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Georgia Tax Credits: Details of the Business and Personal Credits Allowed Against Georgia's Income Tax

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ANDREW YOUNG SCHOOL
OF POLICY STUDIES

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DETAILS OF THE BUSINESS AND
PERSONAL CREDITS ALLOWED
AGAINST GEORGIA'S INCOME TAX**

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Georgia Tax Credits: Details of the Business and Personal Credits Allowed Against Georgia's Income Tax

Introduction

Tax credits are a form of special treatment that results in a reduction in the taxpayer's tax liability. Tax credits are very common methods of providing special tax treatment for certain groups or activities. For instance, individuals who incur expenses for the care of their aged parents or their young children can receive a tax credit for a portion of those expenses. Employers can receive a tax credit for certain increases in employment levels or certain investments.

This report presents a comprehensive list of all tax credits allowed against Georgia income tax liabilities as of 2011. Based on current Georgia state law, there are 40 tax credits allowed against the corporate and individual income tax. A list of these credits is provided in Table 1 and Table 2. Appendix A presents summary information for each of the tax credits. Appendix B includes the corresponding statutory language for each credit. Each credit is summarized and categorized based on the characteristics of each credit, such as the credit rate, sunset dates, and carry forward periods. Information on the amount of the credit utilized over the 2003-2008 period is presented for those credits for which the information is available. In some cases, past information on utilization is not available and estimated utilization for 2010-2012 is presented instead. For some credits, no information on utilization is available, past or otherwise.

The incentive provided by tax credits differ from other tax relief policies. The other means of tax relief are provided through deductions from taxable income for certain expenses and by means of exclusions where certain types of income are not included in the taxable income calculation. Tax credits differ from these alternative relief mechanisms because they tend to be the most generous forms of tax relief in the sense that a \$100 tax credit reduces the tax liability by \$100. On the other hand, the value of a \$100 exemption or deduction reduces the tax liability by \$100 times the marginal tax rate faced by the taxpayer. Since this rate is most often 6 percent for Georgia taxpayers, the value of a \$100 exemption or deduction is in most cases equal to \$6. Thus, tax credits provide a much larger incentive effect.

Like other states, Georgia has increased the number of tax credits over time. While some tax credits undergo substantial modifications, few are ever eliminated.

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Because of the nature of any tax preference, these tax credits are not subject to an automatic annual review by policy makers. Therefore, many are allowed to continue without any information as to their effectiveness in fulfilling their objective or their cost in terms of reduced state revenues.

All information presented in this report is the responsibility of the Fiscal Research Center of the Andrew Young School of Policy Studies of Georgia State University, and no other state agency. This report is intended for informational use only and should not be relied on for legal purposes.

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TABLE 1. BUSINESS TAX CREDITS

Employment & Investment

1. Employer's Jobs Tax Credit
2. Quality Jobs Tax Credit
3. New Facilities Jobs Credit
4. New Manufacturing Facilities Property Credit
5. Manufacturer's Investment Tax Credit
6. Optional Investment Tax Credit
7. Investor's Credit

Supplemental Credits

8. Port Activity Tax Credit
9. Alternate Port Activity Tax Credit

Economic Development

10. Film Tax Credit
11. Research Tax Credit
12. Seed-Capital Fund Credit
13. Tax credit for existing business enterprises undergoing qualified business expansion

Employee Benefit

14. Qualified Health Insurance Expense Credit
15. Teleworking Credit
16. Qualified Transportation Credit
17. Business Enterprise Vehicle Credit
18. Employer's Credit for Purchasing Child Care Property / Employer's Credit for Providing or Sponsoring Child Care for Employees

Housing

19. Low Income Housing Credit
20. Historic Rehabilitation Credit

Environmental

21. Diesel Particulate Emission Reduction Technology Equipment
22. Low and Zero Emission Vehicle Credit / Electric Vehicle Charger Credit
23. Land Conservation Credit
24. Clean Energy Property & Wood Residuals Credit
25. Energy or Water Efficient Equipment Credit
26. Tax credit for ground water-usage
27. Tax credit for water conservation facilities and qualified water conservation investment property

Education

28. Employer's Credit for Basic Skills Education
29. Employer's Credit for Approved Employee Retraining
30. Qualified Education Expense Credit

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TABLE 2. PERSONAL TAX CREDITS

Health Care

- 31. Rural Physician Credit

Caregiving and Quality of Life

- 32. Disabled Person Home Purchase or Retrofit Credit
- 33. Qualified Caregiving Expense Credit
- 34. Child and Dependent Care Credit
- 35. Adoption of Foster Child Credit

Income Support

- 36. Low-Income Support Credit

Treatment of Taxes Paid

- 37. Credit for taxes paid to another state

Insurance and Disaster Relief

- 38. Disaster Assistance Credit
- 39. Tax credit for life Insurance payments for Georgia National Guard and Air National Guard

Education

- 40. Driver Education Credit

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Appendix A

A. Business Income Tax Credits

1. *Employer's Job Tax Credit*

The credit provides a statewide job tax credit. Any business or headquarters engaged in manufacturing, warehousing and distribution, processing, telecommunications, broadcasting, tourism, or research and development or services for the elderly and persons with disabilities. Business enterprises of any nature are allowed the credit if located in one of the 40 least developed counties of the state. A minimum number of jobs must be created per qualified business enterprise. This minimum value varies by tier. Average wages must be greater than the average wage of the county in the state with the lowest average wage. To be eligible employers must offer health insurance to all new employees. Employers do not have to pay any portion of health insurance premiums unless this benefit is provided to existing employees.

Code Section: O.C.G.A. § 48-7-40 and O.C.G.A § 48-7-40.1.

Effective: O.C.G.A. § 48-7-40: Taxable years beginning on or after January 1, 1990; O.C.G.A. § 48-7-40.1: Taxable years beginning on or after January 1, 1994.

Date of Last Modification: 2009.

Form: IT-CA.

Estimate of Cost of Utilizing Credit over 2003-2008: \$295,582,832.* Source: Georgia Department of Revenue, Fall 2010. Amounts are manually prepared and only include returns processed to date. * Includes amounts offset against withholding tax.

Credit Rate: Tier 1 (Counties 1-71) - \$3,500 per job annually for 5 years for 5 or more jobs created; Tier 2 (Counties 72-106) - \$2,500 annually for 5 years for 10 or more jobs created; Tier 3 (Counties 107-141) - \$1,250 annually for 5 years for 15 or more jobs created; Tier 4 (Counties 142-159) - \$750 annually for 5 years for 25 or more jobs created; An additional \$500 credit per job is available for any business locating in a county that is part of a Joint Development Authority. An existing business enterprise as defined in O.C.G.A. § 48-7-40 qualifies for an additional \$500 credit for each new fulltime job provided all conditions are met.

Sunset Date: None.

Carry Forward: 10 years from the close of the taxable year in which the jobs were created.

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Transferrable/Used against withholding: Credits can be used against income tax withholding in Tier 1 counties and in less developed census tracts. In addition, credits can be used against withholding where a business enterprise is engaged in a competitive project located in a tier 2 county and where the amount of the credit exceeds such business enterprise's liability for taxes, or where a business enterprise is engaged in a competitive project located in tier 3 or tier 4 county and where the amount of the credit exceeds 50 percent of such business enterprise's liability.

Limitations on Credit: In Tier 1& 2 counties, credits may offset 100 percent of business enterprise's liability. In Tier 3&4 counties, credits may offset 50 percent of business enterprise's liability.

Administered by: Department of Community Affairs & Department of Revenue.

Overlap/Interaction with other state credits: Taxpayer cannot claim the jobs tax credit and the investment tax credit (O.C.G.A. §§ 48-7-40.2, 48-7-40.3, or 48-7-40.4) or an optional investment tax credit (O.C.G.A. §§ 48-7-40.7, 48-7-40.8, or 48-7-40.9) for the same project. Taxpayer cannot claim the jobs tax credit and the quality jobs tax credit for the same jobs.

2. *Quality Jobs Tax Credit*

This credit is for employers creating at least 50 new high-wage jobs or relocating at least 50 high-wage jobs into the state. A quality job or high-wage job is defined as a job located in the state; has 30 hours a week of regular work; a job that is not already located in Georgia; pays at or above 110 percent of the average wage of the county in which it is located; and has no predetermined end date.

Code Section: O.C.G.A. § 48-7-40.17.

Effective: Taxable years beginning on or after January 1, 2009.

Date of Last Modification: 2009.

Form: IT-QJ.

Estimate of Cost of Utilizing Credit over 2003-2008: The credit was not in existence during 2003-2008.

