Tax Incentive Evaluations

Selected Data from 2022-2025
Business Incentive Reports

Statutory Tax Incentive Evaluations

O.C.G.A. § 28-5-41.1 allows chairs of the House Ways and Means Committee and the Senate Finance Committee to each request up to six tax incentive evaluations annually. The incentives may be associated with income taxes, sales taxes, or premium taxes.

Business Tax Incentives Evaluated

Income Tax Incentives	Abbr.	Sales Tax Exemptions	Abbr.
Bank Tax Credit	Bank	Administrative and Support Services Exemption[4]	Admin
Film Tax Credit	Film	Agricultural Sales Tax Exemptions	GATE
Global Intangible Low Tax Income Exclusion	GILTI	Coin-Operated Amusement Machine Sales Tax Exemption[5]	COAM
Historic Rehabilitation Tax Credit	HRTC	Construction Services Sales Tax Exemption	Const
Insurance Premium Tax Abatement	Ins Prem	Computer Equipment Sales Tax Exemption	Comp
Interactive Entertainment Tax Credit[1]	Int Ent	High Tech Data Centers Sales Tax Exemption	Data
Jobs Tax Credit	Jobs	Jet Fuel Sales Tax Exemption	Fuel
Life Insurance Premium Tax Deduction[2]	Life Ins	Manufacturing Sales Tax Exemption	Manf
Low Income Housing Tax Credit	LIHTC	Natural Gas Sales Tax Exemption	NGas
Manufacturing Investment Tax Credit	Manf Inv	Personal and Laundry Services Sales Tax Exemption[4]	Pers
Musical Investment Tax Credit[3]	Music	Professional, Scientific, and Technical Services Sales Tax Exemption[4]	Prof
Quality Jobs Tax Credit	QJobs	Waste Management and Remediation Sales Tax Exemption[4]	Waste
Research and Development Tax Credit	R&D		

1. Study did not include analysis that attributes industry activity to the incentive; therefore, the results cannot be compared to other incentives.
2. The Life Insurance Premium tax deduction is available to insurance companies that pay a tax on premiums, not income.
3. Study was limited to hypothetical data because the credit was never taken. The results are not included for comparison with other incentives.
4. Like many services, these are not taxable under Georgia law; therefore, there is no provision for the exemption included in law.
5. Study was a comparison of current state revenue-sharing model to an alternate model of collecting sales taxes; therefore, the results cannot be compared to other incentives.

Considerations when comparing incentives

Tax incentives are adopted for various purposes.
Measuring performance based only on financial factors may not be appropriate. While this summary report includes only the business tax incentives reviewed, the incentives may have purposes beyond economic growth, jobs, and the generation of new state revenue. For example, the Historic Rehabilitation Tax Credit (HRTC) and Low Income Housing Tax Credit (LIHTC) have additional or other purposes.

Local revenue impact is not included in this summary.
Statute requires that the evaluations consider changes to state revenue. Some evaluations do analyze local revenue losses and gains, but others do not. For that reason, we are unable to include local impacts when comparing incentives.

"Ripple effect" is included for all incentives.
The measures below include the incentives' impacts on the benefitting companies (direct) and their suppliers (indirect), as well as the impact of the wages spent (induced) in the broader economy by employees of the benefiting companies and their suppliers.

