



DOAA

Georgia Department
of Audits & Accounts

Greg S. Griffin
State Auditor

February 6, 2024

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

SUBJECT: Fiscal Note
House Bill 1015 (LC 50 0620EC)

Dear Chairman Blackmon:

The bill would lower the state’s personal income tax rate in tax year 2024 from the current 5.49 percent to 5.39 percent.

Impact on State Revenue

Georgia State University’s Fiscal Research Center (FRC) estimated that the bill would decrease state revenue as shown in **Table 1**. Due to an implementation date late in FY 2024, the impact in FY 2024 is lower than a 12-month period and in FY 2025 is higher than 12-month period. The appendix provides details of the analysis.

Table 1. Estimated State Revenue Effects of LC 46 0723

(\$ millions)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Estimate	(\$45.1)	(\$361.3)	(\$305.0)	(\$321.5)	(\$337.2)	(\$353.7)

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

HB 1437 and SB 56 established that the existing progressive tax rate system be replaced by the single rate of 5.49 percent effective January 1, 2024. Subject to specific criteria, this rate would decline by 0.10 percent every year until the rate reaches 4.99 percent. The look-forward and look-back conditions that trigger these reductions are not impacted by the subject bill.

HB 1015 proposes to reduce the flat rate applicable beginning with TY 2024 from 5.49 to 5.39 percent. With the existing conditions in place, the rate could therefore be further reduced to 5.29 percent as early as TY 2025, 5.19 percent as early as TY 2026, and so forth until reaching 4.99 percent, if the conditions are met.

The fiscal impacts detailed in Table 1 are based on the following data as assumptions:

- The current personal income tax budget projections were used to establish the expected income tax base (i.e., Georgia taxable income) for tax years 2024–29, shown in Table 2 below.
- Current budget projections already anticipate the proposed 0.10 percent rate reduction. Thus, the estimated effects, shown in Table 2 as the revenue value of 0.1 percent of the tax base, represent a reduction not from budget projections but from current-law revenues projected under a 5.49 percent flat rate.
- This rate reduction would impact withholding upon passage with 16.6 percent of the TY 2024 affect impacting FY 2024 revenues and the remainder impacting FY 2025 assuming withholding is adjusted effective May 1st, 2024. The amount of the revenue impact realized in FY24 depends on the timing of enactment and implementation of new withholding table, an earlier implementation increasing the FY24 impact and reducing that of FY25, and vice versa for a later implementation.
- After the initial year, tax year effects are converted to fiscal years assuming that approximately 46 percent of the effect impacts the fiscal year ending June 30 of the given tax year and the balance impacting the following fiscal year.

Table 2. Taxable Income and Revenue on the Marginal 0.1% Reduction

<i>(\$ millions)</i>	TY 2024	TY 2025	TY 2026	TY 2027	TY 2028	TY 2029
Individual Tax Base	\$270,276	\$296,910	\$314,469	\$329,813	\$345,840	\$362,991
PIT Revenue from 0.1%	\$270	\$297	\$314	\$330	\$346	\$363
	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Revenue Impact	\$45.1	\$361.3	\$305.0	\$321.5	\$337.2	\$353.7