Credit Rate: Equal to \$2,500.00 annually per eligible new quality job where the job pays 110 percent or more but less than 120 percent of the average wage of the county in which the new quality job is located; Equal to \$3,000.00 annually per eligible new quality job where the job pays 120 percent or more but less than 150 percent of the average wage of the county in which the new quality job is located; Equal to \$4,000.00 annually per eligible new quality job where the job pays 150 percent or more but less than 175 percent of the average wage of the county in which the new quality job is located; Equal to \$4,500.00 annually per eligible new quality job where the job pays 175 percent or more but less than 200 percent of the average wage of the county in which the new quality job is located; and Equal to \$5,000.00 annually per eligible new quality job where the job pays 200 percent or more of the average wage of the county in which the new quality job is located.

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Sunset Date: None.

Period of Carry Forward: 10 years.

Transferrable/Used against withholding: Can be taken against quarterly or monthly income tax withholding.

Limitations on Credit: New quality jobs can be claimed for 5 years. Employers have 7 years from the year in which they first become eligible for the credit to create new quality jobs.

Administered by: Department of Revenue.

Overlap/Interaction with other state credits: Taxpayer cannot claim the quality jobs tax credit and the investment tax credit (O.C.G.A. §§ 48-7-40.2, 48-7-40.3, or 48-7-40.4) or an optional investment tax credit (O.C.G.A. §§ 48-7-40.7, 48-7-40.8, or 48-7-40.9) for the same project. Taxpayer cannot claim the quality jobs tax credit and the jobs tax credit (O.C.G.A §§ 48-7-40, 48-7-40.1) for the same jobs.

3. *New Facilities Jobs Credit*

For business enterprises who first qualified in a taxable year beginning before January 1, 2009, \$450 million in qualified investment property must be purchased for the project within a six-year period. The manufacturer must also create at a minimum 1,800 new jobs within a six-year period and can receive credit for up to a maximum of 3,300 jobs.

For business enterprises who first qualify in a taxable year beginning on or after January 1, 2009; (1) the definition of business enterprise is any enterprise or organization which is registered and authorized to use the federal employment verification system known as “E-Verify” or any successor federal employment verification system and is engaged in or carrying on any business activities within this state. Retail businesses are not included in the definition of a business enterprise; (2) the business enterprise must meet the job creation requirement of 1,800 eligible full-time employees and either the qualified investment requirement of \$450 million in qualified investment property, or the payroll requirement of \$150 million in total annual Georgia W-2 reported payroll within the six-year period. Average wages must be greater than the average wage of the county in the state with the lowest average wage. To be eligible employers must offer health insurance to all new employees. Employers do not have to pay any portion of health insurance premiums unless this benefit is provided to existing employees.

A panel composed of the commissioner of community affairs, the commissioner of economic development, and the director of the Office of Planning and Budget, must certify that the new or expanded facility or facilities will have a significant beneficial economic effect on the region for which they are planned. Although the panel's certification may be based upon other criteria, a project that meets the minimum job creation requirement and either the payroll requirement or qualified investment property requirement, as applicable, will have a significant beneficial economic effect on the region for which it is planned if one of the following additional criteria is met:

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- (A) The project will create new full-time employee jobs with average wages that are:
 - (i) Twenty percent above such average wage for projects located in tier 1 counties;
 - (ii) Ten percent above such average wage for projects located in tier 2 counties; or
 - (iii) Five percent above such average wage for projects located in tier 3 or tier 4 counties; or

- (B) The project demonstrates high growth potential based upon the prior year's Georgia net taxable income growth of over 20 percent from the previous year, if the taxpayer's Georgia net taxable income in each of the two preceding years also grew by 20 percent or more.

Code Section: O.C.G.A. § 48-7-40.24.

Effective: Taxable years beginning on or after January 1, 2003.

Date of Last Modification: 2009.

Form: Application is approved by panel.

Estimate of Cost of Utilizing Credit over 2003-2008: Not available.

Credit Rate: \$5,250 per job created annually for 5 years. New full-time jobs can be created by the close of the seventh taxable year following the business enterprise's withholding start date.

Sunset Date: None.

Period of Carry Forward: 10 years.

Transferrable/Used against withholding: Excess credits may be used against income tax withholding.

Limitations on Credit: See below.

Administered by: Department of Revenue.

Overlap/Interaction with other state credits: A taxpayer who is entitled to and takes credits provided by this Code section for a qualified project shall not be allowed to take any of the credits authorized by Code Section 48-7-40, 48-7-40.1, 48-7-40.2, 48-7-40.3, 48-7-40.4, 48-7-40.6, 48-7-40.7, 48-7-40.8, 48-7-40.9, 48-7-40.10, 48-7-40.11, 48-7-40.15, 48-7-40.17, or 48-7-40.18 for jobs, investments, child care, or ground-water usage shifts created by, arising from, related to, or connected in any way with the same project.

This credit cannot be claimed for more than 3,300 new full-time employee jobs created by any one project; however the business enterprise may claim credits under Code Sections 48-7-40 and 48-7-40.1 for any such additional jobs if the business enterprise meets the statutory requirements.

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4. *New Manufacturing Facilities Property Credit*

This is an incentive for business enterprises engaged in manufacturing that have operated a manufacturing facility in this state for at least 3 years and who spend \$800 million on a new manufacturing facility in this state. There is also the requirement that the number of full-time employees equal or exceed 1,800. However, these do not have to be new jobs to Georgia. An application is filed which a panel must approve. Average wages must be greater than the average wage of the county in the state with the lowest average wage.

A panel composed of the commissioner of community affairs, the commissioner of economic development, and the director of the Office of Planning and Budget, must certify that the new or expanded facility or facilities will have a significant beneficial economic effect on the region for which they are planned. Although the panel's certification may be based upon other criteria, a project that meets the minimum job creation requirement and either the payroll requirement or qualified investment property requirement, as applicable, will have a significant beneficial economic effect on the region for which it is planned if one of the following additional criteria is met:

- (A) The project will create new full-time employee jobs with average wages that are:
 - (i) Twenty percent above such average wage for projects located in tier 1 counties;
 - (ii) Ten percent above such average wage for projects located in tier 2 counties; or
 - (iii) Five percent above such average wage for projects located in tier 3 or tier 4 counties; or

- (B) The project demonstrates high growth potential based upon the prior year's Georgia net taxable income growth of over 20 percent from the previous year, if the taxpayer's Georgia net taxable income in each of the two preceding years also grew by 20 percent or more.

Code Section: O.C.G.A. § 48-7-40.25.

Effective: Taxable years beginning on or after January 1, 2003.

Date of Last Modification: 2005.

Form: Application is approved by panel.

Estimate of Cost of Utilizing Credit over 2003-2008: Not available.

Credit Rate: 6 percent of cost of all qualified investment property purchased or acquired by the business enterprise in such year.

Sunset Date: None.

Period of Carry Forward: 15 years from the close of the later of the taxable year in which the qualified investment property was acquired; or the taxable year in which both the job requirement and investment requirement are satisfied.

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Transferrable/Used against withholding: Excess credits can be used against the income tax withholding liability.

Limitations on Credit: Credits may not exceed \$50 million with respect to any single project.

Administered by: Department of Revenue.

Overlap/Interaction with other state credits: A business enterprise who is entitled to and takes credits provided by this Code section for a qualified project shall not be allowed to take any of the credits authorized by Code Section 48-7-40, 48-7-40.1, 48-7-40.2, 48-7-40.3, 48-7-40.4, 48-7-40.6, 48-7-40.7, 48-7-40.8, 48-7-40.9, 48-7-40.10, 48-7-40.11, 48-7-40.15, 48-7-40.17, 48-7-40.18 or 48-7-40.24 for jobs, investments, child care, or ground-water usage shifts created by, arising from, related to, or connected in any way with the same project. Such taxpayer may take any credit authorized by Code Section 48-7-40.5 for the cost of retraining an employee located at the site of such project or the manufacturing facility, but only with respect to costs incurred more than 5 years after the date the manufacturing facility first becomes operational.

5. Manufacturer's Investment Tax Credit

Qualified taxpayers must invest a minimum of \$50,000 per project per location during the tax year to receive credit. Eligible taxpayers must have been in operation for the immediately preceding three years and have operated a manufacturing or telecommunications facility or manufacturing or telecommunications support facility in the state. Leased property for a period of 5 years or longer is eligible for the credit.

Code Sections: O.C.G.A. §§ 48-7-40.2, 48-7-40.3, and 48-7-40.4.

Effective: Taxable years beginning on or after January 1, 1994.

Date of Last Modification: 2000.

Form: IT-IC and IT-APP.

Estimate of Cost of Utilizing Credit over 2003-2008: \$132,487,240. Source: Georgia Department of Revenue, Fall 2010. Amounts are manually prepared and only include returns processed to date.

Credit Rate: Tier 1 counties-5 percent general, 8 percent for recycling, pollution control or defense conversion activities; Tier 2 counties-3 percent general; 5 percent for recycling, pollution control or defense conversion activities; Tier 3 or 4-1 percent general; 3 percent for recycling, pollution control or defense conversion activities.

Sunset Date: None.

Period of Carry Forward: 10 years.

Transferrable/Used against withholding: No/No.

