



DOAA

Georgia Department
of Audits & Accounts

Greg S. Griffin
State Auditor

February 25, 2026

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

SUBJECT: Fiscal Note
Senate Bill 477 (LC 59 0311)

Dear Chairman Hufstetler:

The bill would amend and expand the current schedule of income tax rate reductions in O.C.G.A. § 48-7-20, set the corporate income tax rate to 4.99 percent, and increase standard deductions under O.C.G.A. § 48-7-27. In Section 1, the bill adds scheduled tax rate reductions, beyond the current-law terminal rate of 4.99 percent, in two steps to 4.49 and 3.99 percent, subject to conditions. In Sections 2 and 3, the bill permanently sets the corporate income tax (CIT) rate and the rate applicable to pass-through entities filing at the entity level to 4.99 percent. In Section 4, the bill increases the current standard deduction for married filing joint filers from \$24,000 to \$32,000 and for single filers from \$12,000 to \$16,000. The bill is effective July 1, 2026, and would be applicable to all tax years beginning on or after January 1, 2026.

Impact on Revenue

Georgia State University's Fiscal Research Center (FRC) estimated that the bill would decrease revenue as shown in Table 1. The rows of Table 1 referencing the "HB 1001 Baseline" assume enactment of that bill, accelerating implementation of the 4.99 percent rate to TY 2026. As the step to 4.99 percent under this bill would thus have already occurred, the further 50 basis point cuts would be accelerated. The effects versus the HB 1001 baseline thus reflect the marginal effect of this bill beyond the effects of HB 1001. The appendix provides details of the analysis.

Table 1. Estimated State Revenue Effects of SB 477 LC 59 0311

(\$ millions)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Individual Income Tax Effects						
v. Current-Law Baseline	-	(\$1,277.6)	(\$834.4)	(\$1,031.6)	(\$1,996.1)	(\$3,754.8)
v. HB 1001 Baseline	-	(\$1,269.4)	(\$829.1)	(\$1,774.4)	(\$3,614.8)	(\$4,596.5)
Corporate Income Tax Effects						
v. Current-Law Baseline*	(\$47.1)	(\$103.9)	(\$112.9)	(\$89.3)	(\$31.6)	-
Total Effects						
v. Current-Law Baseline	(\$47.1)	(\$1,381.6)	(\$947.3)	(\$1,120.9)	(\$2,027.7)	(\$3,754.8)
v. HB 1001 Baseline	-	(\$1,269.4)	(\$829.1)	(\$1,774.4)	(\$3,614.8)	(\$4,596.5)

* Corporate income tax effects vs. the HB 1001 baseline would be zero for all years.

Impact on Expenditures

The Department of Revenue would be able to implement the bill's provisions with existing resources.

Respectfully,

A handwritten signature in blue ink, appearing to read "Greg S. Griffin".

Greg S. Griffin
State Auditor

A handwritten signature in black ink, appearing to read "R. Dunn".

Richard Dunn, Director
Office of Planning and Budget

GSG/RD/mt

Analysis by the Fiscal Research Center

Individual Income Tax Changes – Sections 1 and 4

Under current law, the flat income tax rate of 5.19 percent is set to decrease by 0.1 percentage points per year in which the conditions listed below are met, until the rate reaches 4.99 percent. Section 1 of this bill modifies one of these conditions, and extends and accelerates the schedule of conditional reductions such that, once the rate is 4.99 percent, subsequent reductions would be in two 50 basis point steps until the rate reaches 3.99 percent. The conditions under current law and the proposed change to the first condition are as follows:

- The Governor's revenue estimate for the succeeding fiscal year is at least 3 percent above the estimate for the current fiscal year.
 - Under this bill, the threshold for meeting this condition is reduced to one percent.
- The prior fiscal year's revenues were higher than each of the preceding three fiscal years' revenues.
- The estimated decrease in state revenues from the scheduled rate reduction does not exceed the current balance in the RSR fund.

