DOAA
Georgia Department
of Audits & Accounts

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State Auditor

March 13, 2024

Honorable Chuck Hufstetler
Chairman, Senate Finance
121-C State Capitol
Atlanta, GA 30334

SUBJECT: Fiscal Note
House Bill 1182 (LC 50 0791S)

Dear Chairman Hufstetler:

The bill would amend the existing low-income housing tax credit (LIHTC) under O.C.G.A. § 33-1-18 and § 48-7-29.6 by dividing credit-earning projects into affordable housing projects earning 80 percent of the federal credit and targeted community projects continuing to earn 100 percent of the federal tax credits associated with the project. Targeted community projects would include those located in rural areas, those reserving a majority of units for seniors or veterans, those providing access to transportation, or those consisting primarily of a renovation or rehabilitation. The bill would be effective July 1, 2024, but applicable to taxable years starting on or after January 1, 2026.

Impact on State Revenue
Georgia State University's Fiscal Research Center (FRC) estimated that the bill would result in higher state revenue collections as shown in Table 1. The increase is due to a portion of the credits receiving a lower credit that would be received under current law. The appendix provides details of the analysis.

Table 1. Estimated State Revenue Effects of LC 50 0599

(*$ millions*)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Revenue Effect	$0	$0	$0	$1.38	$4.40

Impact on State Expenditures
The Department of Revenue (DOR) would be able to implement the provisions of the bill with existing resources.

Respectfully,

Greg S. Griffin
State Auditor

Richard Dunn, Director
Office of Planning and Budget

GSG/RD/mt

Analysis by the Fiscal Research Center

Current law in O.C.G.A. § 48-7-29.6 for income tax and § 33-1-18 for insurance premium tax describes tax credits matching dollar for dollar the federal tax credits of the same name. The federal LIHTC program consists of two separate programs, often referred to as the 9-percent and 4-percent credits. The law governing these credits, 26 U.S. Code § 42, refers to them as "70 percent present value" and "30 percent present value" credits.

In aggregate, 9-percent credits are capped nationally and allocated to states based on a per capita rate, while 4-percent credits are not subject to an explicit federal annual cap but are allocated to projects that are federally subsidized through tax-exempt bond financing or another subsidy program. Federal credits are administered to projects in Georgia by the Department of Community Affairs (DCA). Application and approval for these credits are also administered by DCA.

For projects approved for the federal program, credit amounts are based on qualifying expenses, including hard construction or rehabilitation costs, such as building materials and labor as well as soft costs such as legal expenses, financing costs, permitting and other local government fees, and architecture and engineering fees. Tax credits for any project are spread over a period of 10 years, beginning with the year the project is placed in service.

HB 1182 proposes to first establish the definition of a targeted community project (TCP), a specific type of credit-earning, low-income housing project. For applications received by DCA on or after January 1, 2026, it proposes to change the state credit rate from a 100-percent match of the federal credit to an 80-percent match for all projects not qualified as a TCP, which is a project that:

- is located in a rural area;
- reserves or prioritizes a majority of its units for seniors, veterans, or first responders;
- provides access to stable and high-frequency transportation;
- consists primarily of rehabilitation or renovation; or
- is owned by a housing authority.

Based on DCA's 2023 Qualified Allocation Plan, rural, senior-targeted projects are already criteria favored by DCA when allocating credits to potential credit applicants, as is the criterion of stable and high-frequency transportation. Data for 9-percent applicants indicate that 70 percent of reserved allocations were for projects specified as rural, reserved occupancy for seniors, or rehabilitation. Similar data for 4-percent credit applicants indicated that 63 percent of units were associated with approved projects that would likewise qualify.

Total credits allocated between the two federal programs for 2023 are estimated to be $55.5 million, based on data from DCA, the Department of Housing and Urban Development (HUD), and Novogradac.

The data and assumptions used to estimate the revenue impacts of the proposed bill are as follows.

- The amount of total credit allocations is projected to grow by 3.1 percent annually between 2023 and 2029, based the State Resident Population projections from OPB, and the long-run trend in the federal 9-percent per capita credit allocation rate, 2.1 percent.
- Based on the projects approved by DCA in 2023, the estimates assume 66 percent of credit allocations are for projects qualified as TCP, resulting in an effective state-to-federal credit match rate of 93.3 percent over all credits.
- DCA indicated that once projects are allocated for federal credits, construction commences, and credits are claimed when units are placed into service. This pattern dictates at least a two-year lag between project allocations and projects generating credits. The estimate assumes that the changes proposed under HB 1182 first apply to credit allocations in 2025, which affect credits generated starting in 2027.

Based on these data and assumptions, the initial credit allocations and the accumulating generated credits starting from the first year under HB 1182 are detailed in Table 2. For the accumulating credits generated, the current law baseline and pro forma under the bill are provided—the latter being 6.7 percent below the former, the difference in state match rate. In their initial year of generation, 68 percent of LIHTC have been utilized, with 11 percent, 4 percent, and 2 percent utilized in the subsequent three years, respectively. This utilization pattern is assumed for TY 2025–29.

Table 2. LIHTC Initial Allocations and Credits Generated under HB 1182, CY 2025–29

($ *millions*)	CY 2025	CY 2026	CY 2027	CY 2028	CY 2029
Initial Allocations	$58.9	$60.8	$62.7	$64.7	$66.7
Accumulating Credits Generated					
Baseline	-	-	$60.8	$123.5	$188.2
Pro Forma	-	-	$56.7	$115.2	$175.6
Credits Utilized					
Baseline	-	-	$41.3	$90.7	$144.0
Pro Forma	-	-	$38.6	$84.6	$133.7

For the revenue impact in Table 1, these utilized credits have been converted to fiscal years by averaging.