Tax Incentive Evaluations

Selected Data from 2022-2024
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 five tax incentive evaluations annually. The incentives may be associated with income taxes, sales taxes, or premium taxes. The law requires the evaluations to include the incentive's net revenue, net cost, net economic activity, and net public benefit. Following passage of SB 366 during the 2024 session, future reports will include additional elements.

Business Tax Incentives Evaluated

Income Tax Incentives	Sales Tax Exemptions
Bank Tax Credit	Agricultural Sales Tax Exemptions
Film Tax Credit	Coin-Operated Amusement Machine Sales Tax Exemption[1]
Global Intangible Low Tax Income Exclusion	Construction Services Sales Tax Exemption[2]
Historic Preservation Tax Credit	Computer Equipment Sales Tax Exemption
Interactive Entertainment Tax Credit[3]	High Tech Data Centers Sales Tax Exemption[4]
Job Tax Credit	Jet Fuel Sales Tax Exemption
Life Insurance Premium Tax Deduction[5]	Manufacturing Sales Tax Exemption
Low Income Housing Tax Credit	Natural Gas Sales Tax Exemption
Musical Investment Tax Credit[6]	Professional, Scientific, and Technical Services Sales Tax Exemption[2]
Premium Tax Abatement	
Quality Job Tax Credit	
Research and Development Tax Credit	

1. 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.
2. Like many services, these are not taxable under Georgia law; therefore, there is no provision for the exemption included in law.
3. Study did not include analysis that attributes industry activity to the incentive; therefore, the results cannot be compared to other incentives.
4. Study was limited to hypothetical data center due to lack of information. The results are not included for comparison with other incentives.
5. Premium tax deduction is available to insurance companies that pay a tax on premiums, not income.
6. Study was limited to hypothetical data because the credit was never taken. The results are not included for comparison with other incentives.

Considerations when comparing incentives

Tax incentives are adopted for various purposes. Measuring performance based only on the factors shown here 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 Preservation Tax Credit and Low Income Housing Tax Credit clearly 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

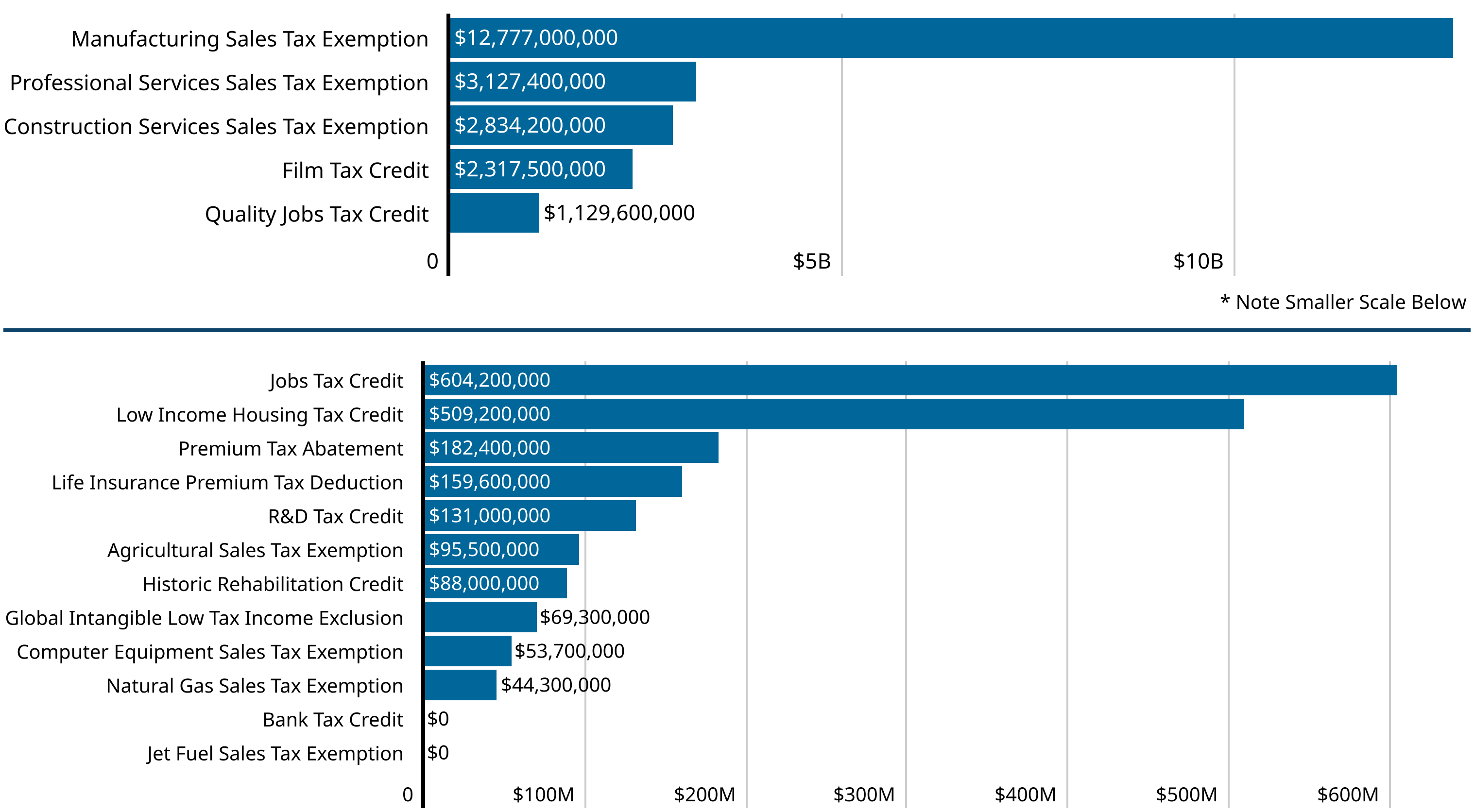
Tax incentives are intended to result in additional economic activity in the state. The reports identify the portion of industry activity that occurs as a result of the incentive and attributes only that activity to the incentive. For example, many computer equipment purchases and most agricultural production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