Section 4 of the bill increases, effective January 1, 2026, the standard deduction for married filing jointfilers to \$32,000 and to \$16,000 for single filers, from \$24,000 and \$12,000 respectively.

Current individual and corporate income tax budget projections were used to establish the expected income tax revenue baselines for fiscal years (FY) 2026–31. However, current budget projections reflect the Governor's proposed 0.2 percentage point income tax rate reduction, which has not yet been enacted, so baseline estimates herein are adjusted to reflect the current-law flat income tax rate of 5.19 percent for both individual and corporate taxes.

These current-law adjustments to the individual and corporate income tax baselines are then added to the budget's general fund revenue projections, to estimate the baseline for purposes of the conditional tax change tests under this bill. From this baseline, together with microsimulation estimates of the impact of each conditional rate cut and deduction increase, we project that the revenue-based conditions (forward- and backward-looking revenue tests) will be met to allow for the conditional changes under current law to occur and become effective for tax years (TY) 2029 and 2030, 10 basis points each year. Under this proposal conditional rate cuts are assumed to occur with rate cuts of 20 basis points for TY 2029, compared to 10 under current law, and 50 basis points each in TY 2030 and 2031, compared to 10 and zero under current law. Because of tax rate cuts enacted in 2024 and 2025, the adjusted general fund revenue baseline does not show revenues exceeding the FY 2025 level again until FY 2028, preventing conditional cuts before TY 2029.

Current budget documents indicate that the RSR balance has been at its maximum of 15 percent of prior-year revenues since 2021 and as of the end of FY 2025 was approximately \$5.6 billion, with additional balances in undesignated reserves, so the RSR balance condition is assumed to be met in all years for purposes of this note.

Note, also, that current law already provides for tax rate reductions from the current 5.19 percent to 4.99 percent, so the cost of triggering the first rate reduction under this bill, to 4.99 percent, is partly attributable to existing law, not entirely a cost of this bill. Table 2 summarizes the current-law baseline and pro forma tax rates assumed based on the expected conditions being met, establishing declining rates in TY 2029-31.

Finally, the proposed 20 basis point tax rate cut in HB 1001 would reduce the starting point for the tax rate under this bill, accelerating the triggered rate cuts such that the rate falls below 4.99 percent in TY 2029 and reaches 4.49 percent in TY 2029 instead of 4.99 percent and 3.99 in TY 2030 instead of 4.49.

Given this interaction, two baseline assumptions are considered. First, the current-law baseline with projected conditional rate decreases and second, the baseline assuming enactment of HB 1001, with a 4.99 tax rate for all years. The simulated difference between the tax structure proposed in the bill and the two alternate baselines are used to estimate the revenue impacts in Table 1.

Simulations on administrative income tax data from DOR were used to estimate the percent changes in tax liability that would be expected given the tax rate and standard deduction changes under this bill. The percent changes, under both baseline scenarios, are also presented in Table 2.

Table 2. Baseline and Pro Forma Individual Income Tax Scenarios

	TY 2026	TY 2027	TY 2028	TY 2029	TY 2030	TY 2031
Tax Rates						
Current-Law Baseline	5.19%	5.19%	5.19%	5.09%	4.99%	4.99%
Pro Forma v. CL BL	5.19%	5.19%	5.19%	4.99%	4.49%	3.99%
HB 1001 Baseline	4.99%	4.99%	4.99%	4.99%	4.99%	4.99%
Pro Forma v. HB 1001 BL	4.99%	4.99%	4.99%	4.49%	3.99%	3.99%
	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Simulated Effects of Individual Income Tax Rate and Deduction Changes						
v. Current-Law BL	-	-7.55%	-4.70%	-5.63%	-10.62%	-19.23%
v. HB 1001 BL	-	-7.88%	-4.84%	-9.94%	-19.37%	-23.54%

Except for TY 2026, simulated percent changes were adjusted to fiscal-year impacts assuming the scheduled changes would be implemented on January 1 of the year they become effective and immediately impact withholding and estimated tax payments. For TY 2026, the changes are limited to standard deduction increases, for which taxpayers are unlikely to adjust their withholding, so impacts on collections are assumed to occur at the time of filing returns in FY 2027, hence the increased impact on TY 2026 from the proposed standard deduction increase.

