DOAA
Georgia Department
of Audits & Accounts

Greg S. Griffin
State Auditor

February 4, 2026

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

SUBJECT: Fiscal Note
Senate Bill 387 (LC 59 0236)

Dear Chairman Hufstetler:

The bill would eliminate the personal and corporate income taxes effective January 1, 2026. The bill also eliminates all tax credits allowable against the personal or corporate income taxes as well as those allowable against withholding taxes.

Impact on Revenue

Georgia State University's Fiscal Research Center (FRC) estimated that the bill would decrease revenue as shown in Table 1. For personal income taxes, the FY 2026 amount is significantly lower than other years because taxes would be owed for the first six months and taxes are being withheld from paychecks through most of the fiscal year. In FY 2027, refunds of the taxes withheld in CY 2026 would be refunded, resulting in a greater revenue loss.

FRC noted that given the elimination of all personal and corporate income taxes, the elimination of tax credits allowable against income taxes or withholding taxes (Section 3) would have no additional revenue impact. The appendix provides details of the analysis.

Table 1. Estimated State Revenue Effects of SB 387 LC 59 0236

($ *millions*)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Personal Income Tax	($1,236)	($23,109)	($17,769)	($18,529)	($19,381)	($20,305)
Corporate Income Tax	($1,430)	($2,907)	($3,122)	($3,230)	($3,343)	($3,471)
Total	($2,666)	($26,016)	($20,891)	($21,758)	($22,723)	($23,777)

Impact on Expenditures

The Department of Revenue (DOR) would experience a decrease in expenditures as a result of this bill. Reductions in staffing within the Taxpayer Services Division and the Office of the General Counsel would occur over multiple years.

- **Taxpayer Services Division** – The number of full-time equivalent (FTEs) positions, which includes contractors, would decline from 218 to 95 by the end of FY 2028. In FY 2027, a reduction of 50 FTEs would result in savings of $2.7 million (salaries, benefits, technology). In FY 2028, the further reduction of 73 FTEs would result in additional savings of $4.0 million. Finally, $161,000 would be saved in reduced software and equipment costs.
- **Office of the General Counsel** – The impact to this office would occur later, due to its involvement in income tax protests, litigation, and similar matters. DOR estimates a reduction of five positions, including a program manager, two attorneys, and two legal analysis

specialists. These positions would be eliminated over a three-year period beginning in FY 2029. Savings would be $120,000 in FY 2029, an additional $257,000 in FY 2030, and another $302,000 in FY 2031.

It should be noted that the Tax Compliance unit that works on individual and corporate income taxes would still continue collection cases for taxes owed prior to the bill's effective date. DOR noted that some collection activities may continue for at least 10 years.

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 fully repeals all income taxes due for taxable years that start on or after January 1, 2026. It specifies that all income tax credits are also eliminated, which would have no additional revenue impact.

Current individual and corporate income tax budget projections were used to establish the expected income tax revenues for FY 2026-31. The current budget projections, however, reflect the proposed 0.2 percent income tax rate reduction, so estimates herein are adjusted to reflect the current-law flat income tax rate of 5.19 percent for both individual and corporate taxes.

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

- After 2027 the revenue impact under this bill is assumed to be equal to these expected PIT revenues reflecting the full and immediate repeal proposed.
- For expected PIT revenues in FY 2026 the estimates assume that 54.2 percent are revenues based on tax year (TY) 2025 income. Of the remaining 45.8 percent, from TY 2026 income, 83.3 percent is assumed to have already been collected through withholding or estimated tax payments upon the hypothetical enactment of this bill; these collections are assumed to be refunded to the taxpayer during FY 2027. The estimated revenue impact for FY 2026 in Table 2, therefore, represents the reduction in withholding and quarterly estimated payments that would normally be due after enactment of this legislation but before the end of FY 2026.

Table 2. Personal Income Tax Baseline and Proforma Revenue

($ *millions*)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
PIT Baseline @ 5.19%	$16,183	$16,928	$17,769	$18,529	$19,381	$20,305
Proforma PIT Revenue	$14,947	($6,180)	$0	$0	$0	$0

The fiscal impacts of the repeal of the corporate income tax (CIT) reported in Table 1 are based on the following data and assumptions:

- CIT revenue projections were also 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 3.4 percent of the combined collections from these taxes and the CIT during FY 2025. The FY 2026–31 projected CIT revenues were reduced by this percentage to isolate CIT revenues.
- Corporations' tax years frequently do not start on January 1, creating variation in when the proposed repeal of the CIT would be effective for different corporate taxpayers and thus the overall average effective tax rates during the early periods before the repeal is effective for all. 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 2026–31, assuming enactment of this bill. Based on these calculations, the average effective tax rate calculated for FY 2026 is 2.89 percent, 0.3 percent for FY 2027, and zero beginning FY 2028.

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

Table 3. Corporate Income Tax Baseline and Proforma Revenue

($ *millions*)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
CIT Baseline* @ 5.19%	$3,087	$3,078	$3,122	$3,230	$3,343	$3,471
Proforma CIT Revenue*	$1,657	$170	$0	$0	$0	$0

* excluding CNWT and FIBOT