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

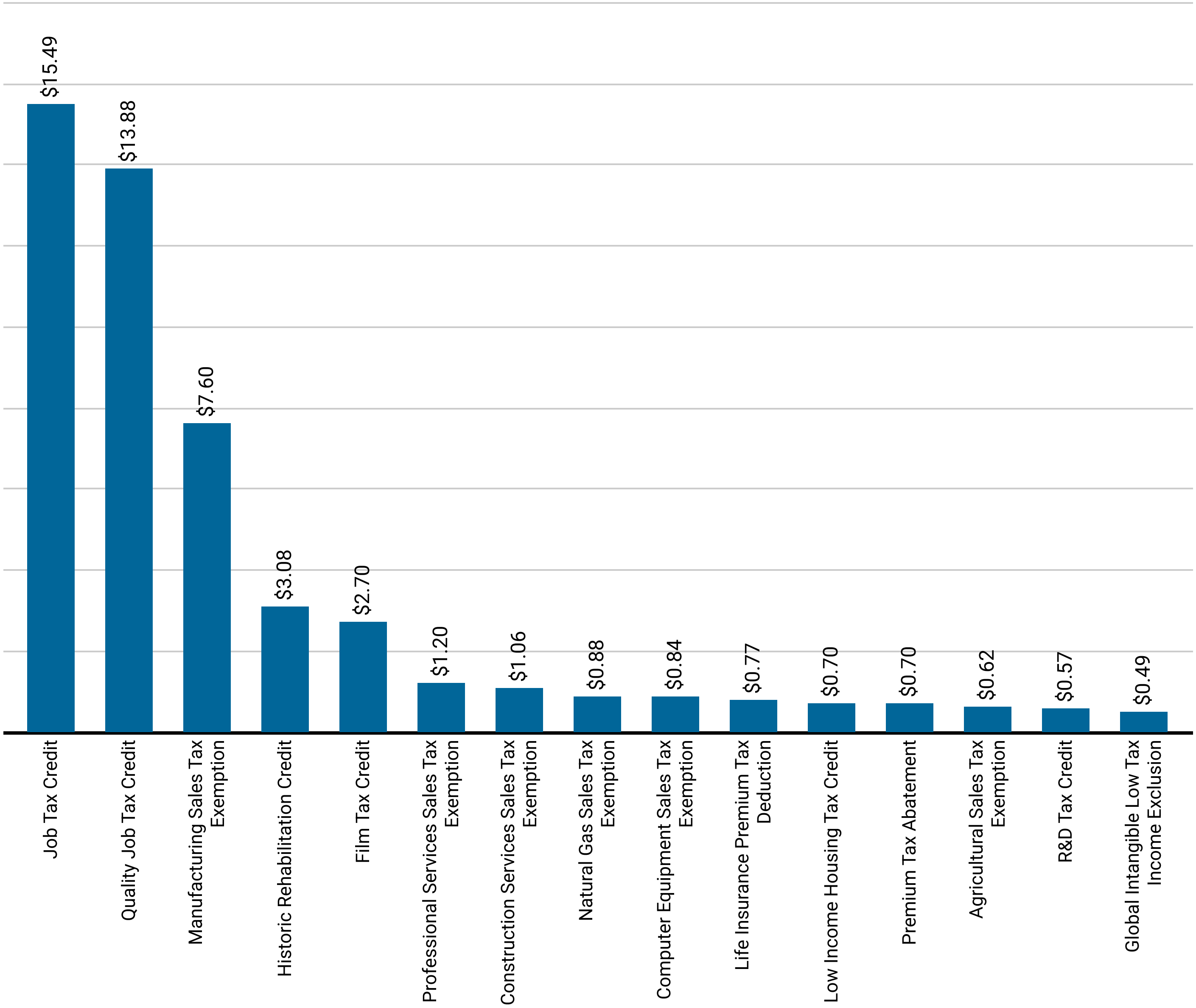
Researchers found that two incentives did not contribute to the state economy because the activity would have occurred even without the incentive. However, they noted that long-term impacts may not be captured.