This proposal, if passed, is expected to reduce state revenues and therefore impact the meeting of conditions for future rate reductions. The analysis systematically checked in each year, after the estimated reduction in revenues due to this proposal, that the necessary conditions for future conditional changes are still met. In each year after 2028, the tests for conditional changes in rate and deductions are still met even after the revenue changes proposed under this proposal. When compared to the HB 1001 baseline revenues under this proposal in TY 2030 would not meet the look-back conditions though under that scenario the terminal rate of 3.99 percent would have already been reached.

Table 3. Individual Income Tax Baseline and Pro Forma Revenue

(\$ millions)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Current-law Baseline	\$16,928	\$17,769	\$18,332	\$18,802	\$19,523
Pro Forma v CL BL	\$15,651	\$16,935	\$17,301	\$16,806	\$15,768
HB 1001 Baseline	\$16,120	\$17,114	\$17,843	\$18,663	\$19,523
Pro Forma v HB 1001 BL	\$14,850	\$16,285	\$16,069	\$15,048	\$14,926

Corporate Income Tax Changes – Sections 2-3

Sections 2 and 3 of the bill decouples the corporate income tax (CIT) rate from that of the individual income tax, setting the rate permanently at 4.99 percent, including for pass-through entities (PTE) electing to file and pay tax at the entity level, effective for all tax years beginning on or after January 1, 2026.

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

- CIT revenue projections 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 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 is calculated for each year between FY 2026 and FY 2031 under the baseline and pro forma scenarios. Both are 4.99 percent in FY 2031.

Baseline and pro forma projected CIT revenues, based on these data and assumptions, are presented in Table 4. The difference between the baseline expected revenues and the pro forma revenues are the fiscal impact estimates in Table 1.

Table 4. Corporate Income Tax Baseline and Pro Forma Revenue*

(\$ millions)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
CIT Step Down Baseline	\$3,083	\$3,074	\$3,118	\$3,198	\$3,250	\$3,341
Pro Forma CIT Revenue	\$3,036	\$2,970	\$3,005	\$3,109	\$3,218	\$3,341

*excluding CNWT and FIBOT

Note that during FY 2024, an estimated \$1.5 billion of CIT payments were made by PTE's that had elected entity-level filing. Entity-level filing enables PTE's to fully deduct state and local taxes paid on their federal returns, where individual owners' deductions would be limited. Given that the proposed bill fixes the rate applicable to entity-level filers at 4.99 percent while individual tax rates are scheduled, subject to conditions previously discussed, to be reduced to as low as 3.99 percent, PTE's recently electing entity-level filing may revert to filing and paying tax at the individual owner level if doing so reduces their combined state and federal tax liability.

For every \$1 billion of annual CIT collections from PTE's at a 4.99 percent tax rate, reverting to individual-level filing at a rate of 4.49 percent would increase the revenue loss from this bill by \$100 million, \$200 million once the IIT rate falls to 3.99 percent.

Summary

General fund baseline and pro forma revenues, reflecting all individual and corporate tax changes under the two baseline scenarios, are presented in Table 5.

Table 5. General Fund Revenues Baseline and Pro Forma

(\$ millions)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Current-law Baseline*	\$37,067	\$38,687	\$39,874	\$40,916	\$42,521
Pro Forma v CL BL	\$35,685	\$37,740	\$38,753	\$38,888	\$38,766
HB 1001 Baseline	\$36,610	\$38,081	\$39,427	\$40,916	\$42,521
Pro Forma v HB 1001 BL	\$35,341	\$37,252	\$37,653	\$37,302	\$37,925