Limitations on Credit: Prior approval is required. Can be used to offset up to 50 percent of the taxpayer's tax liability.

Administered by: Department of Revenue.

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Overlap/Interaction with other state credits: Taxpayers may not apply for the jobs tax credit, headquarters job tax credit, investment tax credit, or the quality jobs tax credit for the same project. Taxpayer must elect either the optional or investment tax credit.

6. Optional Investment Tax Credit

An alternative investment tax credit available for investments in manufacturing or telecommunications facilities or support facilities that has been operating for the three immediately preceding years. The credit is available for investments in excess of \$5 million and placed in service no earlier than January 1, 1996 for Tier 1 counties. The investment threshold is \$10 million for Tier 2 counties and is \$20 million for Tier 3 and 4 counties.

Code Sections: O.C.G.A. §§ 48-7-40.7, 48-7-40.8, and 48-7-40.9.

Effective: Taxable years beginning on or after January 1, 1996.

Date of Last Modification: 2000.

Form: OIT-APP.

Estimate of Cost of Utilizing Credit over 2003-2008: \$4,985,247. Source: Georgia Department of Revenue, Fall 2010; *Figures are for 2007. Amounts are manually prepared and only include returns processed to date.

Credit Rate: In the case of Tier 1 counties, the aggregate value of credit is 10 percent of cost of qualified investment and is taken over a 10 year period. In the case of Tier 2 counties the applicable rate is 8 percent and is 6 percent in the case of Tier 3 and 4 counties and is taken over a 10 year period. The annual credit allowed is the minimum of

- (A) Ninety percent of the excess of the tax determined without regard to any credits over the base year average; or
- (B) The excess of the aggregate amount of the credit allowed over the sum of the amounts of credit already used in the years following the base year.

The base year average is the average tax liability for the current tax year and the past two years computed without regard to any tax credits.

Sunset Date: None

Period of Carry Forward: No carry forward.

Transferrable/Used against withholding: No/No

Limitations on Credit: See below.

Administered by: Department of Revenue

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Overlap/Interaction with other state credits: Taxpayers may not apply for the jobs tax credit, headquarters job tax credit, optional investment tax credit, or the quality jobs tax credit for the same project. Taxpayers cannot take this credit and the investment tax credit for the same project.

7. Qualified Investor Tax Credit

A tax credit for qualified investments made in certain Georgia headquartered small businesses. Qualified investments include investments in a corporation, LLC, or general or limited partnership that is headquartered in the state and which was organized no more than 3 years before the qualified investment was made. The business must have no more than 20 employees and \$500,000 or less in gross annual consolidated revenue and less than \$1 million in aggregate gross proceeds from the issuance of equity or debt instruments. Qualified businesses are primarily engaged in manufacturing, processing, online and digital warehousing, software development, information technology services, research and development. Qualified businesses are not primarily involved in retail sales, real estate or construction, professional services, gambling, natural resource extraction, financial, brokerage, or investment activities, insurance, entertainment, amusement, recreation, or athletic or fitness activity for which an admission or membership is charged.

A qualified investor is defined as an accredited investor as that term is defined by the United States Securities and Exchange Commission who is a resident or nonresident with a tax obligation to the state, or a pass-through entity which is formed for investment purposes, has no business operations, has committed capital under management of equal to or less than \$5 million, and is not capitalized with funds raised or pooled through private placement memoranda directed to institutional investors. A venture capital fund or commodity fund with institutional investors or a hedge fund shall not qualify as a qualified investor.

Code Sections: O.C.G.A. § 40-7-40.30.

Effective: January 1, 2011.

Date of Last Modification: Not applicable.

Forms: IT-QBR, IT-QI-AP, IT-QI.

Estimate of Cost of Utilizing Credit over 2003-2008: The credit was not in existence 2003-2008. The revenue effect is estimated to be in the range of \$7-\$10 million annually. Source: Fiscal Note for HB 1001/2010 LC 18 8790.

Credit Rate: A qualified investor that makes a qualified investment directly in a qualified business in calendar year 2011, 2012, or 2013 shall be allowed a tax credit of 35 percent of the amount invested commencing on January 1 of the second year following the year in which the qualified investment was made.

Sunset Date: No credits can be credited after December 31, 2015.

Period of Carry Forward: 5 years from the close of the taxable year in which the qualified investment was made.

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Transferrable/Used against withholding: No/No.

Limitations on Credit: The credit cannot exceed the taxpayer's income tax liability. The credit amount allowed to an individual, either for one or more qualified investments in a single tax year and shall not exceed \$50,000. Aggregate cap: For investments made in Calendar year 2011 and claimed and allowed in taxable year 2013-\$10 million; For investments made in Calendar year 2012 and claimed and allowed in taxable year 2014-\$10 million; For investments made Calendar year 2013 and claimed and allowed in taxable year 2015-\$10 million.

Administered by: Department of Revenue.

Overlap/Interaction with other state credits: Qualified businesses must not have utilized the tax credit described in O.C.G.A. § 40-7-40.26 (the film tax credit).

8. Port Activity Tax Credit

For taxable years beginning before January 1, 2010, businesses or the headquarters of any such businesses engaged in manufacturing, warehousing and distribution, processing, telecommunications, broadcasting, tourism, research and development but not retail, that have increased shipments out of Georgia ports during the previous 12-month period by more than 10 percent over their 1997 base year port traffic, or by more than 10 percent over 75 net tons, five containers or ten 20-foot equivalent units (TEU's) during the previous 12-month period are qualified for increased job tax credits or investment tax credits.

For all taxable years beginning on or after January 1, 2010, the total amount of net tons, containers, or twenty-foot equivalent units (TEU's) of product actually imported into this state or exported out of this state by way of a waterborne ship or vehicle through a port facility during the second preceding 12 month period.

NOTE: Base year port traffic must be at least 75 net tons, five containers, or 10 TEU's. If not, the percentage increase in port traffic will be calculated using 75 net tons, five containers, or 10 TEU's as the base. The taxpayer or business enterprise must meet all statutory and regulatory requirements for the underlying credit, the jobs tax credit or investment tax credit, in order to claim the port activity tax credit.

Code Section: O.C.G.A. § 48-7-40.15.

Effective: Taxable years beginning on or after January 1, 1998.

Date of Last Modification: 2009.

Form: Taxpayer must attach a schedule as described in Code Section 48-7-40.15 to claim this credit. Form for the appropriate applicable tax credit must also be filed (Job tax credit; Form IT-CA; Investment Tax Credit; Form IT-IC; Optional Investment Tax Credit; Form IT-OIT).

Estimate of Cost of Utilizing Credit over 2003-2008: \$46,989,040. Source: Georgia Department of Revenue, Fall 2010. Amounts are manually prepared and only include returns processed to date.

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Credit Rate: Credit is an enhancement to the jobs tax credit or is claimed in lieu of the investment tax credit or optional investment tax credit, - additional job tax credit of \$1,250 per job; in lieu of the investment tax credit under Code Sections 48-7-40.2, 48-7-40.3, or 48-7-40.4—a credit of 5 percent, or in lieu of optional investment tax credit under Code Sections 48-7-40.7, 48-7-40.8, and 48-7-40.9—a credit of 10 percent.

Sunset Date: None.

Period of Carry Forward: 10 years, provided that the increase in port traffic remains above the minimum level established in this Code section and the qualified investment property remains in service.

Transferrable/Used against withholding: No/No.

Limitations on Credit: No credit shall be allowed in years in which the port traffic of the taxpayer does not remain above the minimum level established. The tax credit is limited to 50 percent of the taxpayer's state income tax liability.

A business enterprise can only claim the port activity tax credit as an enhancement to both the jobs and investment credits if such business enterprise has increased its port traffic of products during the previous 12 month period by more than 20 percent above its base year port traffic, has increased employment by 400 or more no sooner than January 1, 1998, and has purchased or acquired qualified investment property having an aggregate cost in excess of \$20 million no sooner than January 1, 1998.

Administered by: Department of Revenue.

Overlap/Interaction with other state credits: Must also claim the Jobs Tax Credit, or the Investment Tax Credit or the Optional Investment Tax Credit.

9. Alternative Port Activity Tax Credit

It allows the credit to any business enterprise located in a Tier 2 or 3 county or in a less developed area and which qualifies and receives the Jobs Tax Credit and which:

- (A) Consists of a distribution facility of greater than 650,000 square feet in operation in this state prior to December 31, 2008;
- (B) Distributes product to retail stores owned by the same legal entity or its subsidiaries as such distribution facility; and
- (C) Has a minimum of 8 retail stores in this state in the first year of operations.

Code Section: O.C.G.A. § 48-7-40.15A.

Effective: May 5, 2009.

Date of Last Modification: 2009.

Form: Taxpayer must attach a schedule with information described in Code Section 48-7-40.15A to claim the credit.

Estimate of Cost of Utilizing Credit over 2003-2008: Not available.

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Credit Rate: Credit is computed as marginal increases to other credits - additional job tax credit of \$1,250 per job.