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

Net Addition to State Economy



Growth in Georgia Economy per $1 of Net Tax Incentive



The Job Tax Credit and Quality Job 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. While researchers attributed only 11.4% of economic activity tied to jobs receiving the Job Tax Credit or Quality Job Tax Credit to the credits themselves, 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.

State Revenue Impact

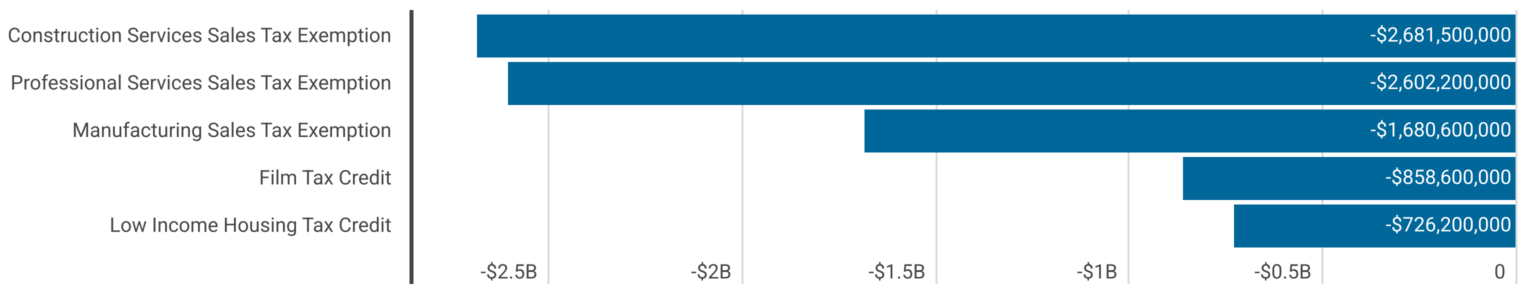
Tax incentives result in an immediate reduction in state tax revenue. The forgone tax revenue often is intended to benefit a particular economic activity, such as research and development or rehabilitation of old buildings.

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.

Five incentives reduced state revenues by more than $700 million in the year studied, while 12 others ranged from just $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.

