



DOAA

Georgia Department
of Audits & Accounts

Greg S. Griffin
State Auditor

February 24, 2025

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

SUBJECT: Fiscal Note
Senate Bill 168 (LC 59 0100)

Dear Chairman Hufstetler:

The bill would reduce, effective January 1, 2026, the personal income tax rate from 5.39 percent by 1 percentage point each year until it reaches 0 percent. Under current law, the corporate income tax rate is set equal to the personal income tax rate, so the bill would result in the same rate change for the corporate income tax.

Impact on Revenue

Georgia State University’s Fiscal Research Center (FRC) estimated that the bill would decrease revenue as shown in **Table 1**. The appendix provides details of the analysis.

Table 1. Estimated State Revenue Effects of LC 59 0100

(\$ millions)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Personal Income Tax	(\$1,493)	(\$4,367)	(\$7,885)	(\$11,542)	(\$15,510)
Corporate Income Tax	(\$553)	(\$1,105)	(\$1,768)	(\$2,521)	(\$3,307)
Total	(\$2,046)	(\$5,472)	(\$9,653)	(\$14,063)	(\$18,817)

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

HB 1437 and SB 56 established that the existing progressive tax rate system be replaced by the single rate of 5.49 percent, effective January 1, 2024. Subject to specific criteria, this rate would decline by 0.10 percent every year until the rate reaches 4.99 percent. The look-forward and look-back conditions that trigger these reductions are not impacted by the subject bill. HB 1015 amended the schedule to reduce the flat rate, applicable beginning with tax year (TY) 2024 to 5.39 percent. Additionally, HB 1023 established that the corporate income tax rate would equal the current statutory personal income tax rate.

The fiscal impacts related to the personal income tax (PIT), detailed in Table 1, are based on the following data assumptions:

- The current personal income tax budget projections were used to establish the expected income tax base (i.e., Georgia taxable income) for TY 2026–30, shown in Table 2 below.
- Current budget projections already anticipate the proposed 20-basis point rate reduction that, if enacted, would be effective for tax years beginning on or after January 1, 2025. Thus, the estimated effects, shown in Table 2 as the revenue value of 1 percent of the tax base, represent a reduction not from budget projections but from current-law revenues projected under a 5.39 percent flat rate.
- This rate reduction would impact withholding upon passage with 50 percent of the tax year (TY) 2026 effect impacting FY 2026 revenues and the remainder impacting FY 2027. The amount of the revenue impact realized in FY 2026 depends on the timing of implementation of new withholding tables, an earlier implementation increasing the impact this year and reducing that of FY 2027, and vice versa for a later implementation.
- For periods after the initial year, tax year effects are converted to fiscal years assuming that approximately 46 percent of the effect impacts the fiscal year ending June 30 of the given tax year and the balance impacting the following fiscal year.

Table 2. Taxable Income and Revenue on the Marginal 1 Percent by Tax

(\$ millions)	TY 2026	TY 2027	TY 2028	TY 2029	TY 2030
PIT forecast	\$16,098	\$16,897	\$17,596	\$18,336	\$19,143
Implied Tax Base	\$298,669	\$313,487	\$326,451	\$340,190	\$355,159
Proposed Tax Rate	4.39%	3.39%	2.39%	1.39%	0.39%
Pro Forma Forecast of					
Tax Revenue	\$13,112	\$10,627	\$7,802	\$4,729	\$1,385
Revenue Impact	\$2,987	\$6,270	\$9,794	\$13,608	\$17,758
	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Revenue Impact	\$1,493	\$4,367	\$7,885	\$11,542	\$15,510

The proposed reduction in the personal income tax rate would also result, under current law, in the same rate change to the corporate income tax. The fiscal impacts of the corporate income tax (CIT) rate reduction reported in Table 1 are based on the following data and assumptions:

- Current net corporate income revenue projections from OPB were used to establish the expected revenues for FY 2026–30, shown in Table 3 below.
- These revenues were adjusted to remove the portion attributable to corporate net worth and financial institutions business occupation taxes (CNWT and FIBOT, respectively), which are included in the total corporate tax projections but are not affected by this bill. Together, CNWT

and FIBOT accounted for approximately 2.9 percent of the combined collections from these taxes and the CIT during FY 2022–24. The FY 2025–30 projected CIT revenues were reduced by this percentage to isolate CIT revenues.

- The current budget projections already account for the proposed 20-basis point rate reduction, which would take effect for tax years beginning on or after January 1, 2025. Therefore, the estimated impacts shown in Table 3, expressed as the revenue value of 1 percent of the tax base, reflect a reduction from current-law revenues under a 5.39 percent flat rate rather than a decrease from budget projections.
- Corporations’ tax years frequently do not start on January 1, creating variation in effective tax rates during the early portion of calendar year 2026. IRS national data as to shares of corporate taxable income reported by month of firms’ tax year-ends were used to estimate pro forma effective tax rates for FY 2026–30.
- Fiscal impact estimates are based on a constant CIT rate of 5.39 percent for the baseline.

Baseline revenues, pro forma effective tax rates, and projected CIT revenues based on these data and assumptions are presented in Table 3. The difference between the baseline expected revenues and the pro forma revenues are the fiscal impact estimates in Table 1.

Table 3. Baseline (5.39 Percent) and Pro Forma Projected State CIT Revenues

(\$ millions)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Current-Law CIT Baseline					
No CNWT or FIBOT	\$3,160	\$3,066	\$3,239	\$3,447	\$3,607
Pro Forma CIT Effective Tax Rates					
Effective Tax Rate	4.95%	4.45%	3.45%	2.50%	1.5%
CIT Revenue	\$2,607	\$1,961	\$1,471	\$926	\$299
Revenue Impact	\$553	\$1,105	\$1,768	\$2,521	\$3,307