists because these services are implicitly taxed as labor under the state's income tax.

## IMPACT ON EMPLOYMENT, ECONOMIC ACTIVITY, AND REVENUE

The Institute estimated the exemption of these services from state sales tax resulted in state revenue expenditures of $79.7 million in FY 2025. If a tax had been implemented on waste management and remediation services, researchers estimated demand for these services would decrease by 2.5%. This means demand for these services does not change significantly with additional costs.

The Institute used IMPLAN, a regional input-output model that analyzes economic activity, to estimate the economic impact of the exemption. For 2025, the Institute estimated the sales tax exemption resulted in 405 jobs and added approximately $48.1 billion to the state economy.

The additional economic activity led to state taxes of $1.5 million, offsetting approximately 2% of the sales tax exemption. The state has a negative economic ROI because the state loses more revenue ($79.7 million cost plus $1.5 million gain) than the value added to the economy ($48.1 million).

| Employment | | | Economic Impact | | | Revenue Impact | | |
|---|---|---|---|---|---|---|---|---|
| Jobs | Cost/ Job | Labor Income | Output | Value Added | Economic ROI | State Tax Expenditure | State Tax Generated | Fiscal ROI |
| 405 | $193,086 | $27.9M | $96.8M | $48.1M | 62% | $79.7M | $1.5M | 2% |

## ANCILLARY IMPACTS

The Institute noted this sales tax exemption marginally stimulates economic development and plays a significant role in shaping business costs and economic activity across Georgia. Because these services are purchased regularly and by every industry, exempting them from sales tax reduces the cost of compliance with environmental and public health obligations. It also specifically noted that the exemption lowers costs for industries such as manufacturing, construction, hospitals, logistics, utilities, and public institutions.

## OTHER STATES

The Institute found that most states, including Georgia, collect sales taxes only on purchases of tangible personal property and not on services, unless explicitly listed as taxable activities. No states include a tax on all waste management and remediation services, but some do tax on specific services within the category. All neighboring states charge some mix of sales tax, per ton disposal fees, or solid waste excise taxes.

## OPTIONS TO IMPROVE RETURN ON INVESTMENT

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

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

*Full report available at: Tax Incentive Evaluation: Waste Management and Remediation Services Tax Exemption*

DOAA
Georgia Department of Audits & Accounts

November 2025

# Tax Incentive Evaluation: Administrative and Support Services Tax Exemption

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

Administrative and support services encompass office administrative services, facilities support services, employment services, business support services, and others. Georgia's sales tax generally applies to tangible personal property and only certain services listed as taxable. These services in this review are not included in state law as a taxable service.

## PURPOSE

Services in Georgia are exempt from state sales tax with only a few specific exceptions. No reason for the exclusion of services from the sales tax base is stated in law; however, services can be considered analogous to labor, which is subject to income tax. The Institute noted it assumed the exemption exists because these services are implicitly taxed as labor under the state's income tax.

## IMPACT ON EMPLOYMENT, ECONOMIC ACTIVITY, AND REVENUE

The Institute estimated the exemption of these services from state sales tax resulted in state revenue expenditures of $1.2 billion in FY 2025. If a tax had been implemented on administrative and support services, researchers estimated demand for these services would decrease by 3.9%. This means demand for these services does not change significantly with additional costs.

The Institute used IMPLAN, a regional input-output model that analyzes economic activity, to estimate the economic impact of the exemption. For 2025, the Institute estimated the sales tax exemption resulted in 22,687 jobs and added approximately $1.64 billion to the state economy.

The additional economic activity led to state taxes of $52.2 million, offsetting approximately 4% of the sales tax exemption. The state has a positive economic ROI because the state loses less revenue ($1.19 billion cost plus $52.2 million gain) than the value added to the economy ($1.64 billion).

| Employment | | | Economic Impact | | | Revenue Impact | | |
|---|---|---|---|---|---|---|---|---|
| Jobs | Cost/ Job | Labor Income | Output | Value Added | Economic ROI | State Tax Expenditure | State Tax Generated | Fiscal ROI |
| 22,687 | $50,196 | $1.40B | $2.65B | $1.64B | 144% | $1.19B | $52.2M | 4% |

## ANCILLARY IMPACTS

The Institute report noted this sales tax exemption marginally stimulates economic development and plays a significant role in shaping business costs and economic activity across Georgia. Because these services are purchased regularly and by every industry, exempting them from sales tax effectively lowers the cost of doing business in Georgia. This exemption indirectly supports economic development by allowing firms to maintain lower overhead expenses, which means more resources can be directed toward expansion, hiring, or investment in core production activities.