Net Addition to State Economy



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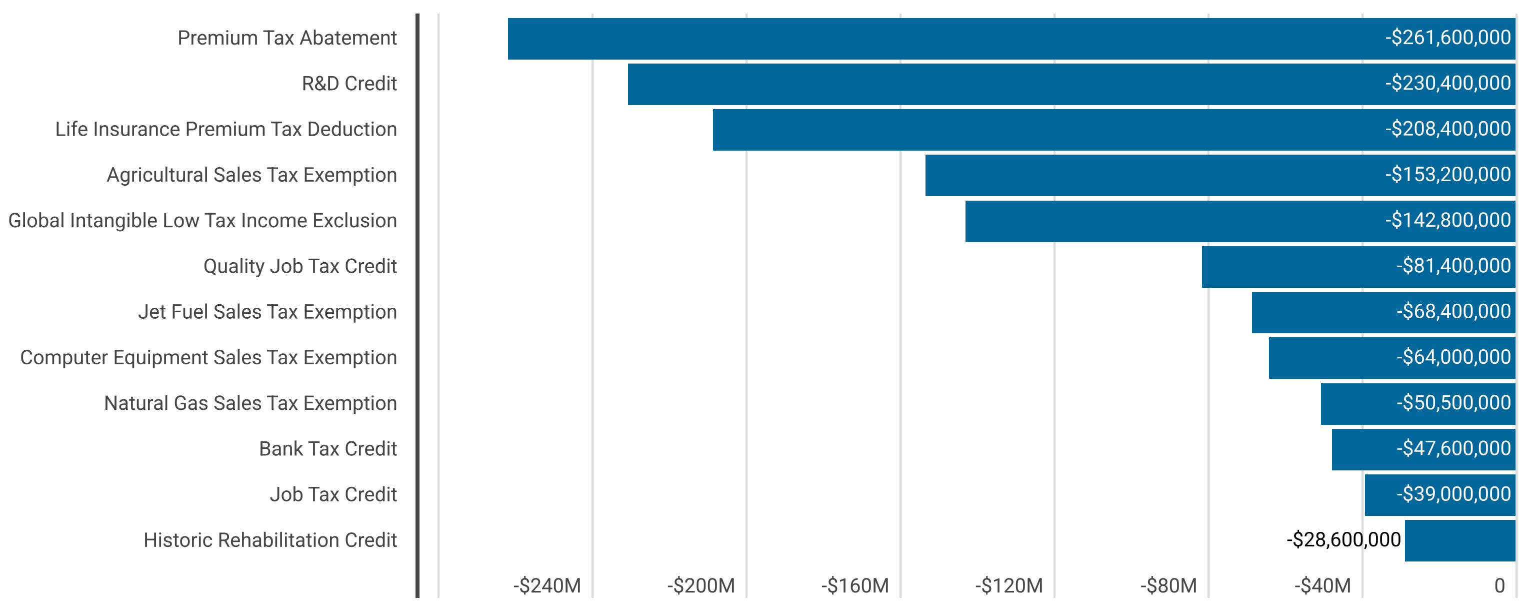
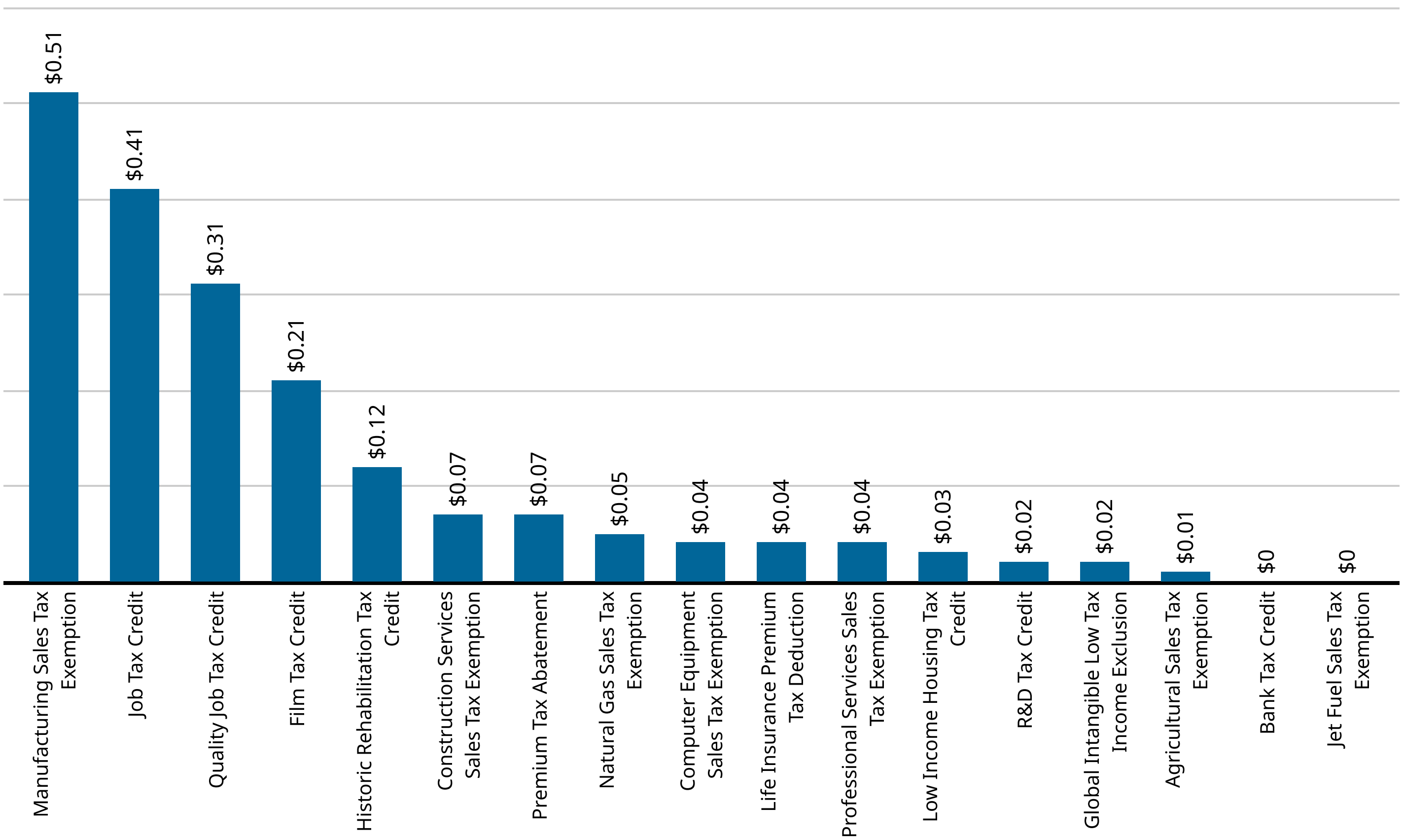