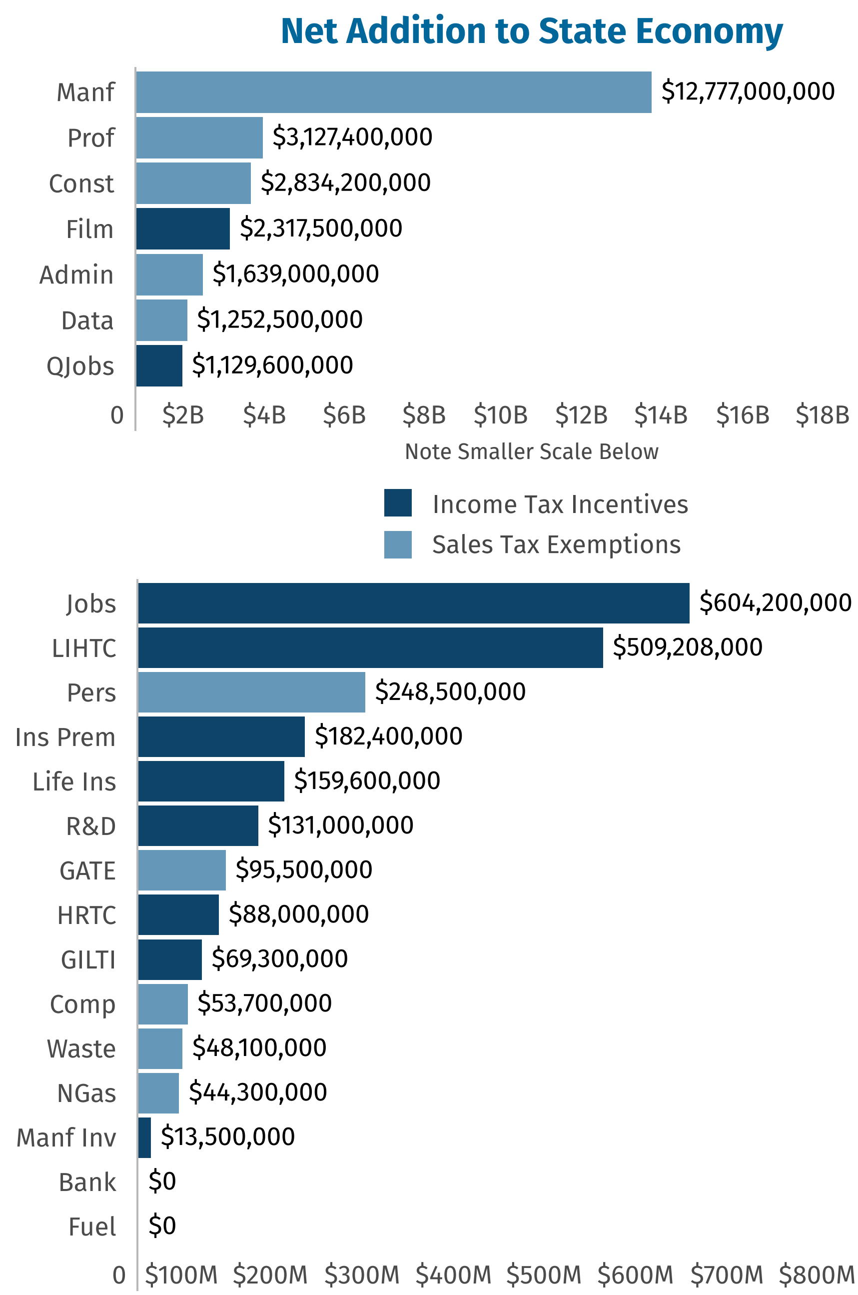
Economic Impact

Tax incentives are intended to result in additional economic activity in the state. The reports identify the portion of industry activity that occurs as a result of the incentive and attributes only that activity to the incentive. For example, many computer equipment purchases and most agricultural production would occur regardless of the sales tax exemptions. Only the additional purchases or production can be attributed to the exemptions.

Seven of the incentives were found to have contributed more than $1 billion to the state's economy, and six others have contributed more than $100 million.

