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Tax Incentive Evaluation: PEACH Education Tax Credit

Peter Bluestone
Federico Corredor



ANDREW YOUNG SCHOOL
OF POLICY STUDIES

Tel: 404-413-0235

Website: pfrc.gsu.edu

Address:
55 Park Place NE
7th Floor
Atlanta, GA 30303

Mail:
Public Finance Research Cluster
P.O. Box 3992
Atlanta, GA 30302-3992

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Prepared by:

Georgia State University
Fiscal Research Center

For:

Georgia Department of Audits and Accounts

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Authors:

Peter Bluestone*
Federico Corredor

* Associate director and principal investigator; pbluestone@gsu.edu

Fiscal Research Center
Andrew Young School of Policy Studies
Georgia State University
55 Park Place, 7th Floor
Atlanta, Georgia 30303

Executive Summary

Enacted in 2017, the Qualified Education Donation tax credit—now restructured as the PEACH Education tax credit—created a state income tax credit for charitable donations made to the Georgia Foundation for Public Education (GFPE). The purpose of this report is to evaluate this tax credit, in accordance with the provisions of O.C.G.A. § 48-7-29.5, in terms of its fiscal and economic impacts as well as its public benefits.

This report was prepared under a contract with the Georgia Department of Audits and Accounts (DOAA). The report begins with background on the PEACH Education tax credit followed by a discussion of similar policies in other states. Subsequent sections present tax credit utilization, a review of related literature, and an IMPLAN analysis of economic and fiscal impacts of the tax credit. Information used in this report was obtained from the Georgia Department of Revenue and IRS Form 990 data.

Using this information above, we estimate the share of donations received since the credit was enacted that can be attributed to the credit’s existence. We estimate a ‘but-for’ percentage of 23 percent, meaning that 23 percent of all donations would not have occurred if the credit did not exist. We also calculate the economic activity associated with alternative use of the tax expenditure by the State of Georgia. Net economic activity is the remaining activity after accounting for the but-for percentage and the impact of the alternative use. Tables ES1 and ES2 below summarize the state and local fiscal effects of the FTC, adjusted by the 23 percent but-for activity share.

The annual cost to the state for this tax credit is estimated at \$5 million in fiscal year (FY) 2025. We use the IMPLAN input-output model to estimate the economic activity associated with the value of the credit in Georgia, as shown in the first row of Tables ES1 and ES2.

As a result of providing the PEACH Education tax credit, the state’s general fund expenditures are implicitly reduced by the amount of the tax expenditure. In the absence of this credit, an alternative use of the funds is modeled, assuming an increase in state spending by that amount, allocated across various spending categories based on recent state budgets. Tables ES1 and ES2 show the estimated amount of state and local revenue, respectively, from this alternative use of funds, which are the opportunity costs of the credit. The net fiscal cost to the state, accounting for the tax expenditure and opportunity costs, is estimated at \$4.87 million for FY 2026. Table ES2 shows the net local revenue effects on the same basis.

Table ES1. State Fiscal Effects: PEACH Tax Credit, FY 2026–30

<i>(\$ millions)</i>	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Revenue gains from economic impact	\$0.1	\$0.1	\$0.2	\$0.2	\$0.1
Less:					
Tax expenditure cost	-\$4.5	-\$5.5	-\$6.8	-\$8.0	-\$6.6
Alternative use revenue gains	-\$0.4	-\$0.5	-\$0.6	-\$0.7	-\$0.5
Net Fiscal Effects	-\$4.8	-\$5.8	-\$7.2	-\$8.5	-\$7.0

Table ES2. Local Fiscal Effects: PEACH Tax Credit, FY 2026–30

<i>(\$ millions)</i>	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Revenue gains from economic impact	\$0.03	\$0.03	\$0.04	\$0.05	\$0.04
Less:					
Alternative use revenue gains	-\$0.09	-\$0.11	-\$0.14	-\$0.16	-\$0.13
Net Fiscal Effects	-\$0.06	-\$0.08	-\$0.10	-\$0.11	-\$0.09

The PEACH Education tax credit delivers multiple public benefits by linking state taxpayers directly to local education foundations. It allows residents and businesses to redirect a portion of their state income tax liability to public schools, increasing transparency, and giving taxpayers a greater sense of agency over how their contributions are used. These funds support qualified expenditures such as classroom technology, teacher training, wellness programs, and recruitment initiatives. Education foundations report that PEACH-related donations have financed coding workshops, literacy programs, and teacher recruitment efforts—among other initiatives that strengthen instructional capacity and school climate.

Beyond these material gains, the program has enhanced community engagement by fostering collaboration between schools, foundations, and local donors. Foundations note that PEACH donations have raised awareness of educational needs, built goodwill, and encouraged civic participation. Such engagement may also mitigate longer-term social costs by supporting teacher retention, improving learning environments, and indirectly, contributing to community well-being and safety.

While the policy remains relatively new, early evidence indicates growing participation and awareness. Comparable state programs typically exhibit multi-year ramp-up periods before reaching full maturity. Although it is too early to isolate causal effects, the PEACH program has clearly expanded local philanthropic activity in education. Its discontinuation could significantly reduce private support for education foundations, particularly in rural or non-metropolitan areas where independent fundraising capacity is limited.

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Introduction

The PEACH Education Tax Credit is a Georgia program that enables individuals and corporations to redirect state income tax liability to support innovation in K–12 public education. The purpose of this report is to evaluate this tax credit in accordance with the provisions of O.C.G.A. § 28-5-41.1 (2024 Senate Bill 366), in terms of its fiscal and economic impacts as well as its public benefits.

This evaluation was prepared under a contract with the Georgia Department of Audits and Accounts (DOAA) and relied on their assistance in obtaining estimates of the program’s administrative costs. The report begins with background on the tax credit, followed by a discussion of similar policies in other states, and a review of academic literature on tax preferences for charitable giving. Subsequent sections present an IMPLAN analysis of the economic and fiscal impacts of the credit, estimates of the tax expenditure and administrative costs, and an analysis of the public benefits of the program in terms of its presumed goal of increasing total charitable giving.

History and Overview of the PEACH Education Tax Credit

Established under O.C.G.A. § 48-7-29.21, the *Qualified Education Donation (QED) Tax Credit*—now restructured as the *PEACH Education Tax Credit*—was designed to encourage private contributions that strengthen Georgia’s public education system. Enacted in 2017 and implemented through administrative rules, the program allows taxpayers to receive a state income tax credit for donations made to the nonprofit Georgia Foundation for Public Education (GFPE). GFPE serves as the fiscal and administrative intermediary, channeling these funds into competitive grants that finance innovation, academic enrichment, and equity initiatives within Georgia’s K-12 public schools. While some grants are awarded to nonprofit organizations, these entities act as implementation partners for public-school projects, ensuring that program funds ultimately advance innovation and improvement in public education.

Since its inception, the regulation has undergone several amendments (in 2018, 2019, 2021, 2024, and 2025) to refine taxpayer eligibility, clarify administrative procedures, and expand the program’s statewide credit cap. Notably, the modern structure of the GFPE was created in May 2021. The legislation aimed to enhance efficiency in fundraising for Georgia’s K–12 public schools by merging the Innovation Fund Foundation, the organization responsible for managing the tax credit program, with GFPE, the philanthropic arm of the Georgia Department of Education.¹ Notably, the aggregate cap on credits increased from \$5 million (for calendar years ending on or before December 31, 2023) to \$15 million (for subsequent years). The most recent rulemaking, effective June 24, 2025, governs tax years beginning on or after January 1, 2024, while earlier years remain subject to prior regulations. Unless renewed by the General Assembly, the statute is set to repeal automatically on December 31, 2029.

¹ GFPE was originally created in 2010 by the Georgia General Assembly.

Purpose

The PEACH Education tax credit was adopted with the purpose of allowing individuals and corporations to redirect their state income tax liability toward supporting innovation in K–12 public education. The credit is designed to enhance public school capacity to implement educator-led, locally tailored projects that foster student achievement and educational equity. Importantly, the program prioritizes funding for schools performing in the bottom quartile statewide, aligning tax credit incentives with targeted support for the most under-resourced school communities.

Overall, the statutory goal is to:

- Encourage public–private collaboration in funding educational innovation and improvement across Georgia.
- Support equity and opportunity by channeling private resources toward underserved public schools; and
- Foster taxpayer engagement by allowing individuals and businesses to direct a portion of their state tax liability to educational initiatives through a transparent and accountable mechanism.