## OTHER STATES

The Institute found that most states, including Georgia, collect sales taxes only on purchases of tangible personal property and not on services, unless explicitly listed as taxable activities. Only a few states (e.g., Hawaii, New Mexico, South Dakota, and West Virginia) tax all their services by default unless an exemption is provided. Florida (nonresidential cleaning, pest control, and security) and North Carolina (repair and maintenance) tax limited services.

## OPTIONS TO IMPROVE RETURN ON INVESTMENT

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

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

*Full report available at: Tax Incentive Evaluation: Administrative and Support Services Tax Exemption*

DOAA
Georgia Department of Audits & Accounts

November 2025

# Tax Incentive Evaluation: Personal and Laundry Services Tax Exemption

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

Personal and laundry services encompass personal care services, death care services, laundry and drycleaning services, and other personal services. Businesses in this industry are considered exempt from collecting sales tax because state law does not require tax collection for this service. Georgia's sales tax generally applies to tangible personal property and only certain services listed as taxable.

## PURPOSE

Services in Georgia are exempt from state sales tax with only a few specific exceptions. No reason for the exclusion of services from the sales tax base is stated in law; however, services can be considered analogous to labor, which is subject to income tax.

CBAER identified the following assumed purposes specifically for this exemption: avoid taxing essential or household services that disproportionately impact lower-income households; avoid pyramiding taxes to improve tax fairness; reduce tax administration burden on small vendors within the state that provide these services; and maintain parity with neighboring states that may exclude many personal services from taxation.

## IMPACT ON EMPLOYMENT, ECONOMIC ACTIVITY, AND REVENUE

CBAER estimated the exemption of these services from state sales tax resulted in state revenue expenditures of $176.6 million in FY 2025. If a tax had been implemented on personal and laundry, researchers estimated a 5.3% decrease in revenue to the industry. This means demand for these services does not change significantly with additional costs.

CBAER used IMPLAN, a regional input-output model that analyzes economic activity, to estimate the economic impact of the exemption. For 2025, CBAER estimated the sales tax exemption resulted in 7,095 jobs and added approximately $249 million to the state economy.

The additional economic activity would have led to state taxes of $10 million, offsetting approximately 6% of the sales tax exemption. The state has a positive economic ROI because the state loses less revenue ($176.6 million cost plus $10.0 million gain) than the value added to the economy ($264.9 million).

| Employment | | | Economic Impact | | | Revenue Impact | | |
|---|---|---|---|---|---|---|---|---|
| Jobs | Cost/ Job | Labor Income | Output | Value Added | Economic ROI | State Tax Expenditure | State Tax Generated | Fiscal ROI |
| 7,095 | $23,481 | $191.9M | $453.4M | $248.5M | 149% | $176.6M | $10.0M | 6% |

## ANCILLARY IMPACTS

CBAER's report did not include a discussion of ancillary impacts of the sales tax exemption.

## OTHER STATES

CBAER found that all contiguous states have exempted personal care services from taxes. Of these five states, Florida, North Carolina, South Carolina, and Tennessee are taxing at least a portion of the personal and laundry services industry. The report also includes a list of services within the categories reviewed and those taxed by each of the 50 states.

## OPTIONS TO IMPROVE RETURN ON INVESTMENT

CBAER did not identify a method to improve the ROI.

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

*Full report available at: Tax Incentive Evaluation: Personal and Laundry Services Tax Exemption*

DOAA
Georgia Department of Audits & Accounts

November 2025

# Tax Incentive Evaluation: Qualified Law Enforcement Donation Tax Credit

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

The Qualified Law Enforcement Donation Tax Credit (O.C.G.A. § 48-7-29.25) was enacted in 2022 to create a tax credit for charitable donations to Qualified Law Enforcement Foundations (QLEFs). 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. There is a statewide annual cap of $75 million.

## PURPOSE

The goal of this program is to strengthen local public safety efforts by encouraging private support for law enforcement agencies through tax-incentivized donations. Funds donated through the program may be used for items such as training, equipment, and salary supplements.

FRC found the credit has been successful in generating new donations to police foundations.

## IMPACT ON EMPLOYMENT, ECONOMIC ACTIVITY, AND REVENUE

This credit was not created to result in state-level economic growth but to encourage donations to nonprofit organizations.

FRC estimated forgone state revenue of $12.2 million in FY 2025 for the tax credit. FRC determined the credit increased donations to QLEFs by 48%. It also noted that because the program has only been in place for a short time, the estimate should be treated as a preliminary.