State Tax Revenue Generated per $1 of Tax Incentive



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.

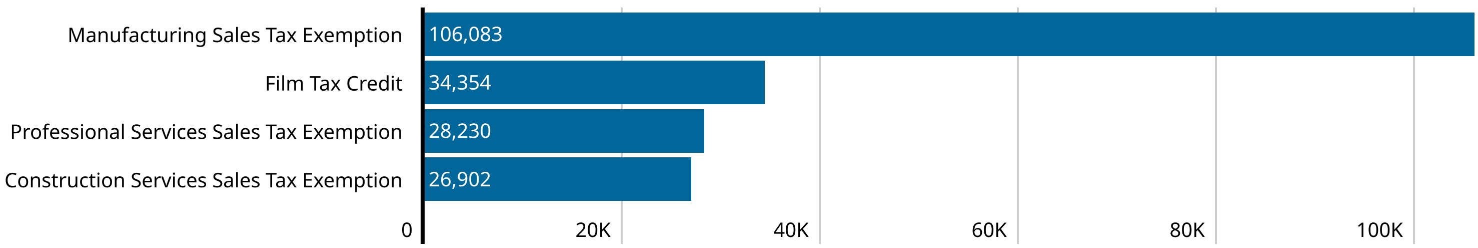
Reported jobs include those within the companies receiving the incentive, their suppliers, and businesses where employees of the above categories spend their income (e.g., restaurants).

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

Most of the incentives are credited with fewer than 10,000 jobs, though the manufacturing sales tax exemption exceeds 100,000 and three others are more than 25,000.

