DOAA
Georgia Department of Audits & Accounts

Greg S. Griffin
State Auditor

March 21, 2025

Honorable Chuck Hufstetler
Chairman, Senate Finance
121-C State Capitol
Atlanta, GA 30334

SUBJECT: Fiscal Note
House Bill 165 (LC 50 1165S)

Dear Chairman Hufstetler:

The bill would establish an additional standard deduction based on qualified net disaster losses established by the Federal Disaster Relief Act of 2023 (FDRA 2023), which extended certain disaster rules to include major disasters declared after 2020. Under FDRA 2023, an additional federal standard deduction can be taken on a taxpayer's federal return for qualified net disaster losses, extending the benefit beyond taxpayers who itemize deductions. The bill would allow for similar treatment for non-itemizers on their Georgia return. The bill would be effective for all taxable years starting on or after January 1, 2024.

Impact on 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. Revenue Impacts of HB 165 LC 50 1165S

($ *millions*)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
State Revenue Impact	($11.4)	($1.3)	($0.6)	($0.1)	-

Impact on Expenditures
The Department of Revenue (DOR) 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

Generally, for federal income taxes, casualty-loss deductions are an itemized deduction subject to a 10-percent of AGI threshold. The deduction is calculated as the net loss after insurance or other reimbursement but not more than the loss of fair market value—less $100 and less 10 percent of AGI. When losses are deemed to have been the result of a qualified major disaster, the $100 subtraction becomes $500, but the deduction is no longer subject to the 10-percent of AGI threshold. This allows more itemizers to utilize the deduction and increases the deduction amount.

For non-itemizers, FDRA 2023 also allows a deduction of the amount of qualified disaster casualty losses, net of insurance or other reimbursement and minus $500, as an addition to the taxpayer's federal standard deduction. Absent HB 165 LC 1165S, non-itemizers would not benefit from the additional federal standard deduction, and qualified net disaster losses deducted under FDRA 2023 would be taxable income on those filers' Georgia returns.

The estimated revenue effect of the bill is based on the following data and assumptions:

- The Congressional Joint Committee for Taxation (JCT) estimated the federal fiscal impact of qualified net disaster loss provision in the Federal Disaster Relief Act of 2023 at $2.8 billion in FY 2024 declining to $33 million in FY 2028.
- These JCT fiscal impacts are converted into tax years (TY) and using an average effective federal tax rate of 18.7 percent are used to estimate the income tax base exempted.
- FEMA disaster payments by state related to all major disaster declarations between March 2020 and February 2025—excluding COVID-19-related payments—were used to estimate Georgia's share of qualified disaster casualty losses during this period at 2.2 percent.
- DOR administrative individual income tax data for TYs 2017–22, including federal information for e-filers, were used to estimate itemized casualty loss deductions and apparent additional federal standard deductions based on Hurricane Michael. These data indicated that, on average, the additional federal standard deduction related to that qualified disaster was approximately $34.3 thousand.
- JCT's fiscal impacts are estimated to be 94.3 percent attributable to the returns of non-itemizers. This is a calculation based on the Georgia share of income on non-itemized returns (78.6 percent) and the 20 percent larger average benefit attributable to casualty loss deductions for non-itemizers.
- Microsimulations using DOR administrative income tax data from TY 2022 was used to estimate the portion of qualified disaster losses added to a non-itemizer's standard deduction that would effectively reduce taxable income. These simulations were based on modeling an average additional state standard deduction of $34.3 thousand to non-itemizers. After accounting for other deductions and current-law net taxable income, 60.4 percent of the additional standard deduction is estimated to effectively reduce taxable income.

Based on these data and assumptions, the aggregate amount of additional standard deductions from qualified net disaster payments exempted by the bill for non-itemizers, and effectively reduced taxable income, is detailed in Table 2.

Table 2. Estimated Additional Standard Deductions Based on FDRA 2023

($ *millions*)	TY 2024	TY 2025	TY 2026	TY 2027	TY 2028
Additional Standard Deductions	$265.3	$84.8	$40.3	$17.7	$2.8
Effective Taxable Income Reduction	$160.2	$51.2	$24.3	$10.7	$1.7

Tax year revenue impact estimates assume an effective tax rate of 5.39 percent on the effective reduction in taxable income. Should pending legislation or automatic triggers in current law reduce that rate further, revenue impacts would be reduced. For the fiscal impacts in Table 1, the estimate assumes that both TYs 2024–25 impact FY 2026 revenues because TY 2024 deductions are assumed to require an amended return, which would likely be received after June 30, 2025. Thereafter collections are assumed to be impacted at the time of filing.