Using IMPLAN, a regional input-output model that analyzes economic activity, FRC estimated the credit's economic impact in FY 2025. It determined the tax credit resulted in an increase of 127 jobs and $6.9 million in value added to the state economy. The additional economic activity would have led to state taxes of $500,000, offsetting approximately 4% of the tax credit. The state has a negative economic ROI because the state loses more revenue ($12.2 million minus $500,000 gain) than the value added to the economy ($6.9 million).

| Employment | | | Economic Impact | | | Revenue Impact | | |
|---|---|---|---|---|---|---|---|---|
| Jobs | Cost/ Job | Labor Income | Output | Value Added | Economic ROI | State Tax Expenditure | State Tax Generated | Fiscal ROI |
| 127 | $92,362 | $5.5M | $11.2M | $6.9M | 59% | $12.2M | $0.5M | 4% |

## ANCILLARY IMPACTS

FRC found the tax credit supported donations that strengthened law enforcement capacity and improved public safety. In addition, the donations funded initiatives that improve officer well-being and resilience. 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

While FRC found that several states allow taxpayers to claim a direct credit against their state income tax liability for making 'qualified donations' to eligible nonprofit organizations, it did not report that any other states provide a credit for donations to law enforcement foundations.

## OPTIONS TO IMPROVE RETURN ON INVESTMENT

FRC did not identify a method to improve the ROI.

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

*Full report available at: Tax Incentive Evaluation: Qualified Law Enforcement Donation Tax Credit*

DOAA
Georgia Department of Audits & Accounts

November 2025

# Tax Incentive Evaluation: Qualified Education Expense Credit

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

The Georgia Qualified Education Expense Credit (O.C.G.A. § 48-7-29.16) was enacted in 2018 to create a state income tax credit for donations toward scholarship programs for Georgia students to attend private schools. The credit is equal to the donation to student scholarship organizations, with limits of $2,500 for individuals and $5,000 for married couples and pass-through entities. The statewide annual cap is $120 million.

## PURPOSE

State law does not explicitly identify the purpose of the scholarship program, but the originating bill states that the QEEC provides funding "for a program of education improvement." The law also provides additional school options for some families.

## IMPACT ON EMPLOYMENT, ECONOMIC ACTIVITY, AND REVENUE

This credit was not created to result in state-level economic growth but to encourage donations to nonprofit organizations.

FRC estimated a tax expenditure of $88.8 million in FY 2025 for the Qualified Education Expense Credit. Using IMPLAN, a regional input-output model that analyzes economic activity, FRC estimated this amount would result in 2,539 jobs and $138.3 million in value added to the state economy. However, it determined the economic activity would have occurred even in the absence of the tax credit. The credit merely shifted education expenditures from public to private schools, with no impact on the state economy.

The credit does have a fiscal impact on state government. If a scholarship recipient would have enrolled in a public school in the absence of this credit, the state would have provided QBE formula funds for the student in a public school. FRC determined that at least 56% of the scholarship recipients must be motivated by the scholarship for the reduction in education spending would equal the forgone tax revenue. If less than 56%, then the forgone revenue would not be offset by education funding savings.

| 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% | $88.8M | $0 | 0% |

## ANCILLARY IMPACTS

FRC's report noted that one potential public benefit of this scholarship program is access to private schools for children of families that would like to enroll but would not have the income to afford it otherwise. FRC noted 37% of scholarships and 41% of scholarship amounts in 2023 went to children with family income below 125% of the federal poverty level. FRC also noted that research suggests charitable tax credits can improve the efficiency of social spending by providing funds directly to social organizations.

## OTHER STATES

FRC found a number of states offer similar tax credit structures for student scholarships to private schools. As of 2025, Georgia's QEEC is one of 22 tax credit-based scholarship programs. Arizona, Florida, Indiana, Louisiana, Ohio, and Wisconsin have enacted extensive programs around vouchers, tax credit-based scholarships, and education savings account school-choice programs.

## OPTIONS TO IMPROVE RETURN ON INVESTMENT

Policies targeting scholarships to students who would otherwise attend public schools increase the likelihood that state savings offset forgone revenue.

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

*Full report available at: Qualified Education Expense Credit*

DOAA
Georgia Department of Audits & Accounts

November 2025

# 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.

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

*Full report available at: Tax Incentive Evaluation: Rural Hospital Tax Credit*

DOAA
Georgia Department of Audits & Accounts

November 2025
Revised January 2026

# Tax Incentive Evaluation: PEACH Education Tax Credit

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

The Qualified Education Donation tax credit, now restructured as the PEACH Education tax credit (O.C.G.A. § 48-7-29.21), was enacted in 2017 for charitable donations to the Georgia Foundation for Public Education (GFPE). The funds are used for competitive grants to Georgia's lowest performing 25% of K-12 public schools.

