



DOAA

Georgia Department
of Audits & Accounts

Greg S. Griffin
State Auditor

January 20, 2022

Honorable Bruce Williamson
State Representative
415-B State Capitol
Atlanta, Georgia 30334

SUBJECT: Fiscal Note
House Bill (LC 50 0238ER)

Dear Representative Williamson:

The bill would allow corporate taxpayers that are part of a federal affiliated group to file a consolidated tax return without first seeking the consent of the Commissioner of Revenue, as is required by current law. The election to file a consolidated return is irrevocable for a period of five years, at which time a corporation may elect another five-year period. The bill is applicable to tax years beginning on or after January 1, 2022.

Impact on State Revenue

Adoption of this legislation is likely to reduce corporate income tax revenues. Under current law, companies that want the financial benefit of consolidated returns (offsetting income in one company with losses in an affiliate) must agree to certain terms before approval. For example, DOR often requires that intercompany transaction amounts be set at reasonable levels before granting a company approval to submit a consolidated return. The approval terms ensure that a company does not benefit from both a questionable transfer of income to a subsidiary *and* the offsetting of remaining taxable income with losses in another subsidiary. This reduction in oversight would likely result in additional taxable income being offset by tax planning activities.

Georgia State University's Fiscal Research Center (FRC) stated that data available from state corporate tax returns does not allow for a specific revenue estimate.

Impact on State Expenditures

The Department of Revenue (DOR) anticipates that it will be able to implement the provisions of the bill without additional resources.

Respectfully,

Greg S. Griffin
State Auditor

Kelly Farr, Director
Office of Planning and Budget

GSG/KF/mt