According to GFPE, over 100 schools and 16 nonprofits across 37 districts have received funding to date, directly impacting more than 14,000 students. By linking tax policy with ground-level innovation, the PEACH Education tax credit represents a growing model of taxpayer-enabled philanthropy aimed at strengthening Georgia’s public education system from the ground up. As we show in the remainder of the report the credit is achieving its stated purpose.

How the Credit Works

The PEACH Education tax credit is subject to preapproval and an annual cap. Taxpayers seeking the credit must electronically submit Form IT-QED-TP1 through the Georgia Tax Center (GTC) for preapproval. Credits are allocated on a first-come, first-served basis until the statewide annual cap is reached. If the cap is met on a given day, remaining applications are allocated pro rata among taxpayers submitting on that day. Once the cap is reached, no further applications are accepted for that calendar year.

Eligible Donors and Credit Limits: The maximum allowable credit varies by taxpayer type and filing status:

- Individuals (single or married filing separately): up to \$2,500 or the actual donation amount, whichever is less.
- Married filing jointly: up to \$5,000 or the actual donation amount, whichever is less.
- Members of pass-through entities (LLCs, S-corps, partnerships): up to \$25,000 per tax year, limited to the portion of Georgia income actually taxed at the individual level.

- Corporations, fiduciaries, and electing pass-through entities: up to 75 percent of Georgia income tax liability or the donation amount, whichever is less.

Any unused portion of the credit may be carried forward for five years, but excess amounts beyond these limits cannot be claimed, transferred, or reallocated.

Contribution and Confirmation: Once preapproved, the taxpayer must complete the donation within 60 days and within the same calendar year. The Georgia Foundation for Public Education (GFPE)—the designated recipient nonprofit authorized under O.C.G.A. § 48-7-29.21—must issue a Letter of Confirmation (Form IT-QED-FUND1) within 30 days of receiving the contribution.

Claiming the Credit: Taxpayers must file Form IT-QED-TP2 along with their Georgia income tax return. If the taxpayer also takes a federal charitable deduction for the same donation, they must add back the corresponding amount to Georgia taxable income to prevent a double benefit.

Oversight and Reporting: GFPE, as the qualified nonprofit administrator of the program, is responsible for submitting the annual report (Form IT-QED-FUND2) to the Department of Revenue, summarizing all preapproved credits, donations, and grants awarded to public schools and partner organizations.

Tax Provision-related Activity Data

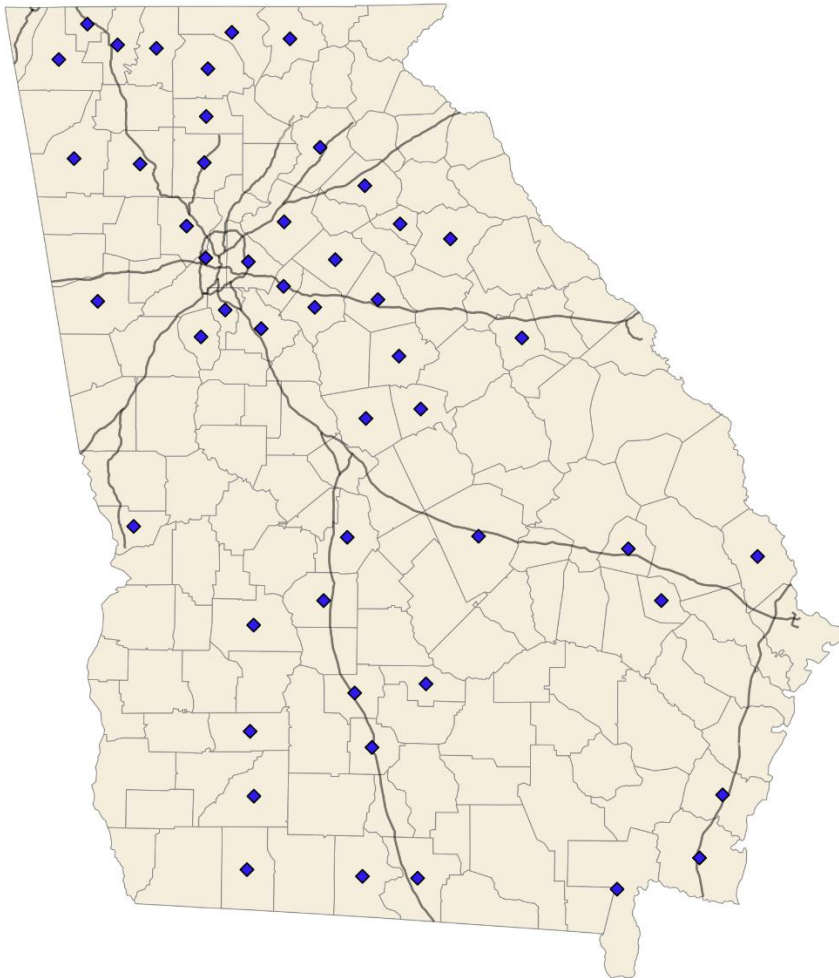
To assess the economic activity generated by the credit, this evaluation relies on administrative information from the Department of Revenue (DOR) on tax credit generation (amounts approved) and utilization (amounts claimed by taxpayers) and from GFPE reports.

Geographical Footprint of the GFPE

Because no public dataset currently reports the geographic distribution of actual PEACH Education tax credit disbursements, we approximate the program’s reach using the GFPE list of school fundraising plan partners published under the Designation Options of the program (see Figure 1). This list identifies school systems, career academies, and charter schools across more than 40 counties that have established PEACH-related fundraising goals. While these designations do not necessarily correspond to confirmed donations or grants—and in some cases exceed the statutory annual caps—they provide a credible proxy for the geographic footprint of program engagement. They signal which counties and districts have opted into the PEACH framework and sought to attract contributions through the state-administered credit.²

² This proxy should be interpreted as reflecting *potential* rather than *realized* investment because the presence of a fundraising goal does not guarantee that funds were ultimately raised or distributed. Moreover, some entities listed, particularly charter schools and innovation academies, may participate through affiliated districts or foundations rather than directly as qualified recipients. Nonetheless, using this list as a geographic indicator allows us to visualize and analyze the spatial diffusion of the PEACH Education credit’s influence across Georgia’s education landscape, offering the first comprehensive picture of its reach, pending the release of more detailed disbursement data.

Figure 1. Geographical Footprint of the GFPE



Source: Author's production based on information from the Georgia Foundation for Public Education (GFPE).

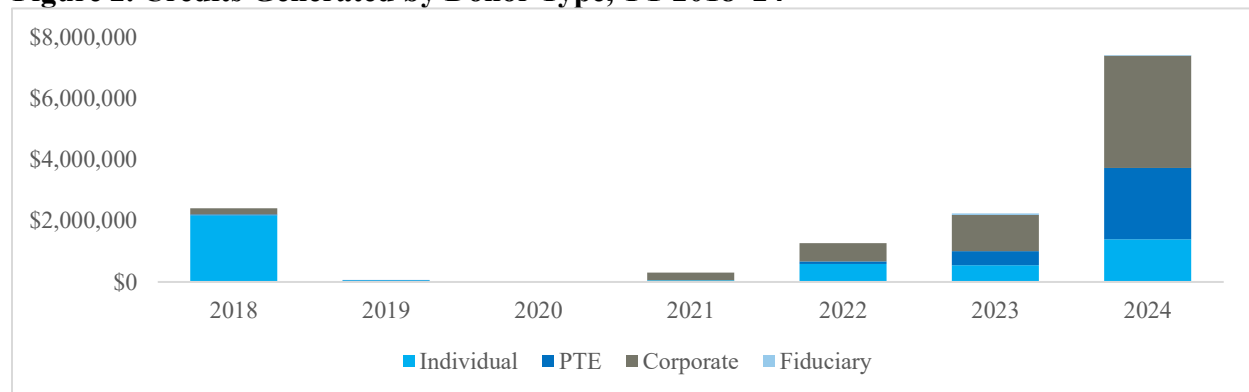
Credit Generation

As shown in Figure 2 and Table 1 below, credit generation under PEACH was significant for individuals in 2018, but declined in subsequent years, with only modest activity observed in 2019–20. In 2021, however, contributions expanded, rising sharply by 2024. That year alone accounted for nearly \$7 million in credits—almost half of the statewide cap—indicating accelerating taxpayer engagement following the program's restructuring and the move to a first-come, first-served allocation of the \$15 million cap.