Sunset Date: 2015.

Period of Carry Forward: 10 years, provided that the increase in port traffic remains above the minimum level established in this Code section.

Transferrable/Used against withholding: No/No.

Limitations on Credit: Cannot apply for alternate port activity tax credit provided for 48-7-40.15A(b) and the port activity tax credit provided in 48-7-40.15(b) for any taxable year unless such business enterprise has increased its port traffic of products during the previous twelve month period by more than 20 percent above its base year port traffic, and also has increased employment by 400 or more no sooner than January 1, 1998. The tax credit is limited to 50 percent of the taxpayer's state income tax liability. No credit shall be allowed in years in which the port traffic of the taxpayer does not remain above the minimum level established.

Administered by: Department of Revenue.

Overlap/Interaction with other state credits: Business enterprise must claim the jobs tax credit under Code Section 48-7-40.1.

10. Film Tax Credit

Production companies which have at least \$500,000 of qualified expenditures in a state certified production may claim this credit. Certification must be approved through the Georgia Department of Economic Development. There are special calculation provisions for production companies whose average annual total production expenditures in this state exceeded \$30 million for 2002, 2003 and 2004.

Code Section: O.C.G.A. § 48-7-40.26.

Effective: Taxable years beginning on or after January 1, 2005.

Date of Last Modification: 2008.

Form: IT-FC.

Estimate of Cost of Utilizing Credit over 2003-2008: \$63,054,133.* Source: Georgia Department of Revenue, Fall 2010; *Total credit utilized on tax returns for years 2003-2008 includes total for Film Tax Credit offset to withholding. Amounts are manually prepared and only include returns processed to date.

Credit Rate: 20 percent of the base investment in the state, with an additional 10 percent for including a qualified Georgia promotion.

Sunset Date: None.

Period of Carry Forward: 5 years.

Transferrable/Used against withholding: Excess credits can be used against the income tax withholding liability. Credit can be sold or transferred by the production company to a Georgia taxpayer.

Limitations on Credit: Credit can be used to offset 100 percent of taxpayer liability.

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Administered by: Film Office of the Georgia Department of Economic Development, Department of Revenue.

Overlap/Interaction with other state credits: Resident employees included in the film tax credit by the production company must be permanently excluded from the jobs tax credit (Code Sections 48-7-40 and 48-7-40.1) and the quality jobs tax credit (48-7-40.17).

11. Research Tax Credit

This credit is for expenses resulting from research conducted in Georgia by businesses engaged in the manufacturing, warehousing and distribution, processing, telecommunications, tourism, or research and development industries. Firms with R&D expenditures in excess of the base amount, are eligible for the credit. The base amount is defined to be the product of a business enterprise's Georgia gross receipts in the current taxable year and the average of the ratios of its aggregate qualified research expenses to Georgia gross receipts for the preceding three taxable years or 0.300, whichever is less. Business enterprise means any business or the headquarters of any such business which is engaged in manufacturing, warehousing and distribution, processing, telecommunications, broadcasting, tourism, and research and development industries. Such term shall not include retail businesses. A tax credit is allowed provided that the business enterprise for the same taxable year claims and is allowed a research credit under Section 41 of the Internal Revenue Code of 1986, as amended.

Code Section: O.C.G.A. § 48-7-40.12.

Effective: Taxable years beginning on or after January 1, 1998.

Date of Last Modification: 2009.

Form: IT-RD.

Estimate of Cost of Utilizing Credit over 2003-2008: \$51,799,308. Source: Georgia Department of Revenue, Fall 2010. Amounts are manually prepared and only include returns processed to date.

Credit Rate: 10 percent of the excess over the base amount of research expenditures.

Sunset Date: None.

Period of Carry Forward: 10 years.

Transferrable/Used against withholding: In the 1st five years of a newly formed business, credits in excess of the 50 percent annual limitation can be used against income tax withholding.

Limitations on Credit: Credit cannot exceed 50 percent of the business enterprise's remaining Ga. net income tax liability after all other credits have been applied.

Administered by: Department of Revenue.

Overlap/Interaction with other state credits: None.

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12. Seed-Capital Fund Credit

This provides a tax credit for certain qualified investments made on or after July 1, 2008 in a research fund, the purpose of which is to provide early-stage financing for businesses formed as a result of the intellectual property resulting from the research conducted in the research universities in this state. In addition, a qualified investment under Code Section 48-7-40.28 means a cash investment in a legal entity in which the research fund has invested; provided, however, that such investment has been made by the taxpayer at the invitation of the research fund with the express intention of permitting the taxpayer making such qualified investment to qualify for the credit.

Code Section: O.C.G.A. § 48-7-40.27 & 40.28.

Effective: Applicable to investments made on or after July 1, 2008.

Date of Last Modification: 2008.

Form: IT-SCF.

Estimate of Cost of Utilizing Credit over 2003-2008: The revenue loss is expected to equal \$15 million occurring over tax years between FY2008 and FY 2012. Source: Fiscal Note produced in 2009 by the Fiscal Research Center, LC 38 0573 – HB 1196S.

Credit Rate: For investments qualifying under Code Section 48-7-40.27—the credit is equal to 25 percent of taxpayer’s qualified investment; For investments qualifying under Code Section 48-7-40.28—the credit is equal to 10 percent of the taxpayer’s qualified investment if the qualified investment is in the form of a legal entity in which the research fund has invested.

Sunset Date: *Code Section 48-7-40.27* Once the research fund reaches \$30 million in total qualified investments, investors shall no longer be eligible for a credit with respect to all subsequent qualified investments; *Code Section 48-7-40.28* Once the total amount of qualified investments reaches \$75 million, investors shall no longer be eligible for a credit with respect to all subsequent qualified investments.

Period of Carry Forward: 10 years.

Transferrable/Used against withholding: No/No.

Limitations on Credit: Credit cannot exceed taxpayer’s liability.

Administered by: Department of Revenue.

Overlap/Interaction with other state credits: *Code Section 48-7-40.27:* taxpayer cannot claim this credit for a cash investment if they claim the tax credit provided in Code Section 48-7-40.28 for such cash investment; *Code Section 48-7-40.28:* taxpayer cannot claim this credit for a cash investment into the research fund.

13. Qualified Business Expansion Tax Credit

Existing businesses engaged in manufacturing, warehousing and distribution, processing, telecommunications, broadcasting, tourism, or research and development industries that have been in operation in this state for at least five years and that create at least 500 new full-time jobs within the taxable year. Such businesses shall not include retail businesses.

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A panel composed of the commissioner of community affairs, the commissioner of economic development, and the director of the office of planning and budget must certify that the expansion will have a beneficial economic effect on the region for which it is planned.

Code Section: O.C.G.A. § 48-7-40.21.

Effective: Tax years beginning on or after January 1, 2001.

Date of Last Modification: 2008.

Form: IT-QBE.

Estimate of Cost of Utilizing Credit over 2003-2008: Estimated to equal \$2 to \$3 million annually from FY2010-FY2012. Source: Fiscal Note for HB 1246/2008 LC 18 7154.

Credit Rate: An approved existing business enterprise is allowed to take credits available through the Jobs Tax Credit (O.C.G.A. § 48-7-40) against its withholding tax liability.

Sunset Date: None.

Period of Carry Forward: None.

Transferrable/Used against withholding: No/Yes.

Limitations on Credit: Application may only be made where the amount of such credit exceeds 50 percent of the existing business enterprise's income tax liability. \$5 million limit on tax credit per taxpayer and no credit is allowed if the net employment increase falls below 500 new-full time jobs. The credit shall not apply to more than five taxable years.

Administered by: Department of Revenue.

Overlap/Interaction with other state credits: O.C.G.A. § 48-7-40.

14. Qualified Health Insurance Expense Credit

Employer credit for the premiums paid for a high-deductible health plan. Employers must employ 50 or fewer persons for whom the employer provides high deductible health plans as defined by Section 223 of the Internal Revenue Code and in which such employees are enrolled. The qualified health insurance must be made available to all employees and compensated individuals of the employer pursuant to the applicable provisions of Section 125 of the Internal Revenue Code. The qualified health insurance premium expense per enrolled employee must equal at least \$250 annually.

Code Section: O.C.G.A. § 48-7-29.13.

Effective: Taxable years beginning on or after January 1, 2009.

Date of Last Modification: 2009.

Form: IT-QHIE.

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Estimate of Cost of Utilizing Credit over 2003-2008: The credit was not in existence during this period. It is estimated to equal \$5.5 million in FY2009 and approximately \$12-\$16 million annually over FY2010-FY2012. Source: Fiscal Research Center, Fiscal Note for HB 977, LC 37 0690S.

Credit Rate: \$250 per employee enrolled for 12 consecutive months in a qualified health plan.

Sunset Date: none.

Period of Carry Forward: Credit can be carried forward until completely utilized.

Transferrable/Used against withholding: No/No.