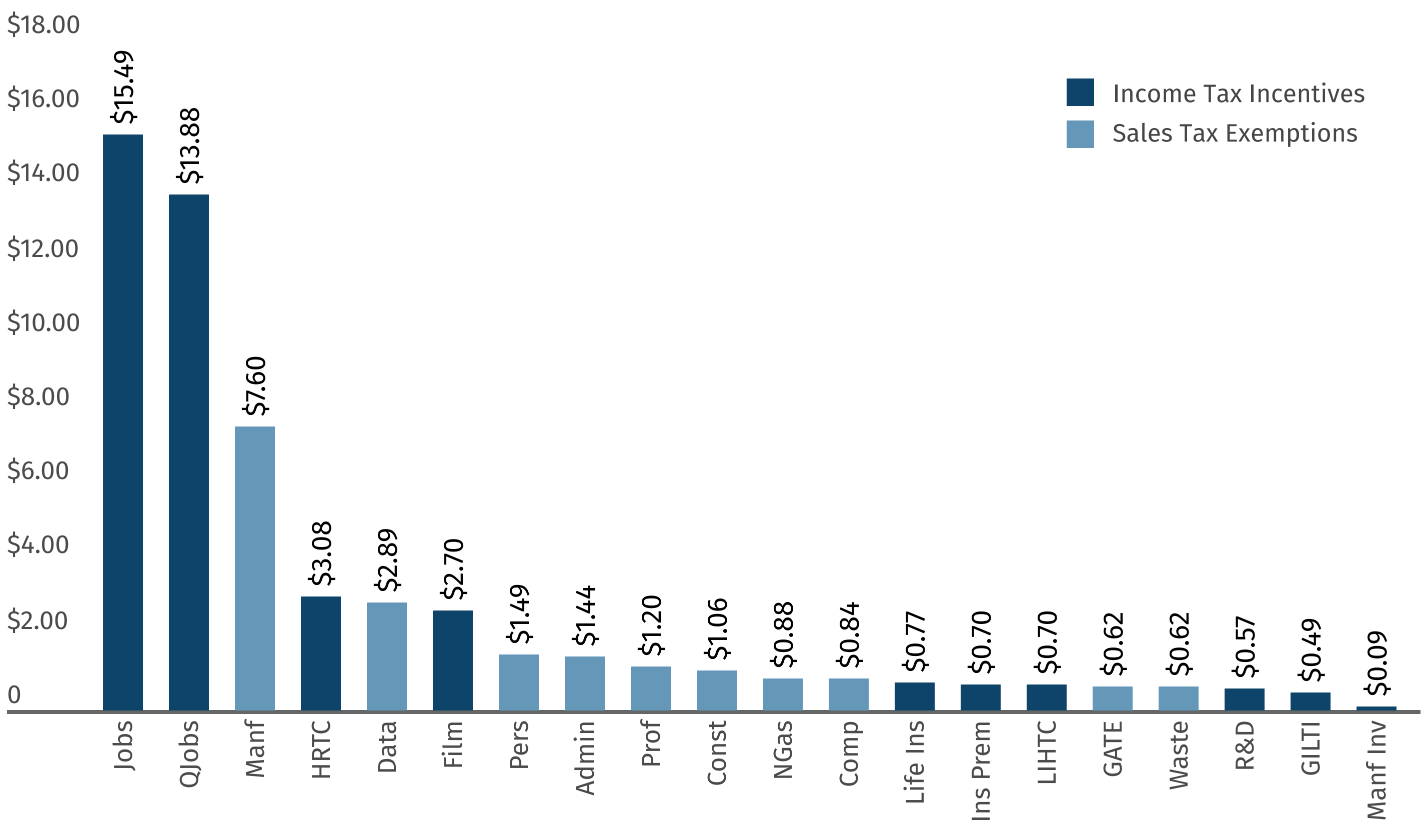
Researchers found that two incentives did not contribute to the state economy because the activity would have occurred even without the incentive. However, they noted that long-term impacts may not be captured.

In most cases, the industry that receives a tax incentive contributes significantly more than is incentivized.



The Jobs Tax Credit and Quality Jobs Tax Credit have the largest impact on the Georgia economy per dollar of net forgone revenue. Those with a lower impact generally have less economic activity directly attributed to the tax incentive and/or the provisions are more generous than those with a higher return. Researchers attributed only 11.4% of economic activity to jobs receiving the Jobs Tax Credit or Quality Jobs Tax Credit to the credits themselves. However, the credit's structure allows it to effectively leverage company wages and employment, creating economic activity so significant that the economic return on investment was still higher than the other tax incentives reviewed.