The unusually high level of individual donations in 2018 likely reflects a combination of early participation dynamics and the carryforward provision embedded in the original Qualified Education Donation credit. Under the initial structure, taxpayers could carry forward unused portions of the credit for up to five years, creating an incentive to front-load contributions in the program's first year to secure tax benefits over multiple periods. Given the limited statewide cap and first-come, first-served approval system, a relatively small group of high-income individual donors could plausibly account for much of the early total. The subsequent decline in individual

giving after 2018, therefore, may not signal waning interest but rather the exhaustion of early, multi-year commitments.

Figure 2. Credits Generated by Donor Type, TY 2018–24



Source: Georgia Data Analytics Center (GDAC).

Table 1. Credits Generated by Donor Type, TY 2018–24

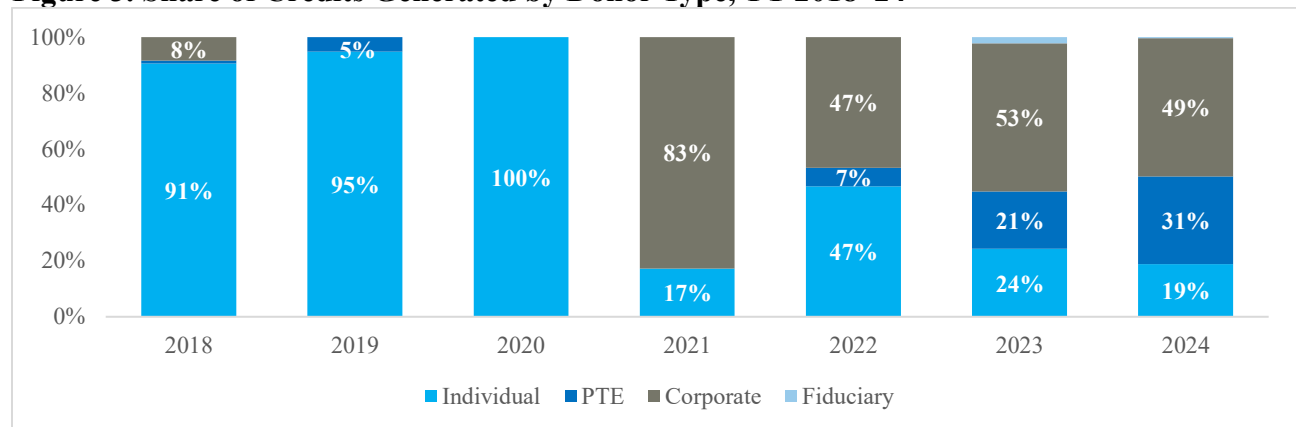
	TY 2018	TY 2019	TY 2020	TY 2021	TY 2022	TY 2023	TY 2024
Corporate	\$203,750	\$0	\$0	\$250,000	\$592,400	\$1,186,500	\$3,678,985
Fiduciary	\$0	\$0	\$0	\$0	\$0	\$50,000	\$25,000
Individual	\$2,187,168	\$55,260	\$13,100	\$52,200	\$591,650	\$544,628	\$1,396,891
PTE	\$24,218	\$3,000	\$0	\$0	\$85,000	\$460,495	\$2,334,447
Total	\$2,415,136	\$58,260	\$13,100	\$302,200	\$1,269,050	\$2,241,623	\$7,435,323

Source: GDAC; PTE: pass-through entities

The donor mix has also evolved significantly over time. As Figure 3 shows, in the program’s early years, contributions came almost exclusively from individual taxpayers. Starting in 2021, corporate participation grew rapidly, and by 2024 corporations accounted for the largest single share of credits. Pass-through entities (PTE) and fiduciaries also emerged as meaningful participants, contributing to a more diversified donor base.³ By 2024, the program reflected a balanced mix across individuals, PTE, and corporate donors.

³ Fiduciary donors are estates, trusts, or other taxable entities acting in a fiduciary capacity, as defined in O.C.G.A. § 48-1-2(9).

Figure 3. Share of Credits Generated by Donor Type, TY 2018–24



Source: GDAC; PTE: pass-through entities

Credit Utilization

Credit utilization was heavily front-loaded in 2018, when individuals claimed over \$2 million in credits. After that initial surge, utilization fell sharply and remained modest until 2022. From 2022 onward, however, utilization stabilized in the \$400,000–\$600,000 range annually, suggesting a more consistent pattern of claims following the program’s administrative restructuring (see Table 2).

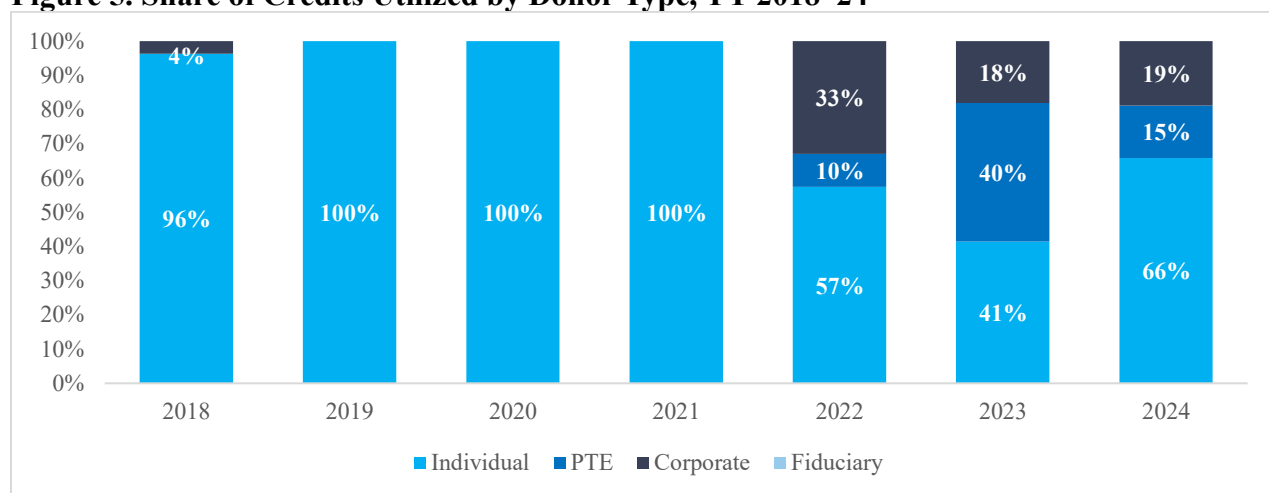
Table 2. Credits Utilized by Donor Type, TY 2018–24

	TY 2018	TY 2019	TY 2020	TY 2021	TY 2022	TY 2023	TY 2024
Individual	\$1,972,774	\$43,010	\$8,458	\$30,000	\$404,649	\$311,790	\$382,910
PTE	\$0	\$0	\$0	\$0	\$67,857	\$304,977	\$89,150
Corporate	\$76,305	\$0	\$0	\$0	\$232,186	\$136,500	\$109,463
Fiduciary	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$2,049,079	\$43,010	\$8,458	\$30,000	\$704,692	\$753,267	\$581,523

Source: GDAC; PTE: pass-through entities

Regarding the composition of donors (Figure 5), individuals accounted for most of the utilization, particularly in the early years when nearly 100 percent of credits claimed came from individual donors. From 2022 onward, corporate and PTE participation became more visible, though individuals continued to represent the largest share. By 2024, individuals still accounted for roughly two-thirds of credits utilized, with corporations and PTE making up the balance.

Figure 5. Share of Credits Utilized by Donor Type, TY 2018–24



Source: GDAC; PTE: pass-through entities

Compared to the rapid growth observed in credit preapprovals, actual utilization on tax returns lags significantly behind. Preapprovals represent the number of credits authorized by the Department of Revenue (DOR) before donations occur, whereas only donations completed within 60 days and confirmed by the Georgia Foundation for Public Education (GFPE) become eligible credits. DOR does not directly receive confirmation forms from GFPE or taxpayers; instead, it compiles annual aggregate data provided by GFPE. These reports list both the total dollar value of donations and the corresponding preapproved amounts, revealing that preapprovals consistently exceed completed donations.⁴ The difference reflects program design and timing rather than under-performance: some taxpayers make contributions that cannot be fully claimed due to tax liability limits. Thus, credit preapprovals capture taxpayer interest and program demand, while realized utilization reflects the fiscal impact materialized through completed and claimed donations.