Limitations on Credit: Cannot exceed taxpayer's income tax liability.

Administered by: Department of Revenue.

Overlap/Interaction with other state credits: None.

15. Teleworking Credit

Employers who permit their employees to telework will be allowed an income tax credit for expenses incurred up to \$1,200 per participating employee. In addition, employers are allowed a credit equal to the cost or up to a maximum credit of \$20,000.00 per employer for preparing an assessment of a teleworking plan for their business.

Code Section: O.C.G.A. § 48-7-29.11.

Effective: July 1, 2007.

Date of Last Modification: 2009.

Form: IT-TW.

Estimate of Cost and # of Firms Approved for Credit: 135 firms were approved for \$1.9 million in credits in FY2008. Source: Georgia Department of Revenue, Press Release January 7, 2009, based on preapproved amounts.

Credit Rate: The credit is equal to 100 percent of eligible expenses if the participating employee agrees to telework at least 12 days per month and if the employer's principal place of business is located in an area designated by the United States Environmental Protection Agency as a nonattainment area under the federal Clean Air Act, 42 U.S.C. Section 7401. The credit is equal to 75 percent for employees teleworking at least 12 days a month for employees working in other parts of the state. The credit is equal to 25 percent for employees teleworking at least five days per month.

Sunset Date: 2011.

Period of Carry Forward: No carry forward.

Transferrable/Used against withholding: No/No.

Limitations on Credit: maximum value is \$1,200 per participating employees and may be incurred only once per employee; \$20,000 per employer for telework

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assessment costs and may be incurred only once per employer; Prior approval to claim credit is required. Aggregate Cap: Calendar year 2008-\$2 million; Calendar year 2009-\$2 million; Calendar year 2010-\$2.5 million; Calendar year 2011-\$2.5 million.

Administered by: Department of Revenue.

Overlap/Interaction with other state credits: None.

16. Qualified Transportation Credit

A tax credit provided to employers for the cost of providing any federally qualified transportation benefit to an employee. Employees must use the fringe benefit at least 10 workdays per month for the employer to qualify for the credit.

Code Section: O.C.G.A. § 48-7-29.3.

Effective: Taxable years beginning on or after January 1, 2001.

Date of Last Modification: 2000.

Form: None.

Estimate of Cost of Utilizing Credit over 2003-2008: \$0.45 million. Source: Georgia Department of Revenue, Fall 2010. Amounts are manually prepared and only include returns processed to date.

Credit Rate: \$25 per employee receiving the benefit, provided that in no event shall the total amount of such tax credit exceed the annual amount expended by the employer in providing such federal qualified transportation fringe benefits to such employees.

Sunset Date: None.

Period of Carry Forward: 3 years.

Transferrable/Used against withholding: No/No.

Limitations on Credit: Cannot exceed the taxpayer's income tax liability.

Administered by: Department of Revenue.

Overlap/Interaction with other state credits: None.

17. Business Enterprise Vehicle Credit

This is a credit given to a business enterprise for the purchase of a motor vehicle that is used exclusively to provide transportation for its employees. In order to qualify, a business enterprise must certify that each vehicle carries an average daily ridership of not less than four employees for an entire taxable year.

Code Section: O.C.G.A. § 48-7-40.22.

Effective: Taxable years beginning on or after January 1, 2002.

Date of Last Modification: 2008.

Form: None.

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Estimate of Cost of Utilizing Credit over 2003-2008: Not available.

Credit Rate: \$3,000 per vehicle for Tier 1 counties, \$2,000 for Tier 2 counties.

Sunset Date: None.

Period of Carry Forward: Credit can be carried forward until utilized.

Transferrable/Used against withholding: No/No.

Limitations on Credit: Tax credit cannot exceed income tax liability for that year.

Administered by: Department of Revenue.

Overlap/Interaction with other state credits: Cannot take the credit under this provision and under the Low or zero emission vehicle credit (48-7-40.16) for the same vehicle.

18. Employer's Credit for Purchasing Child Care Property/Employer Sponsored Child-Care

Tax credit for expenses related to an employer who purchases qualified child care property; and a tax credit for employers who provide or sponsor child care for employees. Qualified child care property includes but is not limited to amounts expended on land acquisition, improvements, buildings, and building improvements and furniture, fixtures, and equipment.

Code Section: O.C.G.A. § 48-7-40.6.

Effective: Credit for cost of operation-Taxable years beginning on or after January 1, 1994; Credit for Cost of Qualified Child Care Property-Taxable years beginning on or after January 1, 2000.

Date of Last Modification: 2004.

Form: IT-CCC75 & IT-CCC100.

Estimate of Cost of Utilizing Credit over 2003-2008: \$25,681,560. Source: Georgia Department of Revenue, Fall 2010. Amounts are manually prepared and only include returns processed to date.

Credit Rate: In the case of purchasing child care property, the credit rate is 100 percent. The taxpayer can take a credit worth 10 percent per year for 10 years. In the case of employer-provided or sponsored child care, the credit rate is up to 75 percent of employer's direct costs.

Sunset Date: None.

Period of Carry Forwards: 3 years for purchase of child care property; 5 years for employer sponsored child care expenses.

Transferrable/Used against withholding: No/No.

Limitations on Credit: Can be used to offset 50 percent of taxpayer's tax liability. A recapture schedule applies for property that is transferred or committed to a use other than child care within 14 years after the property is placed in service.

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Administered by: Department of Revenue.

Overlap/Interaction with other state credits: None.

19. Low Income Housing Credit

This is a credit against Georgia income taxes for taxpayers owning developments which receive the federal Low-Income Housing Tax Credit and that are placed in service in Georgia on or after January 1, 2001. A development consists of a housing project with restricted rents that do not exceed 30 percent of median income for at least 40 percent of its units occupied by persons or families having incomes of 60 percent or less of the median income or at least 20 percent of the units occupied by persons or families having incomes of 50 percent or less of the median income.

Code Section: O.C.G.A. § 48-7-29.6.

Effective: Taxable years beginning on or after January 1, 2001.

Date of Last Modification: 2001.

Form: IT-HC.

Estimate of Cost of Utilizing Credit over 2003-2008: \$97,985,565. Source: Georgia Department of Revenue, Fall 2010. Amounts are manually prepared and only include returns processed to date.

Credit Rate: Equal in value to the federal credit.

Sunset Date: None.

Period of Carry Forward: 3 years.

Transferrable/Used against withholding: Yes/No

Limitations on Credit: Credit cannot exceed tax liability. Must apply for federal credit to receive state credit. Cannot exceed value of federal credit when combined with the total amount of credits under Code Section 33-1-18.

Administered by: Department of Community Affairs, Department of Revenue, Office of Insurance and Safety Commissioner.

Overlap/Interaction with other state credits: None.

20. Historic Rehabilitation Credit

A credit for the certified rehabilitation of a certified structure or historic home. Standards set by the Department of Natural Resources must be met.

Code Section: O.C.G.A. § 48-7-29.8.

Effective: Taxable years beginning on or after January 1, 2004.

Date of Last Modification: 2008.

Form: IT-RHC.

Estimate of Cost of Utilizing Credit over 2003-2008: Not available.

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Credit Rate: In the case of a historic home, the credit is equal to 25 percent of the qualified rehabilitation expenses with an additional 5 percent credit for historic homes located in a target area. In the case of other certified structures, the credit is equal to 25 percent of the qualified rehabilitation expenditures.

Sunset Date: None.

Period of Carry Forward: 10 years.

Transferrable/Used against withholding: No/No

Limitations on Credit: For taxable years beginning on or after 1/1/2009, the credit cannot exceed \$100,000 for a historic home and \$300,000 for a certified structure over a 10 year period.

Administered by: Department of Natural Resources; Department of Revenue.

Overlap/Interaction with other state credits: None.

21. Diesel Particulate Emission Reduction Technology Equipment

This is a credit given to any person who installs diesel particulate emission reduction equipment at any truck stop, depot, or other facility. For purposes of this credit Diesel particulate emission reduction technology equipment is any equipment that provides for heat, air conditioning, light, and communications for the driver's compartment of a commercial motor vehicle parked at a truck stop, depot, or other facility the use of which results in the engine being turned off with a corresponding reduction of particulate emissions from such vehicle's diesel engine.

Code Section: O.C.G.A. § 48-7-40.19.

Effective: Taxable years beginning on or after January 1, 2001.

Date of Last Modification: 2000.

Form: None.

Estimate of Cost of Firms Utilizing Credit over 2003-2008: Not available.

Credit Rate: 10 percent of the total cost of the diesel particulate emission reduction technology equipment and the cost of installation of such equipment.

Sunset Date: None.

Period of Carry Forward: None.

Transferrable/Used against withholding: No/No.

Limitations on Credit: None.

Administered by: Department of Revenue.

Overlap/Interaction with other state credits: None.

