DOAA
Georgia Department of Audits & Accounts

December 2024

Tax Incentive Evaluations

O.C.G.A. § 28-5-41.1 allows the chairpersons of the Senate Finance Committee and the House Ways and Means Committee to select tax incentives to evaluate. Since the initial requests in 2022, each chair has been able to request up to five evaluations a year.

Senate Bill 366, passed in 2024, made a number of changes to the process and the reports. Beginning January 1, 2025, each chair can select up to six tax incentives each year. Within the total of 12, evaluations must be conducted for any credit or exemption scheduled to sunset within two years from July 1 of the evaluation year, if the tax expenditure is at least $20 million annually.

In addition, beginning in 2025 evaluations must include:

- An analysis considering whether the provision is accomplishing its stated or intended purpose;
- Net changes in state revenue, state expenditures, and economic activity (as part of these items, contractors may include indicators such as cost per job or return on investment);
- A comparison to similar provisions in other states;
- An assessment of the extent to which modifying or terminating the provision would affect beneficiaries and the state's economy;
- A description of ancillary impacts (e.g., public safety, education, infrastructure) of the business activity; and
- Recommendations for improving the state's return on investment.

Evaluation requests are submitted to the Department of Audits and Accounts, which has contracted with three universities to conduct the evaluations. DOAA creates a one-page summary for each report.

Please see page 2 for a list of completed reports and pages 3 and 4 for guides to the report summaries.

Additional information on the tax incentive evaluations is available at:
https://www.audits2.ga.gov/tax-incentive-evaluations

DOAA Georgia Department of Audits & Accounts

December 2024

List of Completed Tax Incentive Evaluations

Requested in 2024

For Businesses

[Bank Tax Credit]

[Construction Services Sales Tax Exemption]

[Global Intangible Low-taxed Income Exclusion]

[Jet Fuel Sales Tax Exemption]

[Natural Gas Sales Tax Exemption]

[Premium Tax Abatement]

[Professional, Scientific, and Technical Services Sales Tax Exemption]

For Individuals

[Coin-Operated Amusement Machine Sales Tax Exemption]

Requested in 2023

For Businesses

[Agricultural Sales Tax Exemption]

[Film Tax Credit]

[Musical Tax Credit]

[Non-Profit Hospital Exemptions]

[Quality Jobs Tax Credit]

[Special Deduction for Life Insurance Companies]

For Individuals

[Lottery Sales Tax Exemption]

[Other States Tax Credit]

[Social Security Benefits Exemption]

Requested in 2022

For Businesses

[Computer Equipment Sales Tax Exemption]

[High-Tech Data Center Equipment Sales Tax Exemption]

[Historic Rehabilitation Tax Credit]

[Interactive Entertainment Tax Credit]

[Job Tax Credit]

[Low-Income Housing Tax Credit]

[Manufacturing Sales Tax Exemption]

[Research And Development Tax Credit]

For Individuals

[Grocery Sales Tax Exemption]

[Prescription Drug Sales Tax Exemption]

[Retirement Income Exclusion]

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Tax Incentive Evaluation: Overview of 2024 Report Summary

DOAA prepares a one-page summary based on the contractor's report

The background summarizes the incentive's major provisions, which include the amount or rate of the incentive, as well as the tax type(s) affected. For example, the disaster assistance credit provides an income tax credit of up to $500 for taxpayers receiving federal or state disaster assistance. This section may also note the year the incentive was created.

PURPOSE

The purpose of the incentive as stated in law. If not stated in law, researchers may determine the implied purpose.

IMPACT ON EMPLOYMENT, ECONOMIC ACTIVITY, AND REVENUE

The incentive's impact on the state's economy is shown across four areas: jobs, labor income, value added, and economic output. The numbers generally include direct, indirect, and induced effects. For example, the number of jobs created would include jobs at the company using the incentive, jobs at that company's in-state suppliers, and jobs at businesses where company and supplier employees spend their money (e.g., restaurants). Unless stated otherwise, these numbers only include activity that occurs due to the incentive (i.e., activity that would have occurred even if the incentive was not available will not be shown.)

The state tax expenditure, or cost of the incentive, and state revenue generated from the economic activity are also shown.

Finally, we have included three calculated measures from the information above:

- Cost Per Job: (State Tax Expenditure – State Tax Generated)/Jobs
- Economic ROI: Value Added/(State Tax Expenditure – State Tax Generated)
- Fiscal ROI: State Tax Generated/State Tax Expenditure

Employment			Economic Impact			Revenue Impact		
Jobs	Cost/ Job	Labor Income	Output	Value Added	Economic ROI	State Tax Expenditure	State Tax Generated	Fiscal ROI
1,000	$50,000	$50M	$150M	$100M	200%	$100M	$50M	50%

ANCILLARY IMPACTS

Incentives may have additional benefits beyond those that are measured in the analysis that informs the section above. In addition, some incentives are not intended to spur economic development and may have other expected public benefits.

OTHER STATES

May include the prevalence of similar provision in all other states, contiguous states, or other states that share some characteristics with Georgia. The section will note whether Georgia is an outlier in some respect, such as the existence or amount of the incentive.

OPTIONS TO IMPROVE RETURN ON INVESTMENT

Any changes that can be made to the provision to improve the return on investment to the state.

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Georgia Department of Audits & Accounts

Month of Report's Release

Tax Incentive Evaluation: Overview of 2022 and 2023 One-Page Report Summary

DOAA prepares each one-page summary based on the contractor's report

BACKGROUND

The background summarizes the incentive's major provisions, which include the amount or rate of the incentive, as well as the tax type(s) affected. For example, the disaster assistance credit provides an income tax credit of up to $500 for taxpayers receiving federal or state disaster assistance. This section may also note the year the incentive was created and the purpose of the incentive, if available.

The second paragraph cites the Committee requesting the evaluation (Senate Finance or House Ways and Means), as well as the contractor that prepared the report.

ECONOMIC ACTIVITY

Economic activity describes the impact of the incentive on the state's economy across four areas: jobs, labor income, value added, and economic output. The impact numbers generally include direct, indirect, and induced effects. For example, the number of jobs created would include jobs at the company using the incentive, jobs at that company's in-state suppliers, and jobs at businesses where company and supplier employees spend their money (e.g., restaurants).

The contractor will generally determine the portion of economic activity that would have occurred without the incentive. This section (and the numbers to the right) describes the impact amounts attributable to the incentive.

This section also includes a discussion of the incentive's opportunity cost, which is the economic activity that would have occurred if the state had collected and spent the taxes that were forgone due to the incentive.

#
Jobs

$
Value Added

$
Labor Income

$
Economic Output

Note: These numbers include the economic activity attributable to the tax incentive.

REVENUE

This section summarizes the incentive's impact on revenue collected, including forgone state revenue and any new revenue generated by the economic activity resulting from the incentive. Revenue generated typically includes both state and local taxes.

This section also includes revenue generated by the alternate use if the state had collected and spent the forgone taxes.

$
State Tax Expenditure

$
Revenue Generated

COST

The cost includes amounts spent on incentive administration. Because agencies may administer multiple incentives, individual amounts may be negligible. For example, eliminating a single sales tax exemption may not significantly impact the Department of Revenue due to the other tax provisions still in place.

PUBLIC BENEFIT

While many incentives are intended to spur economic activity, some have public benefits not captured by economic impact. For example, the prescription sales tax exemption helps make healthcare more affordable.

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