Tax Expenditure

Table 3 below summarizes the tax expenditure created by the credit. According to the upcoming FY 2027 Tax Expenditure Report, Georgia state tax expenditures associated with the PEACH Education tax credit are projected at \$5.0 million in FY 2025, \$4.5 million in FY 2026, and \$5.5 million in FY 2027. Of these totals, approximately 28 percent are expected to come from individual income tax expenditures (\$1.4 million, \$1.3 million, and \$1.5 million, respectively), while the remaining 72 percent are attributed to corporate income tax expenditures (\$3.6 million, \$3.2 million, and \$4.0 million, respectively).

⁴ Based on GFPE's 2022 report to the Georgia Department of Revenue, approximately 86 percent of individual preapproved credits and 76 percent of corporate/fiduciary preapprovals resulted in completed donations, yielding an overall conversion rate of roughly 80 percent. This suggests that most preapprovals ultimately translate into donations, while the remaining gap reflects timing, tax-liability limits, or administrative factors. Official reports are available at <https://dor.georgia.gov/calendar-year-qualified-education-donation-credit-report>.

Table 3. Tax Expenditure Cost Estimates, FY 2025–30

<i>(\$ millions)</i>	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
State Tax Expenditure	\$5.0	\$4.5	\$5.5	\$6.8	\$8.0	\$6.6
Individuals	\$1.4	\$1.3	\$1.5	\$1.9	\$2.2	\$1.8
Corporations	\$3.6	\$3.2	\$4.0	\$4.9	\$5.7	\$4.7

Source: Fiscal Research Center Tax Expenditure estimates FY 2027

Federal Deduction and State Charitable Tax Credits Overview

A federal income tax deduction is available for gifts to qualifying charitable and nonprofit organizations. Under IRS regulations, if a taxpayer receives a state or local tax credit for a charitable contribution, their federal deduction must be reduced by the credit amount. This interaction between the PEACH credit and federal tax policy only affects taxpayers who itemize deductions. In tax year (TY) 2022, 91 percent of individual taxpayers claimed the standard deduction, so the interaction is largely limited to corporate taxpayers and the small share of individuals who itemize. For a more comprehensive discussion on federal interaction, see the appendix.

Education Tax Donation Credits Across States

Tax credits exclusively supporting public education are relatively rare compared to those designed to fund private school scholarships or broader school choice programs. Besides Georgia, Arizona offers a nonrefundable tax credit for donations directly to public schools, specifically for extracurricular activities or character education programs, with maximum credits of \$400 for married couples filing jointly and \$200 for other filers. This program allows individuals to contribute to targeted public school initiatives.

Most state tax credit programs, however, focus on incentivizing donations to nonprofit organizations—scholarship-granting organizations (SGOs) or school tuition organizations (STOs)—that provide private school scholarships, particularly targeting low-income families and students with special needs. These programs are popular because they directly promote school choice and competition.

As of 2024, the Friedman Foundation for Educational Choice reports 22 tax-credit scholarship programs operating across 18 states, including Alabama, Arizona, Arkansas, Georgia, Indiana, Iowa, Kansas, Louisiana, Montana, Nevada, New Hampshire, Ohio, Oklahoma, Pennsylvania, Rhode Island, South Carolina, South Dakota, and Virginia.⁵ These programs generally offer full or partial tax credits to individuals and businesses for donations to nonprofits providing private scholarships. In some cases, these nonprofits also support public schools through innovation grants or transportation assistance for students opting for alternative public schools.

Institutional designs vary widely. Alabama’s Education Scholarship Program, launched in 2013, provides full tax credits for donations to SGOs. Indiana offers a more conservative 50-percent

⁵ Learn more at: www.edchoice.org/school-choice/tax-credit-scholarship

credit without individual donation limits but caps total statewide credits at \$18.5 million. Kansas permits a 75-percent credit as part of its inaugural school choice initiative. Specialized features exist as well: Arizona’s ‘Switcher’ program allows students to receive multiple scholarships and prioritizes children with special needs and foster care backgrounds. Nevada’s tax credit applies against the Modified Business Tax with a five-year carryforward, and Rhode Island encourages repeat donations by increasing credits for consecutive-year contributors.

Fiscal caps and credit structures also differ. South Carolina offers up to 100-percent credits but with a statewide cap of \$12 million, while Ohio limits individual credits to \$750 to control fiscal exposure. Pennsylvania’s program distinguishes between nonprofits providing private scholarships and those funding innovative public education efforts. Collectively, these programs illustrate a spectrum of state policy approaches aimed at expanding educational options while balancing fiscal responsibility. They reflect each state’s legislative priorities, budgetary constraints, and educational goals.

In contrast, tax credits solely dedicated to public education innovation or improvement—excluding private scholarship components—remain less common and generally smaller in scale. Such programs often have stricter caps and limited participation, likely due to political and fiscal complexities of channeling tax benefits exclusively to public school systems. Overall, the landscape favors tax credit initiatives that support private education access, underscoring a broader policy trend toward promoting school choice.

Federal K–12 Education Programs and Their Impacts

Complementing state-level tax incentives, the federal government has invested heavily in fostering K–12 educational innovation and addressing persistent underperformance through competitive grant programs. The Investing in Innovation (i3) Fund, launched in 2010, distributed over \$1.4 billion to support evidence-based reform strategies, primarily focusing on professional development and school turnaround efforts. Although the program established a rigorous evaluation framework—with 94 percent of evaluations independent and 76 percent meeting What Works Clearinghouse standards—only 26 percent of projects demonstrated statistically significant improvements in student outcomes, underscoring the challenges of scaling educational interventions (Goodson et al., 2024). A notable success from the i3 initiative was the Knowledge Is Power Program (KIPP), which with a \$50 million scale-up grant, achieved strong academic gains and improvements in college readiness (Results for America, 2020).

Parallel efforts include the School Improvement Grants (SIGs) program, which invested over \$3 billion between 2010 and 2015 to improve struggling schools. Initial evaluations found limited effects on student achievement, although more recent analyses suggest gradual and sustained gains, especially in turnaround schools and among students of color and low-income backgrounds (Sun, Kennedy, and Loeb, 2021). These findings highlight the critical roles of organizational capacity, leadership, and data-driven instruction in driving school improvement.

In contrast to direct public funding initiatives, state-level tax credits for private K–12 education have generated significant debate. Proponents contend that such programs expand parental choice and promote competition, while critics warn they may erode the fiscal base and equity objectives of public education systems (Davis, 2016).

Finally, meta-analyses of grant aid programs reveal that need-based financial support significantly improves student persistence and degree completion, particularly when coupled with support services like academic advising (Nguyen, Kramer, and Evans, 2019). These findings emphasize the importance of sustained and targeted financial aid to promote long-term educational success among underserved populations.

Literature Review on Charitable Giving and Qualified Donation Tax Credits

Philanthropy can play an important role in supporting public goods and meeting social needs that governments or markets may undersupply. Many goods and services supported by philanthropy generate positive externalities, meaning their benefits spill over to society at large, rather than accruing only to the donor or recipient (Andrews, 1972).

Broadly, philanthropy distinguishes between pure altruism (where people contribute because they care about the total provision of the public good) and impure altruism or ‘warm glow’ giving (where donors also derive private satisfaction from the act of giving itself) (Andreoni, 1989, 1990). This distinction matters because warm glow implies that incentives like tax subsidies can stimulate giving, even if they do not change the total supply of the public good.

Rationale for Tax Preferences in Charitable Giving

Regarding the question of whether charitable contributions should be taxed, scholars offer three main rationales for tax preference:

Tax base rationale: From this perspective, charitable donations are not ordinary consumption but a voluntary surrender of income for the public good. Therefore, they should not be taxed (Reich, 2013).

Efficiency rationale: Charitable giving can help correct the under-provision of public goods—a classic market failure. Many goods and services supported by philanthropy, such as medical research, education, or environmental protection, generate positive externalities (Andrews, 1972). Tax preferences lower the effective cost of giving and incentivize individuals to increase contributions.

Pluralism rationale: From a political economy perspective, channeling resources through charitable organizations rather than through government bureaucracy allows people to express their preferences directly—‘voting with their dollars’ and supporting causes beyond the preferences of the median voter (Benshalom, 2008; Reich, 2013). In this sense, philanthropy supplements democracy by diversifying social provision and fostering pluralism.

At the same time, there are also concerns of regressivity, fiscal cost, and democratic imbalance, as high-income taxpayers both benefit disproportionately from deductions and exert more influence over resource allocation (OECD, 2020).

