



Impact of HB 1037 (2020) on Georgia Film Tax Credits

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Timing

- Claiming and monetization of unused credits extended
- Credits used to be claimed in year expenditures were incurred. Now credits are claimed when mandatory DOR audit is finished
- For multiyear projects, this could push claiming/monetization of credits back by 3 or more years
- Carryforward of credits reduced from 5 years to 3

Error Projection

- Formerly, DOR and CPAs used nonstatistical error projection for sampled populations based on dollar value of errors/dollar value of samples
- New method is to disallow all expenditures in excess of lower confidence limit in the population using a one side 95% confidence level
- This results in a materially higher disallowance rate (10%-15% average disallowance so far on our audits)

Administrative Burden

- Georgia audit procedures most burdensome in country in my experience
- Every audit requires a minimum review of thousands of samples, regardless of project size
- Requires a 100% review of multiple categories of expenditures, including airfare, hotels, deal memoranda, journal entries, fixed assets, and expenses over \$100,000