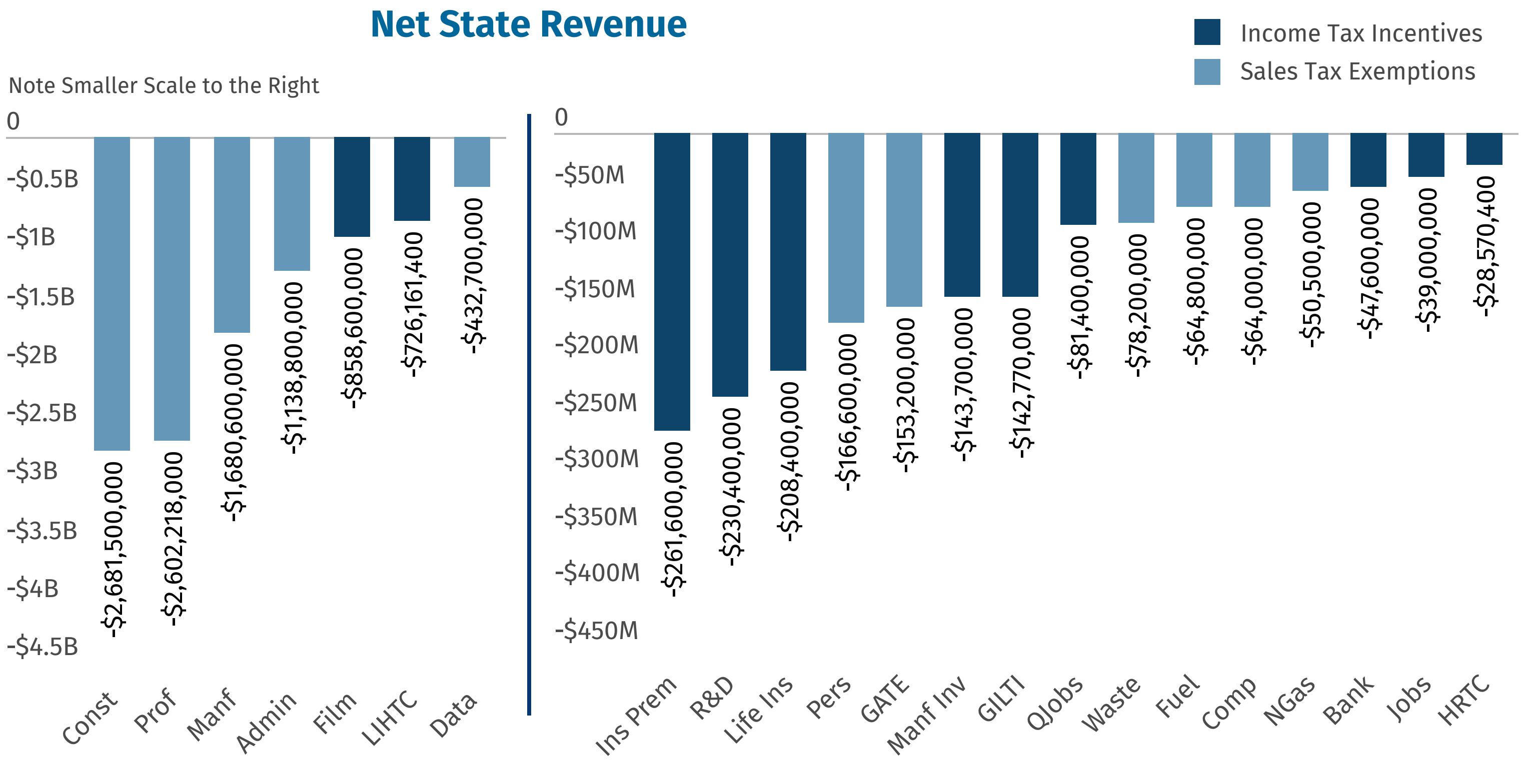
Growth in Georgia Economy per $1 of Net Tax Incentive



