

Georgia Tax Credits For Individuals

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Georgia offers several tax credits to incentivize certain actions or investments. These tax credits can provide taxpayers with a dollar-for-dollar reduction in their state income tax liability. Georgia tax credits available to individuals fall into two basic categories: 1) transferable or allocable tax credits; and 2) tax credits in exchange for a contribution to a qualified organization.

Transferable or Allocable Tax Credits

Transferable and allocable tax credits are granted to companies for making specific types of investments. Georgia transferable tax credits include film credits and historic restoration credits. Companies that receive these tax credits and are unable to use them can sell the credits to other taxpayers. These tax credits can generally be purchased for less than the credit amount. For example, a taxpayer may be able to purchase a \$1,000 tax credit for \$900. Georgia also offers low-income housing credits which are allocable tax credits. Instead of purchasing these credits a taxpayer invests in a partnership and receives a K-1 with their allocation of the credits. Again, the taxpayer's investment is generally less than the tax credit received. For example, a taxpayer may contribute \$900 to a low-income housing partnership and be allocated a \$1,000 tax credit. Individuals generally obtain transferable and allocable credits through a broker that specializes in state tax credits and facilitates the purchase or investment.

Tax Credits in Exchange for Qualified Contributions

Georgia taxpayers may also receive a tax credit for certain contributions to qualified organizations. However, unlike transferable or allocable tax credits that can be obtained for less than the actual credit amount, a tax credit received in exchange for a qualified contribution does not result in out-of-pocket savings for the individual taxpayer but simply allows an individual to direct a portion of their state tax dollars from the state to the qualifying organization. For example, a taxpayer that contributes \$5,000 to a qualified scholarship

could receive a corresponding \$5,000 reduction in their Georgia tax bill via the credit. Although these contributions would typically qualify for a charitable deduction, individual taxpayers are not allowed a state or federal deduction to the extent they receive the tax credit. Pass-through entities may be allowed to take a federal deduction for state and local income taxes in addition to the state tax credit, but no additional deduction is allowed for individual taxpayers.

Taxpayers must obtain pre-approval to receive a tax credit in exchange for a qualified contribution which can be done by going to the Georgia Tax Center at <https://gtc.dor.ga.gov/>. To sign up for online access to the Georgia Tax Center an individual must have their SSN (or ITIN) and Federal AGI from their most recently filed GA tax return. Once logged in to the Georgia Tax Center's website, a taxpayer will select "Manage My Credits" and then "Request Credit Pre-Approval." Taxpayers will then select the drop-down menu under "Credit Type" which contains a list of all available Georgia tax credits. Each of these tax credits has a limit on the aggregate amount allowed for all taxpayers per tax year and is available on a first-come first-served basis. Below is an overview of the Georgia tax credits that can be received in exchange for a qualified contribution. Note that the tax credit for a taxable year cannot exceed the taxpayer's income tax liability. Unused tax credits may be carried forward for up to five years, but taxpayers should avoid making contributions in excess of their projected tax liability.

Qualified Education Expense Credit #125: Georgia taxpayers can contribute to a student scholarship organization (SSO) in exchange for a state income tax credit of up to \$5,000 for married filing joint (MFJ) or \$2,500 for single filers. SSOs use these contributions to award scholarships to students from K-12 public schools so that they can attend a private school. Taxpayers contributing to an SSO can designate that the contribution be used to provide scholarships at a specific school. Georgia GOAL was the first and is the largest SSO. A list of SSOs is available through the Georgia Department of Education. The aggregate amount of this tax credit allowed to all taxpayers cannot exceed \$120 million per tax year (the cap has been met for 2023).

Qualified Rural Hospital Organization Expense Credit #136: Georgia taxpayers can contribute to a qualified rural hospital organization (RHO) in exchange for a state income tax credit of up to \$10,000 MFJ or \$5,000 for single filers. There are currently 55 RHOs qualified by the Georgia Department of Community Health and taxpayers can specify which RHO will receive the contribution. Georgia HEART administers this tax credit on behalf of participating rural hospitals which currently includes all 55 qualified RHOs. The aggregate amount allowed for all taxpayers cannot exceed \$75 million per tax year.

PEACH Education Tax Credit (Qualified Education Donation Tax Credit) #140: Georgia taxpayers can contribute to the Georgia Foundation for Public Education in exchange for a state income tax credit of up to \$2,500 MFJ or \$1,000 for single filers. Contributions are directed toward innovation in Georgia public schools, with a priority on the lowest-performing 5% of schools. The aggregate amount of the tax credit allowed to all taxpayers cannot exceed \$5 million per tax year.

Qualified Law Enforcement Donation Credit #150: Georgia taxpayers can contribute to a qualified law enforcement foundation for a local law enforcement unit in exchange for a state income tax credit of up to \$10,000 MFJ or \$5,000 for single filers. Taxpayers can specify which law enforcement foundation will receive the contribution. The aggregate amount of the tax credit allowed to all taxpayers cannot exceed \$75 million per tax year and each qualified law enforcement foundation is limited to accepting \$3 million per year of contributions.

Qualified Foster Child Donation Credit #151: Georgia taxpayers can contribute to a qualified foster child organization in exchange for a state income tax credit of up to \$5,000 MFJ or \$2,500 for single filers. Taxpayers can specify which foster child organization will receive the contribution. Fostering Success provides education and assists taxpayers in taking advantage of this tax credit. The aggregate amount of the tax credit allowed to all taxpayers cannot exceed \$20 million per tax year.

As you review all the tax credits, it is important to discuss them with your financial advisor to determine how they may impact your personal plan.

If you have any questions or would like to discuss further, please reach out to your client service team, or call 404.264.1400. You can also visit us on the web at HomrichBerg.com.

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