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 Jobs



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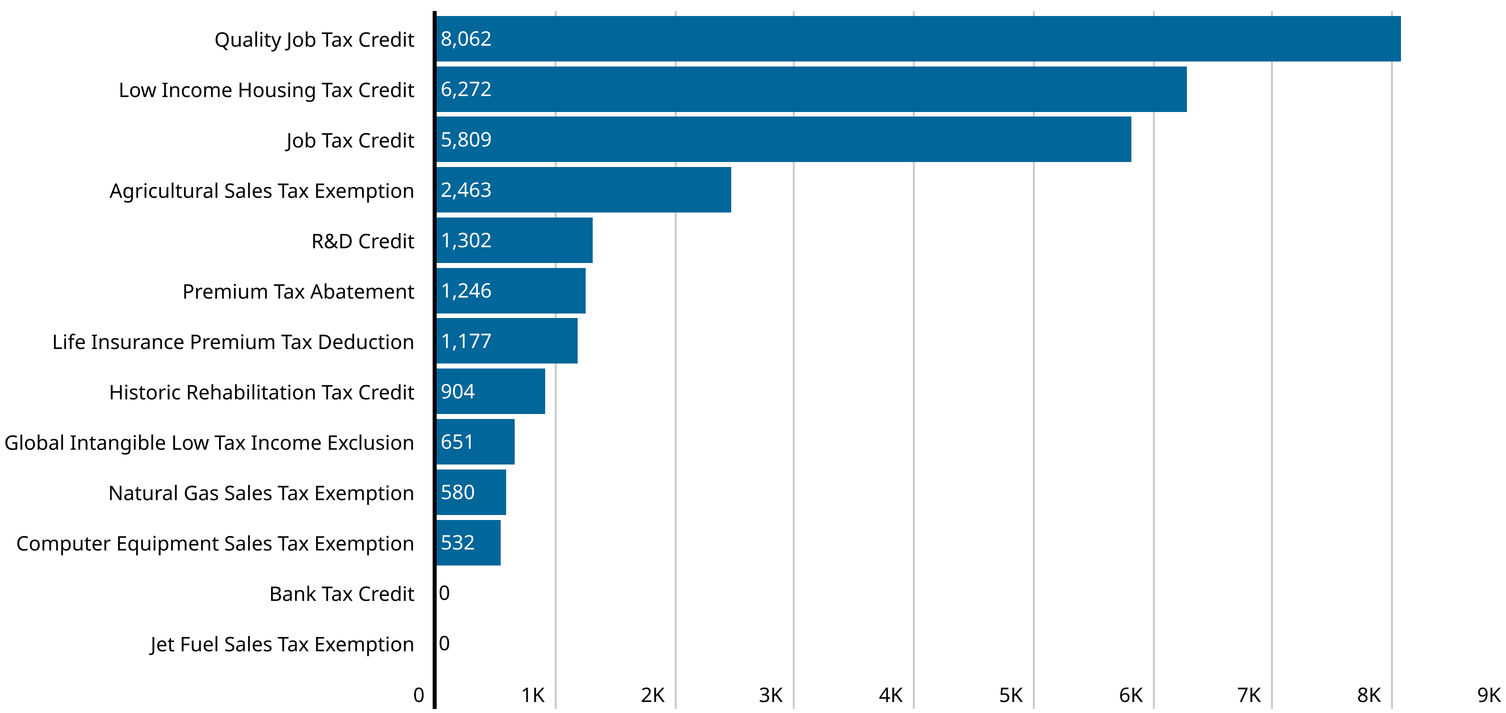
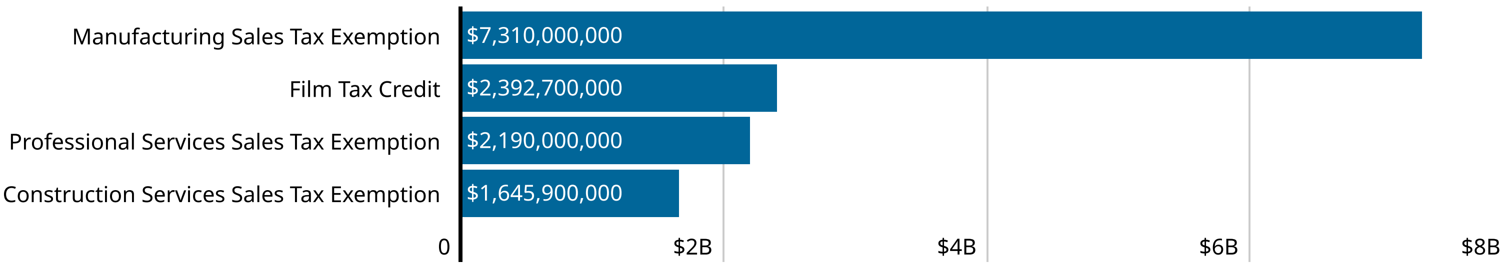