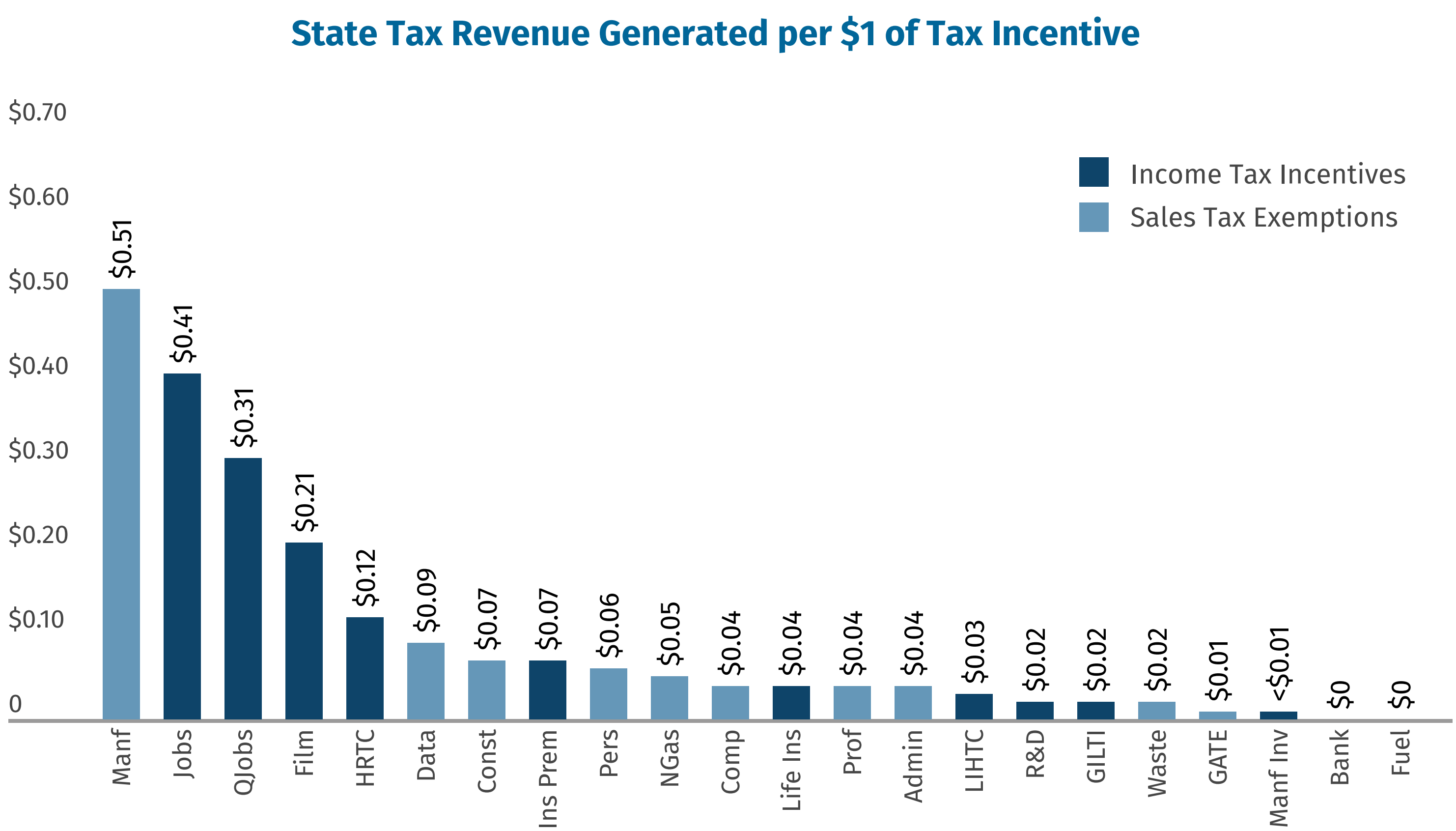
State Revenue Impact

Tax incentives result in an immediate reduction in state tax revenue. The forgone tax revenue is often intended to benefit a particular economic activity, such as research and development or rehabilitation of historic buildings. Ultimately, the tax incentive is generally expected to result in additional employment of Georgians and a growing state economy. This additional economic activity results in additional state revenue that will offset some portion of the forgone revenue.

Seven incentives reduced state revenues by more than $400 million in the year studied, while 15 others ranged from $28.6 million to $261.6 million. These are net revenue amounts--forgone tax revenue offset by the new tax revenue resulting from economic activity attributed to an incentive. This new tax revenue includes income and sales taxes paid by the benefitting companies, suppliers, and their employees.



While generating tax revenue may not be a primary purpose of an economic development incentive program, it is a commonly reported measure for use by decision makers. None of the incentives result in tax revenue that exceeds the forgone revenue.



