



DEPARTMENT OF AUDITS AND ACCOUNTS

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January 5, 2017

Honorable Larry Walker III
State Senator
323-B Coverdell Legislative Office Building
Atlanta, Georgia 30334

SUBJECT: Fiscal Note
Senate Bill (LC 40 1243)

Dear Senator Walker:

The bill would repeal the state's corporate net worth tax, O.C.G.A. Title 48 Chapter 13 Article 4, in its entirety, effective January 1, 2018.

Georgia State University's Fiscal Research Center (FRC) estimated that the bill would reduce state revenues by \$45.7 million in fiscal year 2019, the first year of the bill's full impact. As shown in Table 1, the loss would grow to \$50.2 million in fiscal year 2022. The estimated loss of corporate net worth taxes would be higher but an increase in corporate income tax revenue partly offsets the tax loss.

Table 1. Projected CNWT Revenue and Effect of Repeal

(\$ millions)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
CNWT Revenue Projection	\$46.5	\$48.1	\$49.7	\$51.3	\$52.9
CNWT Revenue Loss	(\$13.6)	(\$48.1)	(\$49.7)	(\$51.3)	(\$52.9)
Corporate Income Tax Gain	\$0.7	\$2.4	\$2.5	\$2.6	\$2.6
Net Revenue Loss	(\$12.9)	(\$45.7)	(\$47.2)	(\$48.7)	(\$50.2)

FRC assumed a linear trend when projecting the corporate net worth tax revenue for fiscal years 2018-2022. The tax is due within 2.5 months of the beginning of a corporation's tax year. Therefore, FRC assumed that the last 3.5 months of fiscal year 2018 collections would be related to corporate tax years that begin after January 1, 2018 and would not be collected.

FRC also assumed that the reduction in corporate net worth payments will reduce deductible business expenses in the same period, resulting in higher corporate taxable income. The additional

corporate income taxes owed, assuming an effective tax rate for Georgia corporate taxpayers averaging 5 percent, were added back to reduce the overall revenue loss to the state from the repeal.

The Department of Revenue will be required to develop a new corporate return, incorporate the return in the tax system, and provide training/education. One-time costs for contract and part-time personnel is estimated to be \$12,125.

Sincerely,



Greg S. Griffin
State Auditor



Teresa A. MacCartney, Director
Office of Planning and Budget

GSG/TAM/mt