Labor income includes the total payroll of wages and salaries paid to employees. This also includes any benefits, such as health insurance and retirement, as well as payroll taxes.

Labor income also includes payments received by the self-employed or business owners.

The labor income associated with four incentives exceeded $1 billion in the year reviewed, with the manufacturing sales tax exemption at more than $7 billion. Of the remaining incentives, three had labor income exceeding $300 million and the remainder were below $50 million.

Net Labor Income



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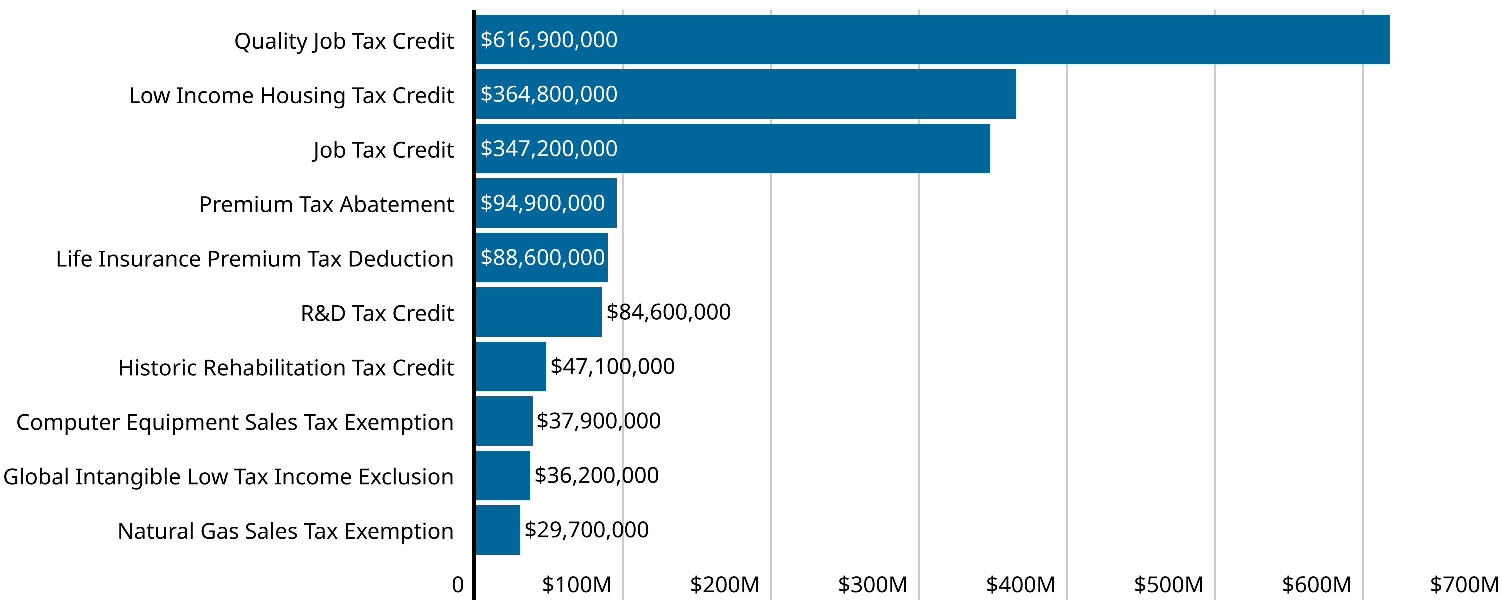