Table 4 summarizes the main arguments for and against tax preferences.

Table 4. Arguments For and Against Domestic Philanthropy

Arguments For	Arguments Against
<i>Promotion of Social Welfare and Public Goods:</i> Tax incentives help address market failures related to under-provision of public goods and positive externalities, encouraging societal benefits.	<i>Cost to Government Revenue:</i> Tax concessions reduce public revenues, potentially leading to higher taxes elsewhere or cuts in public services, raising concerns about fiscal sustainability,
<i>Promotes Democratic Values:</i> Encourages the development of civil society, decentralizes decision-making, and supports democratic participation.	<i>Inequity and Regressivity:</i> Tax incentives often benefit higher-income taxpayers more, reinforcing income inequality and conflicting with principles of progressive taxation,
<i>Economic Rationales:</i> Corrects market failure by supporting public goods not supplied privately. Capitalizes on positive externalities for societal benefit.	<i>Democratic and Equity Concerns:</i> Large donors can wield disproportionate influence over societal priorities, undermining democratic processes.
<i>Addressing Funding Gaps:</i> Augments government capacity by mobilizing private resources, expanding financial support for charitable activities.	<i>Market Distortions and Fair Competition:</i> Tax exemptions could give philanthropic entities an unfair advantage over for-profit businesses offering similar goods and services, distorting markets.

Source: OECD (2020)

Types of Tax Relief: Deductions vs. Credits

The most common form of tax relief globally is the *charitable deduction*, which reduces taxable income. Its generosity rises with the donor's marginal tax rate, disproportionately benefiting higher-income taxpayers. By contrast, *charitable tax credits* reduce liability dollar-for-dollar and provide equal proportional benefits to all donors, improving vertical equity (OECD, 2020).

Other mechanisms for encouraging charitable giving include matching schemes, in which the government supplements private donations by adding a public contribution of equal or proportional value, effectively amplifying the donor's impact. Another approach is the allocation scheme, which allows taxpayers to directly assign a small share of their income tax liability to a designated charitable or public-benefit organization when filing their tax return, rather than making a separate donation.

Empirical Evidence: Price Elasticity and Donor Response

Tax incentives for charitable giving work by lowering the effective cost of donating (i.e., the after-tax cost of a \$1 donation). At the federal level, a deduction for charitable contributions has been in place since 1917. Earlier research formed a rough consensus that established a price-of-giving elasticity of approximately -1 (Peloza and Steel, 2005; Auten et al., 2002; Barret et al., 1997; Randolph, 1995). This implies that additional giving induced by the policy is approximately equal to foregone tax revenue at the margin. Newer research, which considers the impact of the 2017 Tax Cuts and Jobs Act, estimates giving to be less responsive for the average donor in recent years (Han et al., 2024; Gravelle and Sherlock, 2020).

At the state level, however, most charitable tax incentives are credits rather than deductions, which are a common incentive meant to increase giving in certain areas and allow taxpayers some discretion in the use of their state tax liability (De Vita and Twombly, 2004). The drawback is that credits may be less visible, or less salient to taxpayers, which can reduce their effectiveness at promoting certain behavior (Duflo et al., 2006; Chetty et al., 2009; Chetty and Saez, 2013).

State-level evidence on qualified donation credits is more mixed. The structure of these policies varies along multiple dimensions, including the size of the credit as a percentage of the donation, individual and aggregate caps, and the eligible donor pool. Empirical studies evaluating the impact of credits with differing structures find these structural elements—particularly the size of the individual cap—play a major role in shaping donor responses to the credits (Gupta and Spreen, 2024; Hungerman and Ottoni-Wilhelm, 2016; Teles, 2016). For instance, Gupta and Spreen (2024) find no measurable effect on donation levels following the elimination of three small individual limit credits (\$100 for single filers, \$200 for joint filers) in Michigan, whereas North Dakota’s introduction of a \$10,000 credit cap produced persistent 25- to 30-percent increases in contributions.

Teles (2016) uses the synthetic control method to estimate causal effects of two differing state-level charitable giving tax credits. The Endow Iowa Tax Credit provides a targeted 25-percent credit with a cap of \$300,000 per person, and the Arizona Working Poor Tax Credit provided a broadly targeted 100-percent credit with a cap of \$200 per person. The results indicate there was no evidence of a measurable effect for the smaller-cap Arizona credit, while the larger cap of Endow Iowa increased contributions by as much as 125 percent.

Duquette et al. (2018) explore state-level charitable tax credits across a panel data of 23 states from 2000 to 2016. They find that these credits have much weaker effects than the federal charitable deduction. Furthermore, the estimated impacts are not statistically significant. In other words, there is little evidence that state credits lead households to give more or donate more often, even though many of these credits are technically more generous than the well-known federal deduction. Why might this be the case? The findings from the literature can be summarized with some key points.

Saliency and Complexity Issues

- Many taxpayers may not realize such credits exist because they operate at the state rather than federal level.
- Credits are often targeted to specific causes and capped at relatively low amounts, which makes it hard for donors to know whether their gift qualifies.
- Even when aware, donors may not fully understand the credit mechanism. By contrast, people tend to be more familiar with the ‘pre-tax’ mechanism behind deductions, making those policies easier to grasp and respond to.

Effect of Individual Cap Limits

- Low individual caps may fail to provide sufficient economic incentive to shift or increase total giving.
- Evidence from Arizona’s charitable credits show contributions rise as caps increase (Brunner, 2023).
- High-income individuals tend to claim a large portion of these tax credits (Duquette et al., 2018). It follows then that small cap credits elicit weaker responses.

Eligible Donor Pool

- Allowing businesses to claim the credit expands the donor pool to entities with potentially large capacity and incentive to donate, thus making the policy more likely to have an impact on total giving.

Crowding-Out Concerns

One concern with targeted tax credits is whether they actually raise *net* charitable giving or simply *redirect* donations toward qualifying charities. Chatterjee et al. (2020) provides empirical evidence of crowding out in the context of Arizona’s state income tax credit for charitable contributions. Their findings show that while donations to qualifying charities increased significantly, there was a corresponding decrease in donations to non-qualifying organizations.

Additionally, Andreoni and Payne (2003) explored how government grants to private charities can lead to reductions in private donations. They show that charities receiving government support might reduce their own fundraising efforts. This strategic response can diminish the effectiveness in increasing total charitable contributions. Andreoni and Payne (2011) extends these findings to Canada. Their study shows that for every dollar of government funding, approximately 75 cents of private donations were displaced. These results provide support to the crowding-out hypothesis, where government incentives shift private giving rather than increase net contributions (Payne, 2009).

In summary, states provide tax credits for certain charitable activities to increase donations in these areas, provide taxpayers with discretion in how their tax liability is used, and increase the efficiency of dollars going to these causes. Research on state level charitable giving tax credits is less common than research on the federal deduction, but the existing literature suggests donor

responses to these credits depend on the structure of the policy. Credits with smaller caps and donor pools may not induce additional giving, while larger credits can have a significant impact on donations. It is less clear if observed effects are additional new donations or a crowding out effect with some research indicating redirection of funds toward qualifying organizations, while others argue credits increase overall net giving.

But-for Analysis

An important part of the analysis is to determine whether the qualified credit-receiving donations represent additional net giving induced by the incentive or merely a shift from other public education charities. There are many opportunities for Georgians to donate to charitable organizations that support public education and receive both federal and state tax benefits. Most of these organizations are linked directly to a public school or district. For many donors this is an important consideration, as they want to support their own public school or district not just public education in the state broadly.

For instance, Gwinnett County has a public-school foundation that in recent years has collected several million dollars. Almost every metro Atlanta high school has its own foundation that directs donations exclusively to that high school's activities. (Many middle schools and elementary schools do as well.) Donors to these foundations are primarily parents but also include corporations and partnerships. One of the goals of the PEACH credit is to allocate funds to public schools that are underserved by this existing network of foundations. Thus, it is likely that much of the donations made to the PEACH credit would have been made to some other public school foundation if this credit did not exist. This shift in donations from non-qualifying public school foundations to the qualifying organization, does not increase total spending on education in Georgia and thus is not considered as part of the economic impact of the credit. In the literature this is referred to as the crowding out effect.

