



DOAA

Georgia Department
of Audits & Accounts

Greg S. Griffin
State Auditor

February 25, 2025

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

SUBJECT: Fiscal Note
House Bill 290 (LC 59 0083)

Dear Chairman Blackmon:

The bill would address conformity to Internal Revenue Code (IRC) changes from federal legislation passed during 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. FRC worked with the Department of Revenue to identify federal bills that could reduce Georgia revenue upon conformity: the Federal Disaster Relief Act of 2023 and the VSO Equal Tax Treatment Act (VETT), both signed into law December 12, 2024. FRC determined that only a portion of the federal disaster act would impact state revenue. Details of the analysis are in the appendix.

Table 1. Federal Disaster Relief Act of 2023 – Certain Disaster Rules Extension

(\$ millions)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Impact - Conformity	(\$0.7)	(\$0.2)	(\$0.1)	(\$0.0)	(\$0.0)

Impact on Expenditures

The Department of Revenue would be able to implement 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

The subject bill proposes to address conformity to Internal Revenue Code (IRC) changes from federal legislation passed during 2024. According to DOR analyses, two bills have the potential to reduce Georgia's revenues upon conformity: the Federal Disaster Relief Act of 2023 and the VSO Equal Tax Treatment Act (VETT), both signed into law December 12, 2024.

The Federal Disaster Relief Act of 2023 (FDRA 2023) contained three provisions that may have revenue implications if Georgia were to conform. First, it describes an exclusion from gross income for compensation for losses or damage resulting from wildfires. For income to be excluded under this provision, losses or damage must be associated with a federally declared wildfire disaster, and no such wildfire disaster has been declared in Georgia since 2017. Second, FDRA 2023 also contained a provision exempting from income disaster relief payments related to the East Palestine train derailment that occurred February 3, 2023. These payments are intended to relieve local property owners, likely Ohio taxpayers, for property losses and damage due to the train derailment disaster. Finally, it extended certain disaster casualty-loss deduction rules that had previously expired to include major disasters declared between March 2020 and February 2025

The VETT Act modifies a deduction for contributions to certain veterans service organizations (VSO). The full impact of this change by the Congressional Budget Office (CBO) was estimated to be \$1 million nationally over the five-year period between 2024 and 2028.

These changes related to the VETT Act, the wildfire disasters, and the East Palestine Train derailment could impact Georgia revenues, but if so, their impact would be negligible. The estimate assumes that, for practical purposes, the revenue impact of conforming to these changes is zero.

The FDRA 2023 extension of certain disaster rules to include major disasters declared after 2020 is expected to reduce Georgia income tax revenues upon conformity. Generally, 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 full qualified disaster casualty loss amount (net of insurance or other reimbursement) minus \$500 as an addition to the taxpayer's federal standard deduction. This additional federal deduction for non-itemizers does not impact state taxable income or state revenues under current law or this conformity bill.

The basis of these fiscal impact estimates is the congressional Joint Committee for Taxation's (JCT) estimates for the federal impact of this provision in the Federal Disaster Relief Act of 2023. FEMA disaster payments by state between March 2020 and February 2025 related to all major disaster declarations—excluding COVID-19-related payments—were used to estimate Georgia's share of qualified disaster casualty losses during this period at 2.2 percent. JCT's fiscal impacts are estimated to be 94.3 percent attributable to returns of non-itemizers. This is a calculation based on Georgia share of income on non-itemized returns (78.6 percent) and accounts for the larger changes in allowable casualty loss deductions for non-itemizers. For the revenue estimates in Table 1, the JCT fiscal impacts are adjusted by effective tax rates for federal and Georgia income taxes, and tax-year impacts are assumed to impact the following fiscal years upon filing.