Jobs and Labor Income

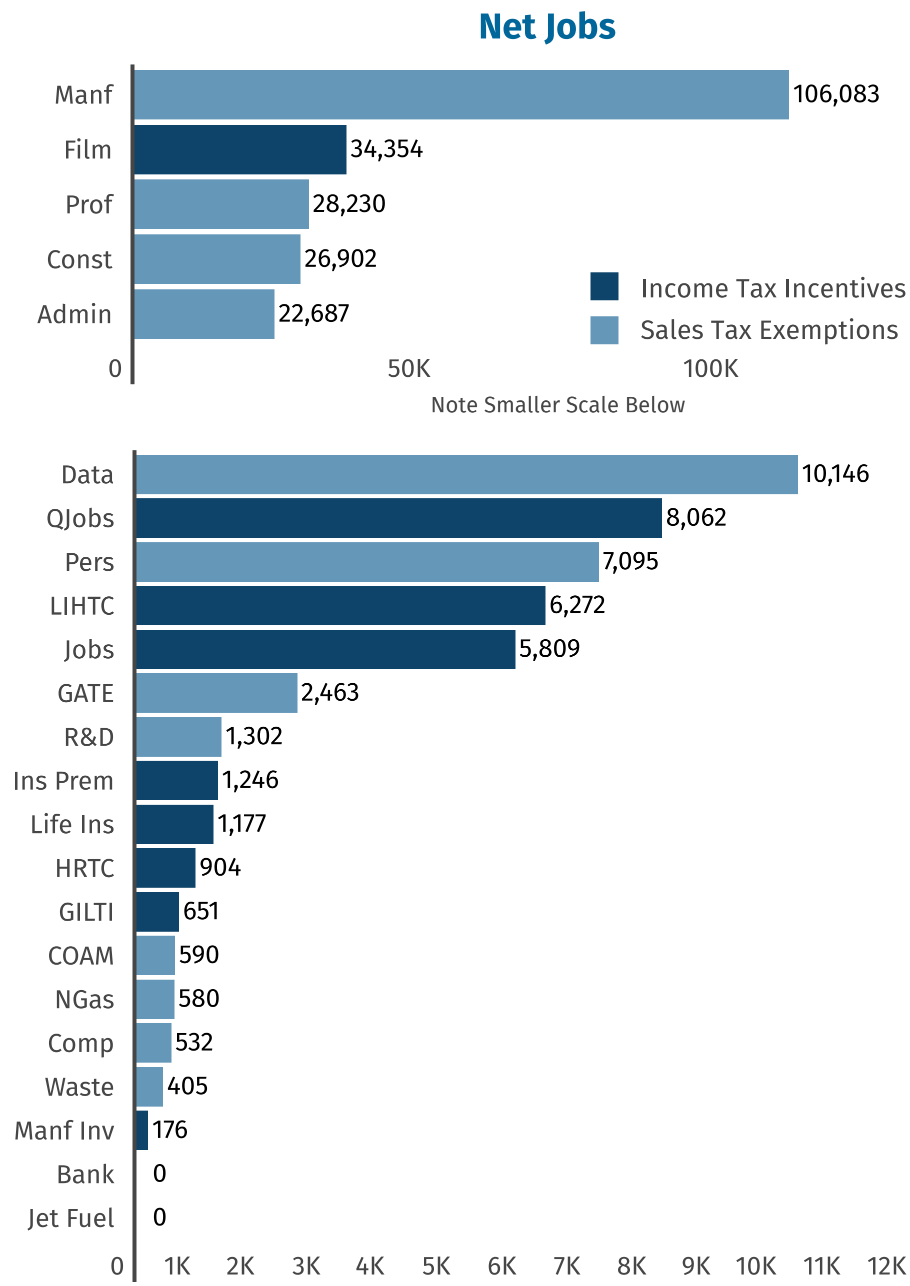
An important component of an economic impact analysis is the determination of the number of jobs and the labor income resulting from the incentive.

Reported jobs include those within the companies receiving the incentive, their suppliers, and businesses where employees of the above categories spend their income (e.g., restaurants).

Not all jobs are equal. They may be short term, long term, full time or part time.

Most of the incentives are credited with 10,000 jobs or fewer, though the manufacturing sales tax exemption exceeds 100,000 and four others are more than 20,000.

As noted in the economic impact section above, researchers found that two of the incentives did not contribute to economic activity in those sectors, which means that the jobs in the sectors are not attributed to the incentives either.

