



# DOAA

Georgia Department  
of Audits & Accounts

**Greg S. Griffin**  
State Auditor

March 12, 2025

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

SUBJECT: Fiscal Note  
House Bill 266 (LC 50 9000)

Dear Chairman Blackmon:

The bill would exempt from income taxation all compensation received for full-time active-duty military. It would be applicable to all tax years on or after January 1, 2026.

### Impact on Revenue

Georgia State University’s Fiscal Research Center (FRC) estimated that the bill would decrease state revenue as shown in Table 1. Fiscal Year 2027 is the first year of the bill’s full impact. The appendix provides details of the analysis.

**Table 1. Estimated State Revenue Effects of HB 266 LC 59 9000**

(\$ millions)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
High Estimate	(\$91.9)	(\$186.8)	(\$192.7)	(\$198.6)	(\$204.6)
Low Estimate	(\$82.1)	(\$166.9)	(\$172.2)	(\$177.4)	(\$182.8)

### 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

Active-duty service members are taxed based on their “State of Legal Residence (SLR) or Domicile,” regardless of where they are stationed. While there are no public documents that list active-duty military personnel’s states of origin or state of legal residency, the Office of the Under Secretary of Personnel and Readiness publishes an annual “Population Representation in the Military Services Report.” This report lists each year’s number of “accessions,” or U.S. citizens joining military service for the first time into various military branches and their state of origin, as well as each state’s percentage of total recruits. For this analysis, the lowest and highest percentage of accessions from Georgia for the period 2017–22 are taken for low and high estimates of active-duty military whose SLR is Georgia. These rates are 4.22 percent and 4.72 percent.

Next, the active-duty military service members for each military branch and rank for Georgia is estimated using the 2024 active-duty military personnel by rank/grade and service published by the US Department of Defense (DOD). Table 2 shows the high and low estimates of active-duty military service members from Georgia.

**Table 2. Estimated Active-duty Service Members from Georgia, 2024**

<i>(in thousands)</i>	Low Estimate	High Estimate
Active-duty service members	56	63

According to DOD, the major component of military compensation is the basic pay, while other allowances such as basic allowance for housing (BAH) and basic allowance for subsistence (BAS) are non-taxable. Thus, for the purpose of this analysis, only basic pay is considered. Basic pay is the same regardless of military branch, but it varies by rank and years of service. The basic pay that is effective January 1, 2025, is used for the analysis. For each rank, the average basic pay by years of service is taken. Table 3 shows the estimated annual pay by rank.

**Table 3. Average Basic Pay by Rank, 2025** *(in thousands of dollars)*

Officer		Warrant Officer		Enlisted	
Rank	Yearly	Rank	Yearly	Rank	Yearly
O10	\$226	W-5	\$138	E-9	\$102
O9	\$226	W-4	\$102	E-8	\$84
O8	\$202	W-3	\$90	E-7	\$69
O7	\$177	W-2	\$79	E-6	\$56
O6	\$149	W-1	\$72	E-5	\$49
O5	\$127			E-4	\$39
O4	\$112			E-3	\$33
O3	\$97			E-2	\$28
O2	\$75			E-1	\$25
O1	\$59				

Annual military basic pay raises are tied to private-sector wage growth, as measured by the Employment Cost Index (ECI). Future pay increases are projected using the January 2025 ECI projections from the Congressional Budget Office.

Microsimulations based on the individual income tax data for tax year (TY) 2022 from DOR were used to estimate effective tax rate for individuals similar to the wages paid to active duty military. The estimated effective tax rate accounted for all other exemptions and deductions under current law. Based

on these calculations, the estimates assume an effective tax rate of 5.10 percent, which is then applied to the projected pay to generate the tax revenue impact.

Table 4 presents the estimated revenue impact by tax year for both high and low estimates, while a 50/50 fiscal split is used to estimate the fiscal year impact.

**Table 4. Estimated Tax Revenue Impact**

<i>(\$ millions)</i>	<b>TY 2026</b>	<b>TY 2027</b>	<b>TY 2028</b>	<b>TY 2029</b>	<b>TY 2030</b>
High Estimate	\$183.9	\$189.7	\$195.6	\$201.5	\$207.6
Low Estimate	\$164.3	\$169.5	\$174.8	\$180.1	\$185.5