



# DOAA

Georgia Department  
of Audits & Accounts

Greg S. Griffin  
State Auditor

March 9, 2022

Honorable Shaw Blackmon  
Chairman, House Ways and Means  
133 State Capitol  
Atlanta, GA 30334

SUBJECT: Fiscal Note  
House Bill 1437 (LC 43 2318S)

Dear Chairman Blackmon:

The bill would make the following changes to the personal income tax in Georgia:

- Repeal the current graduated tax rate structure detailed in O.C.G.A. §48-7-20 and replacing it with a single tax rate of 5.25 percent.
- Increase personal exemption amounts under O.C.G.A. §48-7-26(b) from \$3,700 per married taxpayer and \$2,700 per unmarried taxpayer to \$12,000 each for all taxpayers (\$24,000 total for joint filers). Dependent exemptions remain unchanged at \$3,000 per dependent.
- Repeal standard and itemized deductions under O.C.G.A. §48-7-27, while creating an election by which taxpayers who itemize deductions on their federal return may opt to deduct charitable contributions reported on their federal return in lieu of taking the personal exemption provided under O.C.G.A. §48-7-26 as amended by this bill.

These changes would be applicable to tax years beginning on or after January 1, 2024.

### Impact on State Revenue

Georgia State University's Fiscal Research Center (FRC) estimated that the bill would decrease state revenue by \$1.048 billion in FY 2025, the first fiscal year of the bill's full effect (Table 1). The appendix provides details of the analysis.

**Table 1. Estimated State Revenue Effects of HB 1437 LC 43 2318S**

(\$ millions)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Personal Income Tax	\$0	(\$420)	(\$1,048)	(\$1,090)	(\$1,134)

### Impact on State Expenditures

The Department of Revenue (DOR) would be able to implement the provisions of the bill with existing resources. The bill would require approximately eight weeks to modify the integrated tax system.

Respectfully,



Greg S. Griffin  
State Auditor



Kelly Farr, Director  
Office of Planning and Budget

GSG/KF/mt

### Analysis by the Fiscal Research Center

The Tax Reduction and Reform Act of 2022 proposes to make the following changes to the personal income tax in Georgia:

- Section 2-1 repeals the current graduated tax rate structure detailed in O.C.G.A. §48-7-20 and replacing it with a single tax rate of 5.25 percent.
- Section 2-2 increases personal exemption amounts under O.C.G.A. §48-7-26(b) from \$3,700 per married taxpayer and \$2,700 per unmarried taxpayer to \$12,000 each for all taxpayers (\$24,000 total for joint filers). Dependent exemptions remain unchanged at \$3,000 per dependent.
- Section 2-3 repeals standard and itemized deductions under O.C.G.A. §48-7-27, while creating an election by which taxpayers who itemize deductions on their federal return may opt to deduct charitable contributions reported on their federal return in lieu of taking the personal exemption provided under O.C.G.A. §48-7-26 as amended by this bill.

Regarding Section 2-3, it should be noted that the bill would repeal both the standard deductions available to all taxpayers and the additional deductions available only to taxpayers who are blind or over age 65 (and who do not itemize), currently an additional \$1,300 deduction for each taxpayer for each blindness and/or age qualification.

In addition, it should be noted that the charitable contributions deduction election is in lieu of all exemptions under O.C.G.A. §48-7-26 as amended, including those for the primary taxpayer, secondary taxpayer (if any), and dependents (if any).

These changes would be applicable to tax years beginning on or after January 1, 2024. As such, state revenue effects would be zero until FY 2024.

Revenue effects of the bill were estimated using tax year (TY) 2019 administrative tax return data from the Department of Revenue, specifically the roughly 4 million e-filed returns for which federal return data is available, in a microsimulation of the tax code changes in the bill. TY 2019 tax liabilities are first adjusted to current law, accounting for the increase in standard deduction amounts enacted in 2021, then to the proposed law. Aggregate, proportional effects on TY 2019 tax liabilities, going from current law to the proposed law, are then applied to the current-law baseline forecast of personal income tax revenues from the Office of Planning and Budget (OPB) as of January 2022, adjusting for part-year effects in FY 2024 under the assumption that tax collections will be impacted primarily through withholding. The OPB baseline and proforma projections under HB 1437 are provided in Table 2 below; net revenue effects are provided in Table 1.

**Table 2. Baseline and Proforma Personal Income Tax Revenue Estimates**

(\$ millions)	FY 2024	FY 2025	FY 2026	FY 2027
OPB Baseline	\$14,666	\$15,253	\$15,863	\$16,497
Proforma HB 1437	\$14,246	\$14,205	\$14,773	\$15,364