22. Zero and Low Emission Vehicle Credit; Electric Vehicle Charger Credit

This is a credit for the purchase or lease of a new low or zero emission vehicle that is registered in the state of Georgia. The credit also applies to the conversion of a standard vehicle to a low or zero emission vehicle. In addition, the credit applies to

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the purchase of an electric vehicle charger. Low emission vehicles are defined to include vehicles fueled solely by alternative fuels.

Code Section: O.C.G.A. § 48-7-40.16.

Effective: Taxable years beginning on or after January 1, 1998.

Date of Last Modification: 2005.

Form: Must be certified by the Environmental Protection Agency of the Department of Natural Resources.

Estimate of Cost of Utilizing Credit over 2003-2008: Not available.

Credit Rate: In the case of the Low Emission vehicle credit, the credit is equal to the lesser of 10 percent of the cost of the vehicle or \$2,500 for the purchase or lease of a new vehicle. In the case of the Zero Emission vehicle credit, the credit is equal to the lesser of 20 percent of the cost of the vehicle or \$5,000, for the purchase lease of a new zero emission vehicle. In the case of a conversion of a conventionally fueled vehicle to a converted vehicle the credit shall be equal to 10 percent of the cost of conversion, not to exceed \$2,500.00 per converted vehicle. A tax credit is allowed against the income tax to any business enterprise for the purchase or lease of each electric vehicle charger that is located in the State of Georgia. The amount of the credit shall be 10 percent of the cost of the charger or \$2,500.00, whichever is less.

Sunset Date: None.

Period of Carry Forward: 5 years.

Transferrable/Used against withholding: No/No.

Limitations on Credit: Low speed vehicles placed in service after January 1, 2001 do not qualify for this credit. A hybrid vehicle does not qualify for this credit.

Administered by: Environmental Protection Division of the Department of Natural Resources, and Department of Revenue.

Overlap/Interaction with other state credits: A business enterprise cannot claim the credit under Code Section 48-7-40.22, the business enterprise vehicle credit, and the low or zero emission credit (48-7-40.16(b)) for the same vehicle.

23. Land Conservation Credit

This provides for an income tax credit for the qualified donation of real property that qualifies as conservation land pursuant to Chapter 22 of Title 36. Property donated to increase building density levels or property that will be used, or is associated with the playing of golf shall not be eligible.

Code Section: O.C.G.A. § 48-7-29.12.

Effective: Taxable years beginning on or after January 1, 2006.

Date of Last Modification: 2008.

Form: IT-CONSV.

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Estimate of Cost of Utilizing Credit over 2003-2008: \$13,583,809. Source: Georgia Department of Revenue, Fall 2010. Amounts are manually prepared and only include returns processed to date.

Credit Rate: 25 percent of the fair market value of the donated property, or 25 percent of the difference between the fair market value and the amount paid to the donor if the donation is effected by a sale of property for less than fair market value, up to a maximum credit of \$250,000 per individual, and \$500,000 per corporation, and \$1 million per partnership.

Sunset Date: None.

Period of Carry Forward: 10 years.

Transferrable/Used against withholding: No/No.

Limitations on Credit: credit cannot exceed taxpayer's income tax liability for that year.

Administered by: Georgia Department of Natural Resources, Department of Revenue
Overlap/Interaction with other state credits: None.

24. Clean Energy Property & Wood Residuals Tax Credit

The Georgia Clean Energy Property and Wood Residuals Tax Credit includes two general types of income tax credits: 1) investments in the construction, purchase or lease of "clean energy property," and 2) the value of "wood residuals" delivered to a qualified renewable biomass facility. Renewable biomass qualified facility means a renewable biomass qualified facility as defined by the Federal Energy Regulatory Commission which facility meets the open loop biomass standards promulgated pursuant to Section 45 of the Internal Revenue Code. The clean energy property tax credits apply to solar, wind and energy efficiency projects, geothermal heat pumps, and certain biomass equipment for making electricity. For the purposes of the wood residuals tax credit, wood residuals include urban wood waste, land clearing residues, and pellets, but not wood from a U.S. national forest.

Code Section: O.C.G.A. § 48-7-29.14.

Effective: July 1, 2008.

Date of Last Modification: 2010.

Form: IT-CEP-AP; IT-CEP; IT-WR-AP (not yet available to taxpayers), IT-WR (not yet available to taxpayers).

Estimate of Cost of Utilizing Credit over 2003-2008: Not available.

Credit Rate: The clean energy property tax credit is based on the cost of clean energy property placed into service in Georgia. The maximum credit for each installation is limited to the lesser of either 35 percent of the cost of the clean energy property or the capped value as identified in the statute. In the case of the Wood Residuals Tax Credit, the amount of credit shall not exceed the actual amount certified by the Georgia Forestry Commission to the taxpayer.

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Sunset Date: Clean Energy Property Tax Credit-December 31, 2012; Wood Residuals Tax Credit-No Sunset.

Period of Carry Forward: 5 years for the Clean Energy Property credit; Wood Residuals credit can be carried forward until utilized.

Transferrable/Used against withholding: Neither are transferrable. The Woods Residual Credit cannot be used against withholding. The Clean Energy Property credit can be taken against withholding.

Limitations on Credit: Credits cannot exceed taxpayer's tax liability. Aggregate Cap: Calendar year 2008-\$2.5 million; Calendar year 2009-\$2.5 million; Calendar year 2010-\$2.5 million; Calendar year 2011-\$2.5 million; Calendar year 2012-\$2.5 million. This cap applies to both the clean energy property and woods residual credit. No cap after 2012.

A person that receives a grant from GEFA under O.C.G.A. § 50-23-21 is not eligible to claim any tax credit under the clean energy property tax credit with respect to the same clean energy property.

Wood Residuals Tax Credit is not yet available; DOR must wait for Georgia Forestry Commission to state that the credit can be made available to taxpayers.

Administered by: Georgia Environmental Finance Authority; Department of Revenue; Georgia forestry Commission.

Review and Tracking Status: Statute requires quarterly reporting for public review of the status and availability of the tax credits.

GEFA shall provide an annual report of a determination of associated energy and economic benefits to the state.

DOR shall provide an annual report consisting of:

- (A) The number of taxpayers that claimed the credits allowed under O.C.G.A. § 48-7-29.14;
- (B) The cost of business property and clean energy property with respect to which credits were claimed;
- (C) The location and type of clean energy property installed; and
- (D) The total amount of credits allowed.

Overlap/Interaction with other state credits: None.

25. Energy or Water Efficient Equipment Credit

The energy or water efficient equipment credit is an income tax credit for energy or water efficient equipment purchased for business or residential use. Examples of qualifying energy equipment include any dishwasher, clothes washer, furnace, air

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conditioner, central heating and air conditioning system, ceiling fan, fluorescent light bulb, dehumidifier, programmable thermostat, refrigerator, energy efficient water heater, skylighting system, whole house fan, energy use meter, light-emitting diode lighting system, geothermal heating system, door, window, or window film which has been designated by the U.S. Environmental Protection Agency and the U.S. Department of Energy as meeting or exceeding each such agency's energy saving efficiency requirements or which have been designated as meeting or exceeding such requirements under each such agency's Energy Star program. Examples of qualified water efficient equipment includes water conservation systems capable of storing rain water or gray water for future use and reusing the collected water for the same residential or commercial property and other products used for the conservation or efficient use of water which have been designated by the U.S. Environmental Protection Agency as meeting or exceeding such agency's water saving efficiency requirements or which have been designated as meeting or exceeding such requirements under such agency's Water Sense program. The credit is fully and solely funded with federal funds. If no federal funds are available then no credit is allowed.

Code Section: O.C.G.A. § 48-7-40.29.

Effective: January 1 of the year following the year in which federal funds are made available for funding this credit and in which the state auditor certifies in writing to the commissioner of natural resources and the state revenue commissioner that such funds have been received, have been deposited in the general fund, and are available for purposes of this tax credit.

Date of Last Modification: 2010.

Form: N/A.

Estimate of Cost of Utilizing Credit over 2003-2008: The credit was not in existence during this period. It is fully funded by federal grant funds. Source: Georgia Department of Revenue, Fall 2010.

Credit Rate: 25 percent of the cost of the qualified equipment or \$2,500, whichever is less.

Sunset Date: None.

Carry Forward: 5 years from the close of the taxable year in which the qualified equipment was placed in service.

Transferrable/Used against withholding: No/No.

Limitations on Credit: Aggregate amount of the credit claimed and allowed by taxpayers in any taxable year will be limited to the amount of federal funds granted to the state for this purpose. Tax credits will be awarded on a first come, first served basis. Tax credits may not exceed taxpayer's income tax liability.

Administered by: Department of Natural Resources, Department of Revenue.

Overlap/Interaction with other state credits: Taxpayers claiming this credit are not eligible to claim such equipment for the clean energy property tax credit.

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26. Tax credit for shift from ground water usage

Taxpayers are allowed a credit against income tax for the use of facilities that result in reduced ground-water usage or that utilizes a surface-water source. Facilities include buildings, machinery, and equipment used in the water conservation process. To be eligible for the credit a taxpayer must shift a minimum of 10 percent of annual permitted ground-water usage from ground-water sources due to the purchase of water from a qualified water conservation facility.