As is shown in Table 5, the reorganization of the old credits to PEACH, did have a dramatic effect on donations from 2021 to 2022. Thus, the policy can be deemed to have been effective in directing donations to underserved public schools. However, this data does not offer much guidance to establish if these were new donations or shifts in giving from other non-qualified organizations. To estimate the share of these donations that is new, we rely on growth in donations year over year from 2022-2024 for the individual donors. Year over year growth by individuals in program donations is deemed a good indicator of likely new donations as the program becomes better known throughout the state.

Corporate and PTE donations are not examined for this purpose for several reasons. First, corporations likely have a set amount of money for which they plan to donate to charities. They use multiple criteria to choose those charities but are likely highly motivated by tax benefits. Thus, we believe that most of the change in corporate and PTE giving is a shift from non-qualifying organizations to qualifying organizations that now offer better state tax treatment. Second, the growth rate of giving in corporate and PTE donations is extreme, even after the credit is established, which again supports the idea that this is a shift in donations. Again, it is possible that some donations from corporate and PTEs are new and thus we apply our but for percentage to all donations not just individuals. We discuss the details of these estimates below.

As the PEACH Education credit is relatively new, data is limited. Thus, this analysis relies on the relevant literature for similar policies and the information available for PEACH. Since O.C.G.A. § 20-14-26.1 and Regulation 560-7-8-.60 require the Department of Revenue to post

on its website a statistical compilation of the information received from the Public Education Innovation Fund Foundation, and later on by the GFPE, those reports are the main basis for the analysis.

As shown in Table 5, in 2018, the credit garnered attention from individual donors, with a total value of approximately \$2 million for individual and corporate/fiduciary donations awarded to public schools between 2018 and 2019. The amount of donations after the initial year of the credit is very modest, which led to the modification of the credit's structure with the explicit purpose of improving fundraising efficiency.

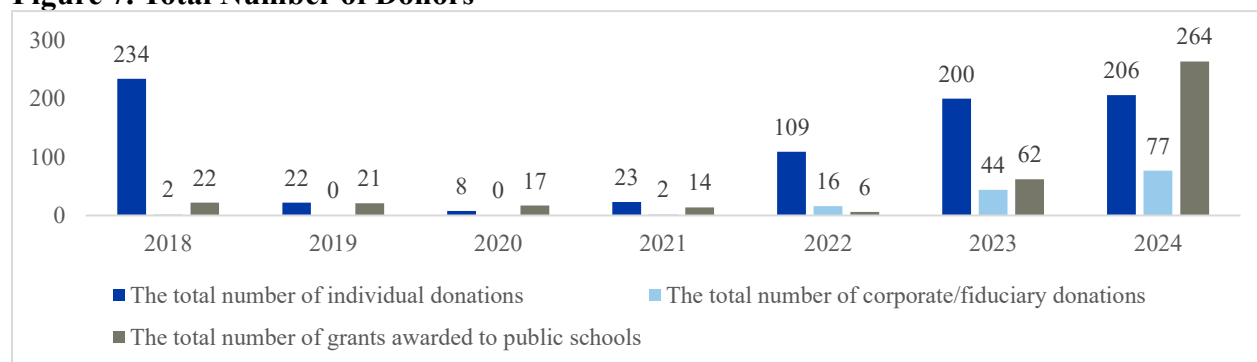
Table 5. Total Dollar Value of Donations by Donor and Grants Awarded to Public Schools

Donor Type	2018	2019	2020	2021	2022	2023	2024
Individual	\$1,870,518	\$43,260	\$13,100	\$34,000	\$507,650	\$372,298	\$898,290
Corporate or fiduciary	\$193,750	\$0	\$0	\$100,000	\$512,400	\$1,519,620	\$4,309,469
Grants awarded to public schools ⁶	\$1,153,901	\$914,917	\$111,196	\$121,420	\$121,844	\$1,765,074	\$4,108,748

Source: DOR, GFPE

From 2021 to 2024, the composition of donors changed considerably, with a rapid increase in the participation of corporations/fiduciaries, going from 2 in 2021 to 77 in 2024 (Figure 7). The number of individual donors has not yet reached the levels of 2018, but it has been increasing steadily as well since 2021.

Figure 7. Total Number of Donors



Source: DOR, GFPE

Although causality cannot be established, the evidence in Figures 6 and 7 and Table 5 suggests that the restructuring of the Qualified Education Donation (QED) program—which gave rise to the PEACH Education tax credit—revitalized donor participation, particularly among corporations and fiduciaries. The total value of donations from these entities nearly tripled

⁶ Administrative costs, reported in the GFPE documentation, help to explain the difference between the donations and the grants awarded.

between 2022 and 2023 and again by a similar magnitude between 2023 and 2024, signaling a strong rebound in engagement. Individual contributions also rose notably in 2024, regaining part of the enthusiasm initially observed in 2018. While these patterns indicate growing momentum under the restructured credit, they should be interpreted with caution: the sharp increases may reflect a reallocation of giving rather than an overall expansion in charitable activity—implying a possible substitution effect rather than a surge in new philanthropy.

To approximate the share of donations that can be attributed to the PEACH Education Tax Credit, we focus on individual donors, since the large surge in corporate and fiduciary giving likely reflects primarily substitution from existing philanthropic budgets rather than new donations as noted above. Between 2022 and 2024, individual contributions to the PEACH fund grew at a compound annual rate of 34 percent (Table 5), compared to the 12 percent average annual growth rate for individual charitable giving projected in the state’s FY 2027 Tax Expenditure Report (Table 3).⁷ We project that the PEACH Education tax credit will grow at an average annual rate of 23 percent. This projection is the average of the two growth rates that balances recent program expansion with more conservative fiscal expectations.

We consider this projection credible and policy-consistent for several reasons. First, it reflects the program’s current momentum, as participation and public visibility continue to expand. Second, it captures the program’s maturing structure: new tax credits often experience rapid early growth as administrative systems, awareness, and compliance mechanisms are established, followed by stabilization at a sustainable rate. Finally, it accounts for the behavioral dynamics of corporate donors. Corporations typically operate within fixed philanthropic budgets, meaning that participation in the PEACH credit program likely substitutes for other charitable commitments rather than adding to total giving. Consequently, using the corporate growth rate alone would overstate future expansion and yield unrealistic forecasts.

The literature on charitable giving and tax incentives offers mixed findings but consistently underscores the importance of program design—particularly the size, generosity, and structure of the credit. Evidence shows that smaller-cap programs tend to have limited or negligible effects on overall charitable giving, whereas larger and more flexible incentives can generate stronger behavioral responses, both through substitution effects and through net increases in total giving.

In this context, the original Qualified Education Donation program—with its relatively modest annual cap and reliance on individual donors—resembles the smaller-scale initiatives documented in prior studies and likely had minimal aggregate impact on total donations. By contrast, the restructured PEACH Education tax credit represents a substantial shift in both design and scale. Although its full effects are still too recent to assess conclusively, the emerging trends suggest the potential for larger and more persistent increases in educational philanthropy as the program matures.

⁷ We include projections only through FY 2029, when the credit expires. The FY 2030 value reflects credits carried forward from earlier years rather than new activity.

Economic Activity

Overview of How Economic Activity Is Measured

We measure economic activity using data on estimated education spending, with FY 2025 as the representative year. As this credit is newer, we use this estimate because it represents the estimated reasonable magnitude, given future year estimates. We calculate the net effect of the state-level exemption by assuming that 77 percent of the economic activity would occur without the exemption, as discussed in the but-for section. We then subtract the estimated economic activity associated with an alternative use of the funds to arrive at net economic impact. Table 6 summarizes the estimated economic activity. The remainder of this section provides details.

Table 6. Net Economic Activity – Education Services Provided

<i>(\$ millions)</i>	Employment	Labor Income	Value Added	Output
Gross Activity for Period	132	\$6.2	\$7.2	\$9.9
Less: But-for Reduction	101	\$4.8	\$5.5	\$7.7
Activity Net of But-for	30	\$1.4	\$1.6	\$2.3
Less: Alternative Use Impacts	109	\$5.3	\$6.6	\$9.9
Net Economic Impact	-79	-\$3.8	-\$4.9	-\$7.6

Source: IMPLAN and authors' calculations

IMPLAN Model

To estimate the economic impact of the PEACH tax credit in Georgia, the IMPLAN model is used. IMPLAN is a regional input-output model that estimates how an initial change in spending or revenue for any industry category works its way through a regional economy. It also has data on the size of each industry in the economy in terms of revenue and employment at the state and county level. The model includes detailed data on industry size by revenue and employment at the state and county level and applies sector-specific multipliers to estimate the effects of initial spending by firms on suppliers and labor. For this analysis, we use 2023 IMPLAN data, adjusted to reflect average annual revenues and wages in 2024 dollars. Below is an overview of key IMPLAN terms used in the report.

