



DEPARTMENT OF AUDITS AND ACCOUNTS

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March 1, 2017

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

SUBJECT: Fiscal Note
Senate Bill 133 (LC 40 1296)

Dear Chairman Hufstetler:

The bill would amend the state's corporate net worth tax, O.C.G.A. Title 48 Chapter 13 Article 4, to exempt any corporation with a net worth of \$100,000 or less from the tax. The exemption would be effective for all tax years beginning on or after January 1, 2018.

Georgia State University's Fiscal Research Center (FRC) estimated that the bill would reduce state revenues by \$4.3 in fiscal year 2019, the first year of the bill's full impact. As shown in Table 1, the loss would be approximately \$4.5 million in fiscal year 2022. The estimated loss of corporate net worth taxes would be partly offset by an increase in corporate income tax revenue.

Table 1. Projected CNWT Revenue and Effect of Repeal

(\$ millions)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
CNWT Baseline Projection	\$46.5	\$48.1	\$49.7	\$51.3	\$52.9
Effects of Exemption	(\$1.2)	(\$4.3)	(\$4.5)	(\$4.6)	(\$4.8)
Corporate Income Tax Gain	-	\$0.1	\$0.2	\$0.2	\$0.2
Net Revenue Loss	(\$1.2)	(\$4.3)	(\$4.3)	(\$4.4)	(\$4.5)
Proforma Revenue Projection	\$45.3	\$43.8	\$45.4	\$46.9	\$48.4

Note: Numbers may not add due to rounding

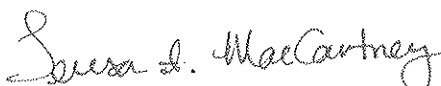
FRC assumed a linear trend when projecting the corporate net worth tax revenue for fiscal years 2018-2022. The tax is due within 2.5 months of the beginning of a corporation's tax year. Therefore, FRC assumed that the last 3.5 months of fiscal year 2018 collections would be related to corporate tax years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

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.

Sincerely,



Greg S. Griffin
State Auditor



Teresa A. MacCartney, Director
Office of Planning and Budget

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