



DOAA

Georgia Department
of Audits & Accounts

Greg S. Griffin
State Auditor

February 21, 2024

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

SUBJECT: Fiscal Note
House Bill 1023 (LC 50 0662)

Dear Chairman Blackmon:

The bill would set the corporate income tax rate at the same level as the personal income tax, effectively changing the rate from 5.75 percent to the current law personal income tax rate of 5.49. The corporate income tax rate would be permanently set to be equal to the personal rate. The bill would be effective for all tax years beginning on or after January 1, 2024.

Impact on State Revenue

Georgia State University’s Fiscal Research Center estimated that the bill would reduce state revenue as shown in Table 1. The amounts are shown assuming both a 5.49 percent rate and the proposed 5.39 percent rate. In both cases, fiscal year 2025 would be the first full year of the bill’s impact. The appendix provides details of the analysis.

Table 1. Estimated State Revenue Effects of HB 1023 LC 50 0662

(\$ millions)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Repeal CNWT	(\$11.2)	(\$64.9)	(\$67.8)	(\$70.8)	(\$74.0)	(\$77.4)
<u>Match CIT and PIT Rate</u>						
Cost at 5.49%	(\$59.3)	(\$126.9)	(\$133.3)	(\$136.8)	(\$143.8)	(\$151.5)
Cost at 5.39%	(\$82.1)	(\$175.7)	(\$184.5)	(\$189.5)	(\$199.1)	(\$209.7)
<u>Total</u>						
Repeal CNWT CIT- 5.49%	(\$70.4)	(\$191.7)	(\$201.0)	(\$207.7)	(\$217.9)	(\$228.8)
Repeal CNWT CIT- 5.39%	(\$93.2)	(\$240.5)	(\$252.3)	(\$260.3)	(\$273.2)	(\$287.1)

Impact on State Expenditures

The Department of Revenue would be able to implement the provisions of the bill without additional resources.

Respectfully,

Handwritten signature of Greg S. Griffin in blue ink.

Greg S. Griffin
State Auditor

Handwritten signature of Richard Dunn in blue ink.

Richard Dunn, Director
Office of Planning and Budget

GSG/RD/mt

Analysis by the Fiscal Research Center

HB 1023 proposes to replace the current statutory corporate income tax (CIT) rate of 5.75 so that the CIT rate is equal to the statutory personal income tax rate in all years. 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, with subsequent, conditional rate reductions of 0.10 percent per year until the rate reaches 4.99 percent.

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

- Current net CIT revenue projections from OPB were used to establish the expected amount of revenues for FY 2024–29, shown in Table 2 below.
- These revenues were adjusted to remove the portion attributable to corporate net worth and financial institutions business occupation taxes (CNWT and FIBOT, respectively). CNWT and FIBOT accounted for approximately 2.8 percent of the total for these and CIT during FY 2022 and 2023. The FY 2024–29 projected CIT revenues were reduced by this percentage to isolate CIT revenues.
- The current statutory rate of 5.75 percent was used to establish the expected corporate income tax base (i.e., Georgia taxable corporate income) for FY 2024–29.
- Corporations’ tax years frequently do not start on January 1, creating variation in effective tax rates during the early portion of calendar year 2024. IRS national data as to shares of corporate taxable income reported by month of firms’ tax year-ends were used to estimate pro forma effective tax rates for FY 2024–29.
- Low fiscal impact estimates are based on a constant PIT rate of 5.49 percent and high estimates are based on constant 5.39 percent.

Baseline revenues, pro forma effective tax rates, and projected CIT revenues based on these data and assumptions, for the 5.49 percent and 5.39 percent scenarios, are presented in Table 2.

Table 2. Baseline (5.75%) and Pro Forma Projected State CIT Revenues

(\$ millions)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Current-Law CIT Baseline ¹	\$2,961.9	\$2,976.7	\$2,946.9	\$3,026.5	\$3,180.8	\$3,349.4
Pro Forma CIT Effective Tax Rates						
5.49%	5.63%	5.50%	5.49%	5.49%	5.49%	5.49%
5.39%	5.59%	5.41%	5.39%	5.39%	5.39%	5.39%
Pro Forma CIT Revenue						
5.49%	\$2,902.6	\$2,849.8	\$2,813.6	\$2,889.6	\$3,037.0	\$3,197.9
5.39%	\$2,879.8	\$2,801.0	\$2,762.4	\$2,837.0	\$2,981.7	\$3,139.7

¹ Excludes CNWT and FIBOT

Section 2

HB 1023 also proposes to repeal Article Four of Chapter 13 of Title 48 of the O.C.G.A, the CNWT. Current CNWT projections from OPB were used to establish the expected amount of revenues for FY 2024–29, shown in Table 3 below. 17.99 percent of FY CBWT collections were received between April and June, based on data from DOR for FY 2019-23. This share was used to estimate the FY 2024 reduction in collections.

Table 3. Baseline Corporate Net Worth Tax Collections

<i>(\$ millions)</i>	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
CNWT Revenues	\$62.1	\$64.9	\$67.8	\$70.8	\$74.0	\$77.4