



DOAA

Georgia Department
of Audits & Accounts

Greg S. Griffin
State Auditor

January 8, 2025

Honorable Eric Bell
State Representative
411-D Coverdell Legislative Office Building
Atlanta, GA 30334

SUBJECT: Fiscal Note
House Bill (LC 59 0016)

Dear Representative Bell:

The bill would amend Georgia’s income tax code to exempt all honorably discharged military members from any tax. It does not include an effective date and is assumed to be effective for tax years beginning on or after January 1, 2026.

Impact on State Revenue

Georgia State University’s Fiscal Research Center estimated that the bill would decrease state revenue as shown in Table 1. The first full year of the fiscal impact is FY27. The appendix provides details of the analysis.

Table 1. Estimated State Revenue Effects of LC 59 0016

<i>(\$ millions)</i>	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Revenue Loss	(\$559)	(\$1,133)	(\$1,163)	(\$1,194)	(\$1,224)

Impact on State Expenditures

The Department of Revenue (DOR) would incur one-time and annual costs associated with the bill. To ensure compliance, DOR would need two tax examiners at an annual cost of \$132,500 and a one-time cost of \$3,650 for computers and equipment. The bill would require modifications to the DRIVES and Integrated Tax System programs that would require 14 weeks of staff time, equating to approximately \$142,000.

Respectfully,

Greg S. Griffin
State Auditor

Richard Dunn, Director
Office of Planning and Budget

GSG/RD/mt

Analysis by the Fiscal Research Center

Honorably discharged military members represent a portion of the veterans in Georgia. Veterans are defined in Georgia law as a person who “served in the active military, naval, air, or space service, and was discharged or released therefrom under conditions other than dishonorable.” There are six possible classifications of discharge status that military personnel can receive, five of which are included in the count of veterans because they are not dishonorable.

The following types are counted as veterans but would not be covered by this exemption:

- General under Honorable Conditions,
- Other than Honorable,
- Bad Conduct, and
- Entry Level Separation.

The percentage of veterans falling into these categories is not publicly available information. Research published in 2023 and 2017 estimated that 14 percent of all discharges are included in these four categories. The estimate therefore assumes that 14 percent of currently counted veterans did not receive a full honorable discharge.

The estimated fiscal impacts of the proposed changes in LC 59 0016 are based on the following data and assumptions:

- The US Department of Veteran Affairs (VA) estimates a Georgia veteran population of 657,000 in 2024. The estimate assumes that 565,000 of those were honorably discharged and exempted under this bill. This is assumed to correspond to 390 thousand tax returns and households because average tax return in Georgia represents 1.45 taxpayers.
- The VA projects a decreasing population of 0.9 percent annually in Georgia between 2024–29. The estimates assume this same rate of decrease for the population of honorably discharged individuals through 2030.
- The US Census American Community Survey (ACS) for 2022, the latest year available, was used to estimate the age and income for the veteran population in Georgia. Based on these data, 17 percent of Georgia’s veterans are over 62 and qualify for the retirement income exclusion. Their annual household incomes averaged \$110,000 overall with the over 62 households averaging \$93,000.
- Using administrative income tax data from DOR, a random sample of 390,479 tax returns was created. This sample was designed to match the age and income distributional characteristics of Georgia’s honorably discharged population, based on the VA and ACS data described. Current-law taxable income for this was estimated at \$25.9 billion after accounting for other applicable exemptions and deductions, including the military retirement income exclusion. \$25.9 billion is estimated to be the amount of income exempted under this bill for tax year (TY) 2024.
- According to the ACS data, 72 percent of working veterans are in dual-earning households. The estimates assume that income earned by non-veterans filing jointly with an honorably discharged military member will not be exempted under this bill. If these earnings are deemed exempted under this bill, the fiscal estimate herein would be 22 percent larger.
- The Congressional Budget Office (CBO) projects nominal per capita income to increase by 3.6 percent annually from 2024 through 2030, and the estimate assumed this growth in average income for the population of honorably discharged in Georgia over that period.
- Between TY 2024–30, Georgia taxable income for this group is assumed to grow by 3.6 percent annually, based on the CBO projection of per capita income. Concurrently, it is projected to

decrease at an annual rate of 0.9 percent, based on the VA projections of veteran population in Georgia, for an effective annual growth rate of 2.62 percent.

Table 2 presents the estimates for total and taxable income for Georgia’s honorably discharged population from TY 2025–30. The bill is assumed to be effective January 1, 2026, and is assumed to reduce FY 2026 revenue through reduced withholding. Full-year fiscal impacts start in FY 2027 and are based on a 50-50 TY to FY fiscal split.

For the revenue impacts presented in Table 1, the effective reduction in taxable income shown in Table 2 is multiplied by the current-law statutory rate of 5.39 percent. This rate is scheduled to be reduced if certain requirements are met each year, beginning as early as TY 2025. If these rate reductions occur, the impact of the proposed tip income exclusion would be smaller.

Table 2. Estimates of Honorably Discharged Income in Georgia, TY 2025–30

<i>(\$ millions)</i>	TY 2026	TY 2027	TY 2028	TY 2029	TY 2030
Population	554,584	549,559	544,576	539,526	534,426
Households	383,554	380,079	376,632	373,140	369,613
Aggregate AGI	\$31,037	\$30,476	\$29,924	\$29,377	\$28,834
Taxable Income	\$20,758	\$21,302	\$21,860	\$22,428	\$23,006