- *Output* is the value of production. This includes the value of all final goods and services, as well as all intermediate goods and services used to produce them. IMPLAN measures output as annual firm-level revenues or sales, assuming firms hold no inventory.
 - Estimates of output changes resulting from all education-related economic activity, including education and related services provided, are then used to estimate state and local sales tax revenue.
- *Labor income* includes total compensation—wages, benefits, and payroll taxes—for both employees and self-employed individuals. Wage-gain estimates are used to estimate incremental state income tax revenue.

- *Employment* includes full-time, part-time, and temporary jobs, including the self-employed. Job numbers do not represent full-time equivalents, so one individual may hold multiple jobs.
- Three changes (effects) comprise the *total impact* and can be calculated for relevant activity reviewed (output, employment, and labor income):
 - *Direct effects* are the changes that initiate the ripple effects through the economy. For this analysis, direct effects are increased firm output (revenue) directly attributable to the credit.
 - *Indirect effects* are the economic activity supported by business-to-business purchases in the supply chain for education. For example, education departments may purchase education equipment such as computers, training equipment and other education supplies to support teachers. Each of the supplying businesses subsequently spends a portion of the money they receive on their own production inputs, such as office space, computers, and supplies, which in turn prompts spending by the suppliers of these inputs. This spending continues but progressively diminishes in its in-state impacts due to ‘leakages,’ which occur when firms spend money on imports (including imports from other states), taxes, and profits.
 - *Induced effects* are economic activity that occurs from households spending labor income earned from direct and indirect activities. This activity results from household purchases of items such as food, healthcare, and entertainment. The labor income spent to generate these effects does not include taxes, savings, or compensation of nonresidents (commuters), as these leave the local economy (leakage).

Table 7 shows the economic impact associated with the representative fiscal year of education spending. The benefit of the tax credit is modeled as additional income to the education sector. Direct spending by this sector of \$5 million, due to the additional income, supported 105 direct jobs with a total labor income of \$4.7 million. Education sector spending supported an additional 27 indirect and induced jobs, but it should be noted that these do not necessarily reflect full-time employment. In total, education spending associated with the PEACH credit also supported \$6.2 million in total labor income, \$7.2 million in value added, and \$9.9 million in total output.

Table 7. Economic Impact of Education Spending, FY 2025 Base

(\$ millions)	Employment	Labor Income	Value Added	Output
Direct Effect	105	\$4.7	\$4.2	\$5.0
Indirect Effect	4	\$0.2	\$0.4	\$0.8
Induced Effect	23	\$1.3	\$2.5	\$4.1
Total Effect	132	\$6.2	\$7.2	\$9.9

Source: IMPLAN and authors' calculations

Alternate Use of Forgone Revenue/Tax Expenditure

The induced economic impacts estimated above do not account for forgone state revenues, i.e., the economic impacts of alternative uses of the funds currently expended through this tax credit. SB 366 requires evaluations of tax incentives to include estimates of *net* economic and fiscal impacts, thus requiring consideration of the economic and revenue effects of alternative uses of the revenues that would be available for other purposes in the absence of the exemption.

Alternatives could include other economic incentives, spending in other policy areas across state government, or a reduction in taxes—all of which could also result in direct, indirect, and induced economic effects. However, absent information as to how the General Assembly would otherwise choose to spend foregone revenue if not on the credit, we estimate the impact of using the revenue to fund an equivalent increase in state government spending in proportion to existing expenditures. That is, we allocate the foregone revenue to industry sectors as direct effects based on the sector shares of spending in the state budget. The two largest categories of spending—education (47 percent) and healthcare (21 percent)—account for about 68 percent of the state budget for FY 2025 (see Appendix for details).

As detailed in Table 8, if the state received the forgone revenue associated with the excluded education spending, it could be expected to generate approximately \$9.9 million in gross output. This estimate includes \$5 million in annual direct government outlays (the fiscal year education estimated tax expenditure for the credit) plus the amounts shown for indirect and induced effects resulting from the initial, direct outlays.

Table 8. Summary of Alternative Use Economic Impacts

(\$ millions)	Employment	Labor Income	Value Added	Output
Direct Effect	83	\$3.7	\$3.7	\$5.0
Indirect Effect	7	\$0.4	\$0.7	\$1.4
Induced Effect	19	\$1.1	\$2.2	\$3.5
Total Effect	109	\$5.3	\$6.6	\$9.9

Source: IMPLAN and authors' calculations

Fiscal Impact

A summary of the fiscal impacts of the PEACH Education tax credit is presented in Table 9. We then detail the estimates of the revenue effects of the credit's economic impacts and the opportunity cost of the tax expenditure—the revenues that could be expected from the alternate use of funds. The detailed estimates are projected forward to obtain the amounts below.

Table 9. Fiscal Impact Summary*

(\$ millions)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Tax Expenditure Cost						
State	-\$5.00	-\$4.50	-\$5.50	-\$6.80	-\$8.00	-\$6.60
Revenue Gains from Economic Impact						
State	\$0.11	\$0.10	\$0.12	\$0.15	\$0.18	\$0.15
Local	\$0.03	\$0.03	\$0.03	\$0.04	\$0.05	\$0.04
Alternative Use Reduction						
State	-\$0.41	-\$0.37	-\$0.45	-\$0.56	-\$0.66	-\$0.54
Local	-\$0.10	-\$0.09	-\$0.11	-\$0.14	-\$0.16	-\$0.13
Net Fiscal Effects						
State	-\$5.30	-\$4.77	-\$5.83	-\$7.21	-\$8.48	-\$7.00
Local	-\$0.07	-\$0.06	-\$0.08	-\$0.10	-\$0.11	-\$0.09
Total Net Fiscal Effects	-\$5.37	-\$4.83	-\$5.91	-\$7.30	-\$8.59	-\$7.09
State ROI	-\$0.06	-\$0.06	-\$0.06	-\$0.06	-\$0.06	-\$0.06

*Reflects adjustment for but-for estimate of 23 percent; Note: The ROI value indicates for every dollar invested, 6 additional cents are lost.

Revenue Impacts

Forgone Revenue

We estimate foregone revenue associated with project expenditures of the representative year, outlined below in Table 10, estimating lost revenue from the PEACH credit based on expected growth in donations, as discussed earlier.

Table 10. Tax Expenditure Cost Estimates

(\$ millions)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
State Tax Expenditure	-\$4.50	-\$5.50	-\$6.80	-\$8.00	-\$6.60

Source: DOR, BTS, EIA, and authors' calculations

Additional Tax Revenue

Below, Table 11 shows the estimates for state and local tax revenues attributable to economic activity associated with education, with the representative year of FY 2025. State income tax is estimated using employee compensation generated by IMPLAN. Labor income estimated in this sector is comprised mostly of education personnel, with an average income of approximately \$47,000 per job. Based on Georgia DOR tax data—specifically, the net tax liability relative to adjusted gross income (AGI) for taxpayers with similar AGI in TY 2022—we estimate an average effective tax rate under current law of 5.16 percent on labor income for in-state residents.

IMPLAN incorporates estimates of sales and property taxes. However, the model relies on levels of economic activity rather than sales or property tax rates and tax bases; thus, they are not our preferred estimates. Instead, to estimate sales tax revenues, we use the model's estimated incremental output for various retail sectors and adjust for the taxable portion of sector sales to

arrive at estimates of taxable sales. For retail sectors, IMPLAN reports as output only the retail gross margin, not the total sales at retail, so these estimates are grossed up using average gross margin rates from IMPLAN for each retail sector to arrive at estimated sales to which the tax would be applied. The state sales tax is calculated using the state sales tax rate of 4 percent, and the local sales tax is calculated using an average local sales tax rate of 3.38 percent—the population-weighted average as of January 2024, according to the Tax Foundation. The state and local sales tax estimates for the base year are also shown in Table 11.

To estimate the additional property tax due to the economic activity associated with the tax credit, we calculate the ratio of the IMPLAN estimate of sales tax to our preferred estimate of sales tax above and apply this to the IMPLAN estimate of property tax revenue. This estimate assumes that economic activity generating IMPLAN’s sales tax estimates is like that which generates the property tax—thus, this estimate should be treated cautiously.