Code Section: O.C.G.A. § 48-7-40.11.

Effective: Taxable years beginning on or after January 1, 1997.

Date of Last Modification: 2005.

Form: None.

Estimate of Cost and # of Firms Utilizing Credit: Not available.

Credit Rate: Credit shall be allowed in the fourth taxable year following the taxable year in which the shift from ground-water usage occurs. The credit amount shall be \$0.0001 per gallon of the total gallons of relinquished and transferred annual ground water permit issued after 7/1/1996.

Sunset Date: None.

Carry Forward: No carry forward specified.

Transferrable/Used against withholding: No/No.

Limitations on Credit: The amount of the credit used in any year may not exceed 50 percent of the taxpayer's income tax liability for that year as determined without regard to other credits.

Administered by: Department of Natural Resources, Department of Revenue.

Overlap/Interaction with other state credits: N/A

27. Tax credit for water conservation facilities and qualified water conservation investment property

A taxpayer who financially participates in qualified water conservation investment in this state shall be allowed a credit against their income tax liability in the taxable year following the year in which the modified manufacturing process or the new or expanded water conservation facility has been placed in service and in which the taxpayer has initiated a minimum 10 percent reduction in permit by relinquishment or transfer of annual permitted water usage from existing permitted ground-water sources.

Code Section: O.C.G.A. § 48-7-40.10.

Effective: Taxable years beginning on or after January 1, 1997.

Date of Last Modification: 2002.

Form: None.

Estimate of Cost and # of Firms Utilizing Credit: Not available.

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Credit Rate: The amount of the credit allowed is a percentage of the taxpayer's qualified water conservation investment. For projects of \$50,000.00 to \$499,999.00, the credit for such taxpayer is equal to 10 percent; for projects of \$500,000.00 to \$799,999.00, the credit is equal to 8 percent; for projects of \$800,000.00 to \$999,999.00, the credit is equal to 6 percent; and for projects of \$1 million or more, the credit is equal to 5 percent.

Sunset Date: None.

Carry Forward: 10 years.

Transferrable/Used against withholding: No/No.

Limitations on Credit: The amount of the credit used in any tax year cannot exceed 50 percent of the taxpayer's tax liability for that year. Qualified water conservation investments projects must cost a minimum of \$50,000. The modified manufacturing process or the new or expanded water conservation facility must not be placed in service prior to January 1, 1997.

Administered by: Department of Natural Resources, Department of Revenue.

Overlap/Interaction with other state credits: N/A.

28. Employer's Credit for Basic Skills Education

A tax credit is provided to employers that sponsor or provide, at no cost to their workers, an approved basic skills education program. A basic skills education is one that enhances reading, writing, or mathematical skills up to and including the 12 grade. Employee means any employee resident in Georgia who is employed for at least 24 hours a week and who has been continuously employed by the employer for at least 16 consecutive weeks are eligible for training. Eligible expenses include instructor salaries, materials, supplies, and textbooks but excluding costs associated with renting or otherwise securing space.

Code Section: O.C.G.A. § 48-7-41.

Effective: 1991.

Date of Last Modification: 2008.

Form: IT-BE.

Estimate of Cost of Utilizing Credit over 2003-2008: \$23,250. Source: Georgia Department of Revenue, Fall 2010. Amounts are manually prepared and only include returns processed to date.

Credit Rate: the smaller of one-third of the costs of education per full-time equivalent student or \$150 per student.

Sunset Date: None.

Period of Carry Forward: No carry forward.

Transferrable/Used against withholding: No/No.

Aggregate State Caps: None.

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Taxpayer Limitations on Credit: Credit cannot exceed taxpayer's income tax liability.

Administered by: All educational training must be approved by the Technical College System of Georgia; Department of Revenue.

Overlap/Interaction with other state credits: None.

29. Employer's Credit of Approved Employee Retraining

The tax credit reimburses employers for the cost of providing retraining services to their employees. As of January 1, 2009, retraining programs shall not include any retraining on commercially, mass produced software packages for word processing, data base management, presentations, spreadsheets, e-mail, personal information management, or computer operating systems except a retraining tax credit shall be allowable for those providing support or training on such software. Eligible expenses include instructor salaries, materials, supplies, and textbooks but excluding costs associated with renting or otherwise securing space.

Code Section: O.C.G.A. § 48-7-40.5.

Effective: Taxable years beginning on or after January 1, 1994.

Date of Last Modification: 2009.

Form: IT-RC.

Estimate of Cost of Utilizing Credit over 2003-2008: \$184,497,397. Source: Georgia Department of Revenue, Fall 2010. Amounts are manually prepared and only include returns processed to date.

Credit Rate: The lesser of \$500 or one-half the costs of retraining per full-time employee.

Sunset Date: None.

Period of Carry Forward: 10 years.

Transferrable/Used against withholding: No/No.

Limitations on Credit: Credit amount shall not exceed 50 percent of the amount of the taxpayer's income tax liability for the taxable year. Credit cannot exceed \$1,250 per year per full-time employee who has completed more than one approved training program.

Administered by: Technical College System of Georgia; Department of Revenue.

Overlap/Interaction with other state credits: None.

30. Qualified Education Expense Credit

This provides a tax credit for expenditures to a qualified student scholarship organization to be used for tuition and fees to a qualified school or program.

Code Section: O.C.G.A. § 48-7-29.16.

Effective: Taxable years beginning on or after January 1, 2008.

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Date of Last Modification: 2009.

Form: IT-QEE-TP1, IT-QEE-TP2, IT-QEE-SSO1, IT-QEE-SSO2.

Estimate of Cost of Utilizing Credit over 2003-2008: \$6,674,190. Source: Georgia Department of Revenue, Fall 2010. Amounts are manually prepared and only include returns processed to date.

Credit Rate: \$1,000 per individual/HH filer, \$1,250 for an individual taxpayer filing a married filing separate return, and \$2,500 per joint filer. A corporation is allowed a credit equal to the lesser of 75 percent of the corporation's income tax liability or 100 percent of the education expense. The amount of any scholarship received by an eligible student or eligible pre-kindergarten student shall be excluded from taxable net income for Georgia income tax purposes.

Sunset Date: None.

Period of Carry Forward: 5 years

Transferrable/Used against withholding: No/No.

Limitations on Credit: Cannot exceed taxpayer's tax liability. Aggregate credits allowed cannot exceed \$50 million per calendar year. Credits are available on a first come-first served basis. No credit shall be allowed under this Code section with respect to any amount deducted from Georgia taxable net income by the taxpayer as a charitable contribution to a bona fide charitable organization qualified under Section 501(c)(3) of the Internal Revenue Code.

Administered by: Department of Revenue; Department of Education.

Review and Tracking Status: DOR shall provide a list of all Student Scholarship Organizations that received contributions from businesses and individuals granted a tax credit under Code Section 48-7-29.16 by January 30th of each year.

Overlap/Interaction with other state credits: None.

B. Personal Income Tax Credits

31. Rural Physician's Credit

Licensed physicians practicing in a rural county and residing in a rural county or a county contiguous to the rural county in which they practice and primarily admitting patients to a rural hospital and practicing in the fields of family practice, obstetrics and gynecology, pediatrics, internal medicine, or general surgery are eligible for this credit.

Code Section: O.C.G.A. § 48-7-29.

Effective: Taxable years beginning on or after January 1, 1996.

Date of Last Modification: 2002.

Form: IND-CR.

Estimate of Cost of Utilizing Credit: Estimated to equal \$1 million annually for FY2010-FY2012. Source: Georgia Tax Expenditure Report for FY2012.

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Credit Rate: Maximum amount of \$5,000 can be taken annually for up to 5 years provided that the physician continues to qualify as a rural physician.

Sunset Date: None.

Period of Carry Forward: None.

Transferrable/Used against withholding: No/No.

Limitations on Credit: Cannot exceed taxpayer's income tax liability.

Administered by: Department of Revenue.

Overlap/Interaction with other state credits: None.

32. Disabled Person Home Purchase or Retrofit Credit

Qualified permanently disabled persons are allowed a credit for the purchase of a new single-family home containing special accessibility features or are allowed a credit for the retrofit of an existing single-family home.

Code Section: O.C.G.A. § 48-7-29.1.

Effective: Taxable years beginning on or after January 1, 1999.

Date of Last Modification: 1998.

Form: IND-CR.

Estimate of Cost of Utilizing Credit: Not available.

Credit Rate: The credit for the purchase of a new single-family home is \$500. The credit for retrofit of an existing home shall be equal to \$125 for each accessibility feature or the actual cost of the accessibility feature whichever is lower. The aggregate amount of the credit in the case of a retrofit cannot exceed \$500.

Sunset Date: None.

Period of Carry Forward: 3 years.