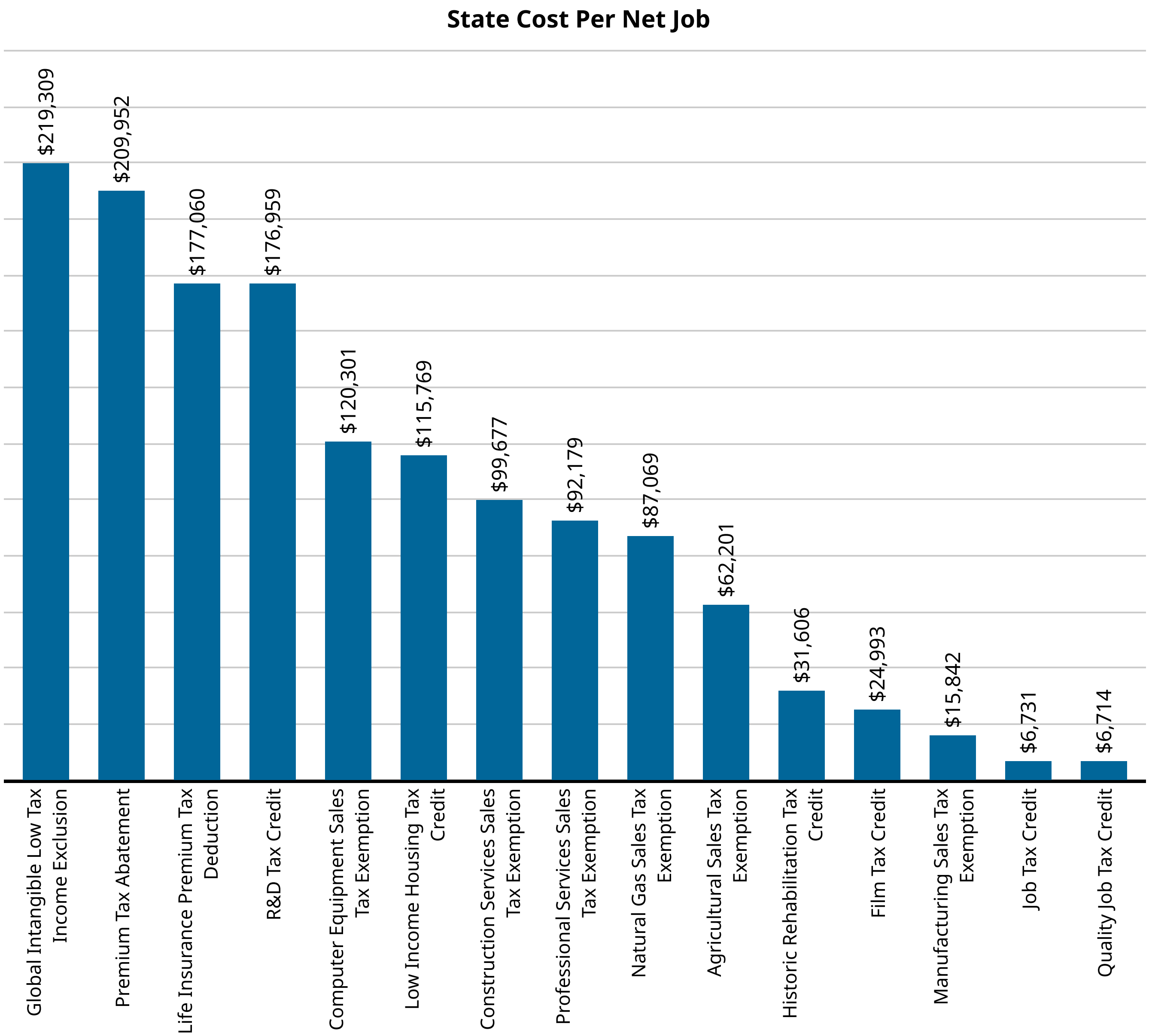

The state cost per net job includes all jobs (direct, indirect, and induced) that are attributable to the credit and the net cost to the state (forgone revenue less revenue generated by the economic activity).

Four incentives have costs per job over $175,000. The highest cost is related to a provision not created for economic development purposes, and researchers found that no state income would be gained if the exclusion was eliminated. Only a relatively small portion of jobs with the R&D Tax Credit are attributed to the credit's existence.