Finally, about 76 percent of Georgia state tax collections come from personal income and state sales taxes. Georgia collects a host of other taxes that make up the remaining 24 percent, on average. Two taxes make up about one-half of the 24 percent: corporate income tax and title ad valorem tax (TAVT) on motor vehicles.

Table 11 shows the base-year estimated revenue from these other taxes, assuming a proportional effect, such that 24 percent of total tax revenues holds for the economic activity resulting from the PEACH credit. Recall that the but-for analysis concludes that, in the short term, 77 percent of education donations would be made if the tax credit was removed. Thus, the estimates in Table 11 show the fiscal impact on the state of the 23 percent deemed to have an economic impact.

Table 11. State and Local Tax Revenue from Education (FY 2025 base, \$ millions)

Tax Type	State Revenue	Local Revenue
Personal Income Tax	\$0.07	
Sales Tax	\$0.01	\$0.01
Property Tax	\$0.00	\$0.02
All Other State Taxes	\$0.03	
Total	\$0.11	\$0.03

Source: IMPLAN and authors’ calculations

We next estimate the additional tax revenue associated with the alternative use scenario outlined in the economic activity section of this report.

State and Local Taxes Generated from Alternative Use of Funds

New annual tax revenues resulting from the alternative use case are estimated in a similar manner as that generated by projected expenditures.

Table 12. State and Local Tax Revenues: Alternative Use of Funds (\$ millions)

Tax Type	State Revenue	Local Revenue
Personal Income Tax	\$0.27	
Sales Tax	\$0.04	\$0.04
Property Tax	\$0.00	\$0.06
All Other State Taxes	\$0.10	
Total	\$0.41	\$0.10

Source: IMPLAN and authors' calculations

Administrative Costs

PEACH Education credits are in a group of several other credits that require pre-approval and have a cap on the total donations. These credits include:

Qualified Foster Care Credit

Qualified Education Expense Credit

Qualified Law Enforcement Credit

Rural Hospital Credit

These credits are generally administered by a team of 7 individuals in the Taxpayer Services Division of the Department of Revenue as well as a team of business testers to make sure the credits work in a testing environment. It is estimated that the total personnel cost is \$505,000 annually when including fringe benefits. The Department also estimates that it costs approximately \$325,000 per year from an IT perspective to program and update all of its tax credits. Finally, the Department estimates it costs about \$5,000/year from a tax policy perspective. Thus, on an annual basis, it costs approximately \$835,000 for the administration of this type of tax credits.

Public and Ancillary Benefits

The PEACH Education tax credit generates benefits that extend beyond the immediate fiscal incentives offered to donors. The program supports innovation within Georgia's public school system, particularly targeting the lowest-performing 25 percent of schools. 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. Projects funded through the program have included COVID-19 relief, teacher development, and classroom innovation grants, enabling educators to test and scale ideas that improve academic outcomes and promote equity across diverse school contexts.

Beyond immediate instructional improvements, the PEACH credit contributes to a wider set of ancillary public benefits—strengthening workforce readiness, mental health awareness, and community engagement. Recent grants exemplify these multidimensional impacts. For instance,

Newton County Schools used PEACH funding to host its *InspiHer: Code Like a Girl* conference, inspiring young women to pursue technology careers; the University of North Georgia launched a teacher-residency program addressing statewide teacher shortages; and the Literacy Lab expanded literacy mentorship among pre-K students while increasing the representation of male educators of color. Additional projects have focused on student well-being, such as Hope Givers' mental-health workshops that improved students' ability to identify trusted adults, and NASEF's educator training in eSports integration, which nearly tripled student participation. Collectively, these initiatives illustrate how the PEACH Education tax credit mobilizes private resources to advance public educational goals, producing durable benefits for students, schools, and Georgia's broader economy.

Methods to Optimize Tax Credit Performance

As noted earlier, the PEACH credit is available through TY 2029, with a \$15 million cap. While donations have increased considerably since its inception, in FY 2029 the estimates for credits generated is \$5.7 million (see Table 3). Our but-for estimates, while based on limited data, suggest that the credit has been successful in generating new donations from individuals, not merely shifting donations from non-qualifying education foundations to qualifying ones.

The Department of Revenue suggested several strategies that help credits get closer to the cap amount. First, a smaller number of intermediaries play an important role in those credits that get closer to their caps, such as rural hospitals and the qualified education expense tax credit. These intermediaries reach out to potential donors and guide them from pre-approval through utilization.

Another important feature of successful credit management by intermediaries is an “addback” program. Such a program monitors tax payers' federal filings and deducts any amount taken or intended to be taken against federal income. This amount then is returned to the state credit and allowed to be utilized. As discussed earlier, federal deductions are not allowed for amounts donated for which the taxpayer receives a full dollar for dollar state tax credit. Thus, if a taxpayer made was pre-approved for a \$1,000 donation but decided to use this donated amount against federal income tax, then the \$1,000 preapproval amount would be added back to the state limit. Note that the rules on addbacks are changing, and in fiscal year 2026 all credit addbacks will be administered by Department of Revenue.

Other evidence from the evaluations includes the following: Limits on corporate donations may hinder reaching the cap. Also, the role of pass-through entities is important for the larger credits and higher limits to these entities helps increase donations. Credits that allow for additional donations with higher cap limits after a certain date if the cap limit has not been reached also are more successful. The PEACH credit does not appear to have this option at this time.

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Appendix on Federal Deduction

The 2017 Tax Cuts and Jobs Act (TCJA) materially weakened the federal tax incentive by nearly doubling the standard deduction and cutting individual rates. Consequently, there was a large reduction in the number of taxpayers who itemize, which reduced the effective federal subsidy for charitable donations for millions of filers. Additionally, TCJA capped the federal deduction for state and local taxes (the SALT deduction) at \$5,000 for individual filers and \$10,000 for married filing jointly.

In response, many states sought workarounds to preserve deductibility for their residents. One of the earliest strategies adopted by some states was to create charitable funds to which taxpayers could ‘donate’ in exchange for state income or property-tax credits. For example, New York established the Charitable Gifts Trust Fund, allowing donations to health and education sub-funds in return for an 85 percent state income tax credit, while New Jersey allowed local governments to grant up to a 90 percent property-tax credit for contributions to municipal charitable funds.

However, the Treasury Department and IRS quickly issued regulations that curtailed these efforts. These regulations required taxpayers to reduce their federal charitable deduction by the value of any state or local tax credit received in exchange, effectively neutralizing most of these SALT workaround schemes.

At the same time, these developments spurred renewed interests on targeted, state-level ‘qualified’ donation tax credits, programs that pre-dated the TCJA but gained salience as alternative vehicles for channeling private contributions toward public purposes. Unlike the broad charitable SALT workarounds, qualified donation credits are narrowly defined, typically supporting education scholarships, foster care, or conservation easements, and are subject to strict caps and certification requirements.

The One Big Beautiful Bill (OB BB) Act, enacted in July 2025, introduced additional tax changes that significantly altered federal charitable incentives. It created a universal above-the-line charitable deduction for non-itemizers. This measure allows individuals who take the standard deduction to also deduct up to \$1,000 in cash donations (\$2,000 for married filing jointly). OB BB narrows the tax value of itemized charitable deductions by imposing a cap on the tax benefit available to itemizers (a 35-percent cap for top-bracket filers, reduced from 37 percent) and introducing an AGI floor (0.5 percent of AGI for individuals) that donors must exceed before itemized charitable deductions apply. Additionally, the bill created a federal tax credit for donations to K–12 scholarship granting organizations (SGOs). Taxpayers cannot claim the federal deduction on amounts for which they claim federal SGO credit.

Appendix Value of Alternative Use

Table shows the approximate breakdown of state expenditures into functional areas that either directly correspond or are similar to the specified IMPLAN sectors in terms of the nature of labor and other inputs.

Category	Share state spending	IMPLAN codes	IMPLAN Sector Descriptions
Education, PK-12	40.0%	462	Elementary and secondary schools, and post-secondary education
Education, Post-Sec	15.1%	463	colleges
Health Care	22.7%	475	Individual and family services
Public Safety, excl Corrections	3.4%	453	Facilities support services
Public Safety, Corrections	4.3%	457	Investigation and security services
Mobile Georgia	7.2%	439	Architectural, engineering, related svcs.
Growing Georgia	1.9%	451	Management of companies and enterprises
General Government	5.4%	469	Management of companies and enterprises

Source: Spending shares based on AFY 2019 - AFY 2025 Governor's Budget Report

<https://opb.georgia.gov/budget-information/budget-documents/governors-budget-reports>