Transferrable/Used against withholding: No/No.

Limitations on Credit: Credit allowed cannot exceed taxpayer's income tax liability or \$500 per residence.

Administered by: Department of Revenue.

Overlap/Interaction with other state credits: None.

33. Qualified Caregiving Expense Credit

This credit is for taxpayers, or individuals related to the taxpayer by blood, marriage or adoption, with expenses related to the care of a qualified family member who is at least 62 years of age and who has been determined to be disabled by the Social Security Administration. Examples of qualifying expenses include, but are not limited to, payments made for home health services, person care services, adult day care, health care equipment and supplies which have been determined to be medically necessary.

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Code Section: O.C.G.A. § 48-7-29.2.

Effective: Taxable years beginning on or after January 1, 1999.

Date of Last Modification: 2002.

Form: IND-CR.

Estimate of Cost of Utilizing Credit: Not available.

Credit Rate: The value of the credit is equal to no more than 10 percent of the total amount expended for qualifying caregiving expenses for a qualifying family member.

Sunset Date: None.

Period of Carry Forward: None.

Transferrable/Used against withholding: No/No.

Limitations on Credit: The credit cannot exceed \$150 or the taxpayer's income tax liability, whichever is less.

Administered by: Department of Revenue.

Overlap/Interaction with other state credits: None.

34. Child and Dependent Care Credit

Taxpayers are allowed a credit for qualified child and dependent care expenses. The eligible expenses are defined by the federal Dependent Care Credit (Internal Revenue Code Section 21).

Code Section: O.C.G.A. § 48-7-29.10.

Effective: Taxable years beginning on or after January 1, 2006.

Date of Last Modification: 2006.

Form: IND-CR.

Estimate of Cost of Utilizing Credit: Estimated to equal approximately \$24 million annually for FY2010-FY2012. Source: Georgia Tax Expenditure Report for FY2012.

Credit Rate: 30 percent of the amount eligible to be claimed under the federal tax credit for child and dependent care expenses.

Sunset Date: None. This credit is tied to the federal Dependent care credit which will expire after December 31, 2012. In the absence of a federal credit, no state credit is allowed.

Period of Carry Forward: No.

Transferrable/Used against withholding: No/No.

Limitations on Credit: Cannot exceed taxpayer's income tax liability.

Administered by: Department of Revenue.

Overlap/Interaction with other state credits: None.

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35. Adoption of Foster Child Credit

Taxpayers are allowed a tax credit for the adoption of a foster child who is less than 18 years of age and who is in a foster home or otherwise in the foster care system under the Division of Family and Children Services of the Georgia Department of Human Services.

Code Section: O.C.G.A. § 48-7-29.15.

Effective: Tax years beginning on or after January 1, 2008.

Date of Last Modification: 2009.

Form: IND-CR.

Estimate of Cost of Utilizing Credit: Estimated to equal \$8 million annually for FY2010-FY2012. Source: Georgia Tax Expenditure Report for FY2012.

Credit Rate: \$2,000 per year beginning with the year the adoption becomes final and ending in the year in which the adopted child turns 18 years of age.

Sunset Date: None.

Period of Carry Forward: Not limited.

Transferrable/Used against withholding: No/No.

Limitations on Credit: Cannot exceed taxpayer's income tax liability. The credit applies to adoptions occurring in the taxable years beginning on or after January 1, 2008.

Administered by: Department of Revenue.

Overlap/Interaction with other state credits: None.

36. Low-Income Support Credit

Low-income taxpayers are allowed a credit against income tax liability.

Code Section: O.C.G.A. § 48-7A-3.

Effective: Taxable years beginning on or after January 1, 1992.

Date of Last Modification: 2010.

Form: 500 or 500EZ.

Estimate of Cost of Utilizing Credit: Estimated to equal \$13-\$14 million annually for FY2010-FY2012. Source: Georgia Tax Expenditure Report for FY2012.

Credit Rate: Taxpayers with AGI less than \$6,000 are eligible for a tax credit of \$26. Taxpayers with AGI of more than \$5,999 but less than \$8,000 are eligible for a credit of \$20. Taxpayers with AGI of more than \$7,999 but less than \$10,000 are eligible for a tax credit of \$14. Taxpayers with AGI of more than \$9,999 but less than \$15,000 are eligible for a tax credit of \$8. Taxpayers with AGI of more than \$14,999 but less than \$20,000 are eligible for a tax credit of \$5. Taxpayers 65 years or older may double the credit.

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Sunset Date: None.

Period of Carry Forward: None.

Transferrable/Used against withholding: No/No.

Limitations on Credit: Cannot exceed taxpayer's income tax liability. Any individual who receives a food stamp allotment for all or any part of the year shall not be entitled to the credit.

Administered by: Department of Revenue.

Overlap/Interaction with other state credits: None.

37. Credit for taxes paid to another state

Taxpayers with income taxed by another state are allowed a credit for the tax paid to another state.

Code Section: O.C.G.A. § 48-7-28.

Effective: 1931.

Date of Last Modification: 1987.

Form: 500.

Estimate of Cost and # of Firms Utilizing Credit: Not available.

Credit Rate: 100 percent of taxes paid to the other state.

Sunset Date: None.

Period of Carry Forward: None.

Transferrable/Used against withholding: No/No.

Limitations on Credit: Cannot exceed taxpayer's income tax liability. Value of credit cannot exceed the tax that would be due if the income were taxed by Georgia.

Administered by: Department of Revenue.

Overlap/Interaction with other state credits: None.

38. Disaster Assistance Credit

Taxpayers who receive disaster assistance from the Georgia Emergency Management Agency or the Federal Emergency Management Agency are allowed a credit against their income tax liability.

Code Section: O.C.G.A. § 48-7-29.4.

Effective: Taxable years beginning on or after January 1, 2000.

Date of Last Modification: 2000.

Form: IND-CR.

Estimate of Cost of Utilizing Credit: Estimated to equal \$4 million annually for FY2010-FY2012. Source: Georgia Tax Expenditure Report for FY2012.

Credit Rate: The credit amount is equal to \$500 or the actual amount of the assistance, whichever is less.

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Sunset Date: None.

Period of Carry Forward: Not limited.

Transferrable/Used against withholding: No/No.

Limitations on Credit: Credit cannot exceed income tax liability.

Administered by: Department of Revenue.

Overlap/Interaction with other state credits: None.

39. Tax credit for life insurance for Georgia National Guard and Air National Guard

This credit is available for members of the Georgia National Guard and Air National Guard on active duty for more than 90 consecutive days and who purchase qualified life insurance through the Services' Group Life Insurance Program administered by the U.S. Department of Veterans Affairs.

Code Section: O.C.G.A. § 48-7-29.9.

Effective: Tax years beginning on or after January 1, 2005.

Date of Last Modification: 2009.

Form: IND-CR.

Estimate of Cost of Utilizing Credit: Estimated to equal \$1 million annually for FY2010-FY2012. Source: Georgia Tax Expenditure Report for FY2012.

Credit Rate: The value of the credit is equal to the cost of the premiums of the life insurance policy. The credit shall be claimed and allowed in the year in which the majority of the days are served.

Sunset Date: None.

Period of Carry Forward: Not limited.

Transferrable/Used against withholding: No/No.

Limitations on Credit: Credit cannot exceed income tax liability or the amount expended for the life insurance premiums.

Administered by: Department of Revenue.

Overlap/Interaction with other state credits: N/A.

40. Driver Education Credit

A taxpayer is allowed a tax credit for expenses incurred for the participation of each dependent minor child at a private driver training school licensed by the Department of Driver Services.

Code Section: O.C.G.A. § 48-7-29.5.

Effective: Taxable years beginning on or after January 1, 2001

Date of Last Modification: 2008.

Form: IND-CR.

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Estimate of Cost of Utilizing Credit: Estimated to equal \$1 million annually for FY2010-2012. Source: Georgia Tax Expenditure Report for FY2012.

Credit Rate: The credit amount is \$150 or the cost of the qualified driver education class, whichever is less. No credit will be allowed with respect to any driver education expenses either deducted or subtracted by the taxpayer in arriving at Georgia taxable net income or with respect to any driver education expenses for which amounts were excluded from Georgia net taxable income.

Sunset Date: None.

Period of Carry Forward: None specified.

Transferrable/Used against withholding: No/No.

Limitations on Credit: Credit cannot exceed the taxpayer's income tax liability and can only be taken once per each dependent minor child of a taxpayer.

Administered by: Department of Revenue, Department of Driver Services.

Overlap/Interaction with other state credits: N/A.

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About the Author

Laura Wheeler is a Senior Researcher at the Fiscal Research Center with the Andrew Young School of Policy Studies. She received her Ph.D. in economics from the Maxwell School at Syracuse University. Prior to coming to FRC, Laura worked for several years with the Joint Committee on Taxation for Congress and as an independent consultant on issues of tax policy. Her research interests include state and local taxation, corporate taxation, and welfare policy.

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