



DOAA

Georgia Department
of Audits & Accounts

Greg S. Griffin
State Auditor

January 15, 2025

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

SUBJECT: Fiscal Note
House Bill (LC 50 0967)

Dear Representative Ridley:

The bill would exclude net gain or loss derived from the sale of precious metals in the form of bullion or coins. Under current law, net capital gains from the sale of coins or bullion are taxed as collectable assets and subject to federal capital gains taxation. This income is included in federal Adjusted Gross Income (AGI) and taxed as regular income in Georgia for residents. The bill would be effective on and applicable to all taxable years on or after January 1, 2026.

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. The appendix provides details of the analysis.

Table 1. Estimated State Revenue Effects of LC 50 0967

(\$ millions)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Low Estimate	(\$16.6)	(\$16.1)	(\$15.9)	(\$15.9)	(\$16.0)
High Estimate	(\$42.1)	(\$40.9)	(\$40.4)	(\$40.5)	(\$40.8)

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

LMBA, an independent authority for the precious metals market, lists gold, silver, platinum, and palladium as the four most-traded precious metals. In the form of bars and coins, these metals form the financial bullion market. Gold is the largest of the four, making up roughly 82 percent of trading volume.

Representing the gold industry, the World Gold Council estimates that gold accounts for roughly 1 percent of all global financial assets. Despite its relative size, gold’s liquidity generates high trading volumes, estimated at \$149 billion globally per day—second only to stocks.

For federal taxation, net capital gains from the sale of precious metals are reported on Form 8949: Sales and Dispositions of Capital Assets, included with Schedule D: Capital Gains and Losses. Net capital gains across all asset classes are included in the federal portion of Georgia individual income tax data for all Georgia e-filers. Approximately 6 percent of capital gains were not part of a return filed electronically between tax year (TY) 2019 and TY 2021 based on a comparison to IRS Statistics of Income (SOI) data.

SOI data also indicate that Georgia net capital gains from all asset classes totaled \$54.4 billion in TY 2021. Based on SOI and DOR data, table 2 summarizes TY 2018–22 net capital gains for all taxpayers who ended the year living in Georgia. Non-resident filers’ capital gains are assumed to have been derived through non-Georgia sources and not included in their Georgia taxable income.

Other SOI data show that capital gains derived from precious metals constituted no more than 1.44 percent of all capital gains in TY 2015, the latest year available. Survey research in 2023 by State Street Global Advisors found that 20 percent of investors held gold, accounting for 14 percent of their investments. Based on these data, the estimates for LC 50 0967 assume a low and high share of capital gains in Georgia derived from precious metals of 1.1 percent and 2.8 percent, respectively.

Table 2. Georgia Net Capital Gains –Estimates from Precious Metals, TY 2018–22

(\$ millions)	TY 2018	TY 2019	TY 2020	TY 2021	TY 2022
Net Capital Gains – All Assets	\$20,151	\$18,594	\$24,315	\$54,070	\$27,439
Precious Metals Low (1.1%)	\$222	\$205	\$267	\$595	\$302
Precious Metals High (2.8%)	\$564	\$521	\$681	\$1,514	\$768

The proposed exclusion would reduce taxable income for recipients up to their existing taxable income, net of other exemptions and deductions. Simulations of the deduction on DOR individual income tax data for TY 2022 were used to establish the marginal reduction in taxable income and tax liability for resident taxpayers with capital gains income. Based on these simulations, the estimates assume that 95.5 percent of the amount deducted under the proposal would effectively reduce income tax collections.

Capital gains income can be highly volatile and has dramatically increased between 2019 and 2021 then to decline considerably between 2021 and 2022. With this type of income, growth and decline are driven primarily by investor behavior and the timing of buying and selling. The Congressional Budget Office (CBO) projects U.S. capital gains income to increase by 6.5 percent between TY 2022 and TY 2026, and then increase by 4.6 percent during TY 2026–30. The individual year-over-year changes projected by the CBO, which can vary year-to-year were used to project precious metal derived capital gains income in Georgia from TY 2026 through TY 2030, as shown in Table 3.

Table 3. Projected Georgia Net Capital Gains from Precious Metals, TY 2025–29

(\$ millions)	TY 2026	TY 2027	TY 2028	TY 2029	TY 2030
Precious Metals Low (1.1%)	\$322	\$318	\$320	\$327	\$336
Precious Metals High (2.8%)	\$819	\$810	\$816	\$833	\$856

The current income tax rate of 5.39 percent is set to reduce by 0.1 percent annually—beginning January 1, 2026, provided that various provisions are met—until it reaches 4.99 percent no earlier than TY 2029. The estimates assume that these statutory rate reductions will take place on schedule. If delayed, the revenue impacts of the proposed exclusion would be larger. Excluded income during a tax year are assumed to fully impact the following fiscal year’s revenues.

For Table 1, these amounts were reduced by 4.5 percent, accounting for the share of income not able to be effectively excluded. They were adjusted to account for changing tax rates and then converted to fiscal years, resulting in the estimated high and low revenue impacts.