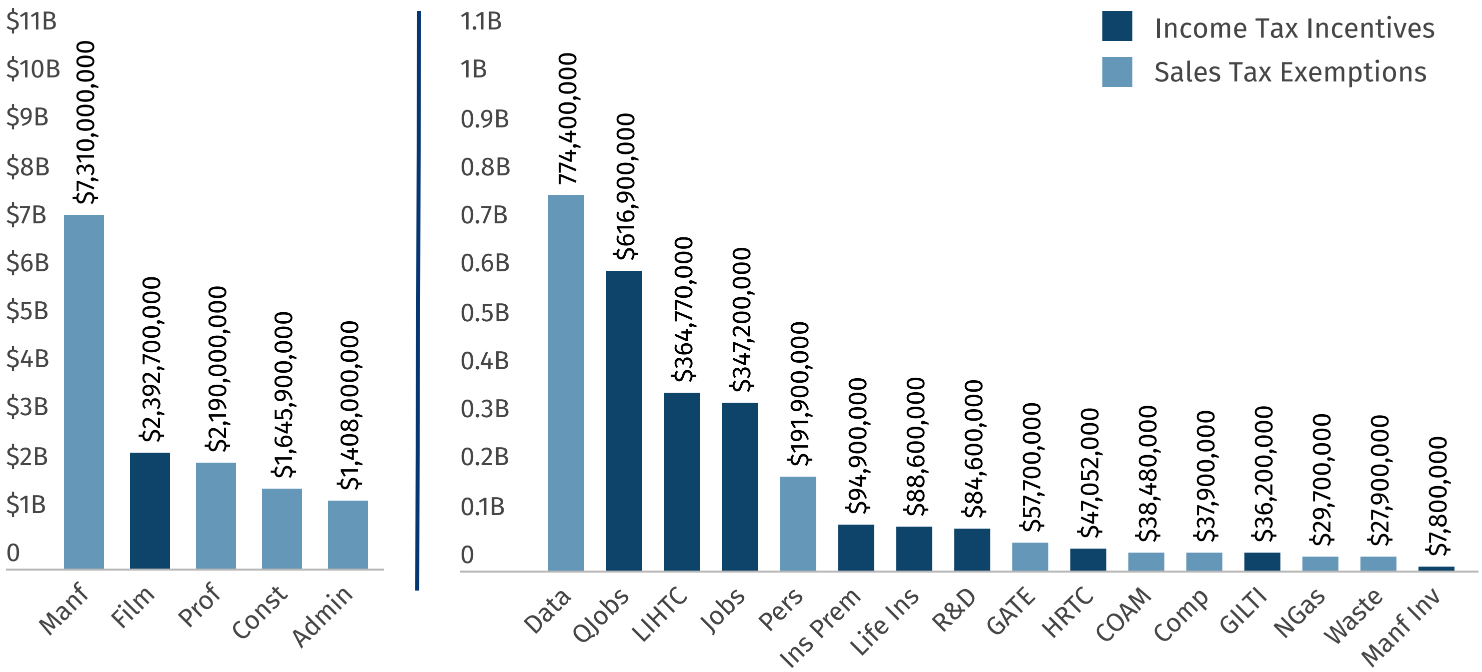


Net Labor Income

Labor income includes the total payroll of wages and salaries paid to employees. This also includes any benefits, such as health insurance and retirement, as well as payroll taxes. Labor income also includes payments received by the self-employed or business owners.

The labor income associated with six incentives exceeded $1 billion in the year reviewed, with the manufacturing sales tax exemption at more than $7 billion. Of the remaining incentives, four had labor income greater than $100 million. Four additional incentives had net labor income between $50 million and $100 million, and the remaining incentives were below $50 million.

Net Labor Income



Note Smaller Scale to the Right

The state cost per net job includes all jobs (direct, indirect, and induced) that are attributable to the credit and the net cost to the state (forgone revenue less revenue generated by the economic activity).

Six incentives have costs per job above $175,000. Some may be provisions that were not created for an economic development purpose, such as the waste management and remediation exemption. Additionally, the Manufacturing Investment Tax Credit has shown minimal short-term impact on increased activity according to researchers.

State Cost per Net Job