The tax credit is equal to the donation with limits of $2,500 for individuals, $5,000 for married couples, and $25,000 for members of pass-through entities. Corporations, fiduciaries, and electing pass-through entities are limited to 75% of their income tax liability. There is a statewide annual cap of $15 million.

## PURPOSE

The PEACH Education tax credit allows individuals and corporations to redirect their state income tax liability toward supporting innovation in K-12 public education. The credit is designed to enhance capacity to implement educator-led, locally tailored projects that foster student achievement and educational equity.

FRC noted the credit has been successful in achieving its goal of increasing donations to the most under-resourced school communities.

## IMPACT ON EMPLOYMENT, ECONOMIC ACTIVITY, AND REVENUE

This credit was not created to result in state-level economic growth but to encourage donations to a nonprofit organization.

FRC estimated the PEACH Education tax expenditure was $5 million in FY 2025. FRC estimated the tax credit increased the donations to public education nonprofits by 23%. The increase was not greater because the credit shifted donations from non-qualifying public school foundations to the GFPE. The shift limits the economic impact to the state, but it also means the portion of donations made to the GFPE that can be attributed to the credit is higher than the percentage above.

FRC used IMPLAN, a regional input-output model that analyzes economic activity, to estimate the credit's economic impact in FY 2025. FRC estimated the tax credit resulted in 30 jobs and $1.6 million in value added to the state economy. The additional economic activity would have led to state taxes of $100,000, offsetting approximately 2% of the tax credit. The state has a negative economic ROI because the state loses more revenue ($5 million minus $100,000 gain) than the value added to the economy ($1.6 million).

| Employment | | | Economic Impact | | | Revenue Impact | | |
|---|---|---|---|---|---|---|---|---|
| Jobs | Cost/ Job | Labor Income | Output | Value Added | Economic ROI | State Tax Expenditure | State Tax Generated | Fiscal ROI |
| 30 | $161,067 | $1.4M | $2.3M | $1.7M | 34% | $5M | $0.1M | 2% |

## ANCILLARY IMPACTS

FRC found that because schools and districts apply directly for grant funding, the initiatives financed through PEACH are conceived and led by educators who best understand their students' needs. This bottom-up approach fosters locally driven solutions in teaching, technology, and student engagement. The credit also strengthens workforce readiness, mental health awareness, and community engagement.

## OTHER STATES

FRC found that tax credits exclusively supporting public education are rare compared to those designed to fund private school scholarships or broader school choice programs. Arizona offers a nonrefundable tax credit for donations directly to public schools.

## OPTIONS TO IMPROVE RETURN ON INVESTMENT

FRC did not identify a method to improve the ROI.

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

*Full report available at: Tax Incentive Evaluation: PEACH Education Tax Credit*

DOAA
Georgia Department of Audits & Accounts

November 2025

# Tax Incentive Evaluation: Foster Care Organization Tax Credit

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

The Fostering Success Act (O.C.G.A. § 48-7-29.24) was enacted in 2022 to create a state income tax credit for charitable donations made to Qualified Foster Care Support Organizations (QFCSOs).

The tax credit is equal to the donation, with limits of $2,500 for individuals and $5,000 for married couples and pass-through entities prior to July 1 of each year (unlimited after July 1). Corporations are limited to 30% of their income tax liability, while insurance companies may receive premium tax credits equal to their donations. The credit has an annual cap of $20 million for 2025; the cap increases to $30 million in 2026 with premium tax credits capped at $10 million of the total.

## PURPOSE

The credit is intended to increase private support for organizations that provide support to aging foster children and justice-involved youth. FRC found that the credit has not yet been successful in increasing donations to these organizations. However, other credit programs have taken several years to reach full impact, and the cap increases and other changes made in HB 136 (2025) are not yet reflected in the data.

## IMPACT ON EMPLOYMENT, ECONOMIC ACTIVITY, AND REVENUE

This credit was not created to result in state-level economic growth but to encourage donations to nonprofit organizations.

FRC estimated a tax expenditure of $11.1 million in FY 2026. Using IMPLAN, a regional input-output model that analyzes economic activity, FRC estimated $11.1 million within the associated industry would result in 308 jobs and $13.8 million in value added to the state economy.

