



DOAA

Georgia Department
of Audits & Accounts

Greg S. Griffin
State Auditor

December 4, 2023

Honorable Jordan Ridley
State Representative
601-D Coverdell Legislative Office Building
Atlanta, GA 30334

SUBJECT: Fiscal Note
House Bill (LC 43 2920)

Dear Representative Ridley:

The bill would create an income tax deduction of \$2,500 for members of the State Defense Force (SDF) who are in good standing. The SDF is one of three army branches in the Georgia Department of Defense, and its members are volunteers. The bill defines the conditions required to remain in good standing and how it will be certified. The deduction cannot exceed the taxpayer's income tax liability and cannot be used against the tax liability of previous or succeeding years. The exemption would apply to all tax years starting on or after January 1, 2025.

Impact on State Revenue

Georgia State University's Fiscal Research Center estimated that the bill would reduce state revenues by \$50,500 to \$62,200 in FY 2026. Revenue reductions are slightly lower in subsequent years due to an assumption that the conditions necessary for statutory tax rate reductions will be met. If the conditions are not met, the revenue loss will be higher in those years. Details of the analysis are provided in the attached appendix.

Table 1. Estimated State Revenue Effects of LC 43 2920

(\$ in thousands)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
High Estimate	(\$62.2)	(\$59.8)	(\$57.5)	(\$55.2)	(\$53.1)
Low Estimate	(\$50.5)	(\$49.6)	(\$48.7)	(\$47.7)	(\$46.8)

Impact on State Expenditures

The Department of Revenue would be able to implement the provisions of the bill with existing resources.

Respectfully,

Greg S. Griffin
State Auditor

Richard Dunn, Director
Office of Planning and Budget

GSG/RD/mt

Analysis by the Fiscal Research Center

The State Defense Force (SDF), one of the three army branches in the Georgia Department of Defense, was established by O.C.G.A § 38-2-50. The SDF is an organized, well-trained, rapid-response force to assist state and local government agencies and civil relief organizations during emergencies. Its members consist of volunteers, called as needed to support specific operations.

The proposed bill would provide a tax deduction of \$2,500 for members in good standing, whose unit commander has certified they have met annual requirements set forth by DOR. The benefit cannot be used against the tax liability of prior or succeeding years.

The current-law income tax rate of 5.49 percent will be reduced by 0.1 percentage points annually, starting January 1, 2025, provided that various provisions are met. This estimate assumes that these statutory rate reductions will take place on schedule. If delayed, the revenue impact of the proposed deduction would be larger. Additionally, income deducted during a given tax year is assumed to affect revenues in the following fiscal year.

This analysis is based on the following data:

- Georgia Department of Defense reports, which specify that SDF had 500 members in 2021, with an average of 524 members between 2009 and 2021.
- It is assumed that all currently listed members are in good standing and would have qualified under the standards set forth under this bill.
- The high estimate assumes 2-percent annual growth from 2021 through 2029, and the low estimate assumes no growth in membership.
- The existing tax liability of SDF members is unknown. The high estimate assumes that members have sufficient tax liability to effectively deduct the full \$2,500. The low estimate assumes that, on average, members effectively deduct 75 percent of the maximum deduction: \$1,875.

Table 2. Georgia's State Defense Force Members, 2017–21

	CY 2017	CY 2018	CY 2019	CY 2020	CY 2021
Members	565	500	486	500	500