However, FRC also determined that the same level of economic activity would have occurred in the absence of the tax credit (i.e., the tax credit had no impact on charitable donations to QFCSOs). As a result, there was no economic activity that can be tied specifically to the tax credit. Consequently, there was also no additional tax revenue generated due to the credit.

| 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% | $11.1M | $0 | 0% |

## ANCILLARY IMPACTS

FRC noted that QFCSOs channel resources to education and career development that can help this population of young adults achieve stability and self-sufficiency. This population might otherwise rely more heavily on state programs. In addition, while there may have been no impact overall, specific QFCSOs may have received more donations because of the credit. Finally, FRC noted that research suggests charitable tax credits can improve the efficiency of social spending by providing funds directly to social organizations.

## OTHER STATES

FRC found few states offer a directly comparable tax credit for donations to foster care support organizations. Mississippi has a combined tax credit for donations to qualifying charitable organizations or qualifying foster care charitable organizations. Louisiana provides a nonrefundable, 100% credit. Indiana provides a tax credit worth 50% of the donation.

## OPTIONS TO IMPROVE RETURN ON INVESTMENT

FRC did not identify a method to improve the ROI.

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

*Full report available at: Tax Incentive Evaluation: Foster Care Organization Tax Credit*

DOAA
Georgia Department of Audits & Accounts

November 2025

# Tax Incentive Evaluation: Vehicle Trade-In Tax Exemption

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

The Title Ad Valorem Tax (TAVT) imposes a tax on the purchase of vehicles based on the "fair market" value of the vehicle purchased. However, when a dealership accepts a trade-in as part of vehicle purchase, the value of the trade in is subtracted from the vehicle's final purchase price and not considered part of the purchase's "fair market" value. This effectively reduces the TAVT paid by consumers. TAVT revenue collected is divided between the state and local governments, with 35% allocated to the state and 65% to the local government where the transaction occurred.

## PURPOSE

CBAER found three purposes for the exemption: avoid the double taxation of trade-in vehicles, which were taxed when first purchased; maintain revenue collection at a level similar to that in place before TAVT; and encourage economic activity because the purchase of vehicles keeps dealers' jobs in the local community and stimulates demand for secondary transactions, including accessories.

The CBAER report suggested these purposes are accomplished to varying degrees, with economic activity discussed below.

## IMPACT ON EMPLOYMENT, ECONOMIC ACTIVITY, AND REVENUE

CBAER estimated the tax expenditure for the vehicle trade-in tax exemption was $129.0 million in FY 2025. In addition, the exemption reduced local government revenue by approximately $239.6 million. Removing the exemption would increase taxes for consumers by an average of $1,193 per vehicle transaction and decrease demand for vehicles by an estimated 2.38%.

CBAER used IMPLAN, a regional input-output model that analyzes economic activity, to estimate the exemption's economic impact in FY 2025. CBAER estimated the sales tax exemption resulted in 372 total jobs and added approximately $66.8 million to the state economy.

The economic activity would have led to additional state taxes of $2.5 million, offsetting approximately 6% of the sales tax exemption. The state has a negative economic ROI because the state loses more revenue ($129 million cost plus $2.5 million gain) than the value added to the economy ($66.8 million).

| Employment | | | Economic Impact | | | Revenue Impact | | |
|---|---|---|---|---|---|---|---|---|
| Jobs | Cost/ Job | Labor Income | Output | Value Added | Economic ROI | State Tax Expenditure | State Tax Generated | Fiscal ROI |
| 372 | $340,054 | $29.1M | $201.8M | $66.8M | 53% | $129.0M | $2.5M | 2% |

## ANCILLARY IMPACTS

CBAER's report did not include a discussion of ancillary impacts of the vehicle trade-in tax exemption.

## OTHER STATES

CBAER found that all contiguous states apply a tax to the sale or title transfer of motor vehicles and have trade-in exemptions. Only three states impose a similar tax on the vehicles' sales and do not provide a vehicle trade-in exemption. Some states with the vehicle trade-in exemption have restrictions, such as Michigan capping the value of the exemption at $11,000.

## OPTIONS TO IMPROVE RETURN ON INVESTMENT

CBAER did not identify a method to improve the ROI.

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

*Full report available at: Tax Incentive Evaluation: Vehicle Trade-In Tax Exemption*

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.

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*Full report available at: Tax Incentive Evaluation – Manufacturing Investment Tax Credit*

DOAA
Georgia Department of Audits & Accounts

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# 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.

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*Full report available at: Tax Incentive Evaluation – Georgia Data Center Sales & Use Tax Exemption*