



DOAA

Georgia Department
of Audits & Accounts

Greg S. Griffin
State Auditor

March 5, 2026

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

SUBJECT: Fiscal Note
Senate Bill 476 (LC 59 0312)

Dear Chairman Hufstetler:

The bill would make substantial changes to the state tax code. These changes include cutting personal and corporate income tax rates to 4.99 percent, increasing the standard deduction to \$100,000 for joint filers and \$50,000 for single filers, disallowing all income tax credits starting in 2032, amending the low-income housing tax credits, repealing various income tax credits, repealing various sales tax exemptions, and reducing insurance premium tax deductions. The proposed changes to the state income tax, which are a rate reduction and an increase in the standard deduction, would become effective July 1, 2026, and be applicable to all taxable years beginning on or after January 1, 2026. All other parts of the bill would become effective January 1, 2027.

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, which would implement the 4.99 percent rate to TY 2026 making that aspect of this bill have no fiscal impact. It should be noted that the disallowance of all tax credits starting in 2032 is outside of the five-year window shown below. FRC noted that data from the Georgia Tax Expenditure Report for FY 2027, when combined with other changes in this bill, indicates that up to \$1.6 billion in tax expenditure could be impacted. The appendix provides details of the analysis.

Table 1. Estimated State Revenue Effects of SB 476 LC 59 0312

(\$ millions)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Part II Individual Income Tax Effects						
v. Current-Law Baseline	(\$104)	(\$3,998)	(\$6,486)	(\$6,378)	(\$6,083)	(\$5,999)
v. HB 1001 Baseline	\$0	(\$3,189)	(\$5,831)	(\$5,889)	(\$5,945)	(\$5,999)
Part II Corporate Income Tax Effects						
v. Current-Law Baseline*	(\$47)	(\$104)	(\$113)	(\$89)	(\$32)	\$0
Part II Total Effects						
v. Current-Law Baseline	(\$151)	(\$4,102)	(\$6,599)	(\$6,467)	(\$6,115)	(\$5,999)
v. HB 1001 Baseline	\$0	(\$3,189)	(\$5,831)	(\$5,889)	(\$5,945)	(\$5,999)
Revenue Increasing Changes		\$689	\$1,516	\$1,673	\$1,737	\$1,803
Total Net Effect						
v. Current-Law Baseline	(\$151)	(\$3,414)	(\$5,083)	(\$4,794)	(\$4,378)	(\$4,196)
v. HB 1001 Baseline	\$0	(\$2,501)	(\$4,315)	(\$4,216)	(\$4,208)	(\$4,196)

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

Impact on Expenditures

The Department of Revenue (DOR) 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 blue ink, appearing to read "R. Dunn".

Richard Dunn, Director
Office of Planning and Budget

GSG/RD/mt

Analysis by the Fiscal Research Center

Under current law, the 5.19 percent tax rate applicable to both individual and corporate income taxes (IIT and CIT, respectively) 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. The conditions under current law for these rate reductions 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.
- 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.

The current budget projections of general fund revenues, however, reflect the Governor's proposed 0.2 percentage point income tax rate reduction (HB 1001), which has not yet been enacted, so budget projections are adjusted to reflect the 5.19 percent current-law income tax rate for purposes of projecting potential rate cuts under the revenue conditions outlined above. On this basis, the first triggered 10 basis point rate cut is projected to take effect in tax year (TY) 2029 and the remaining fiscal year (FY) revenue projections are adjusted to reflect the cut. In the same manner, the last 10 basis point cut is projected to take effect in TY 2030, bringing the rate to 4.99 percent.

The IIT and CIT components of the general fund baseline, reflecting these projected rate cuts under current law, are reported below as the current-law IIT and CIT baselines for purposes of scoring the tax changes in Part II of the proposed bill.

Sections 2-1 and 2-4 Individual Income Tax Changes

Section 2-1 of the subject bill proposes to eliminate the conditional tax rate reductions and to reduce the personal income tax rate (PIT) from 5.19 percent to 4.99 percent for taxable years that start on or after January 1, 2026. Section 2-4 of the bill increases, effective January 1, 2027, the standard deduction to \$100,000 for married filing joint filers and to \$50,000 for all other filers, from \$24,000 and \$12,000 respectively.

Finally, because the proposed 20 basis point tax rate cut in HB 1001 is the same rate cut proposed in this bill, we also estimate the revenue cost of the changes to the individual income tax against the budget baseline, which is already net of the effects of this rate cut. IIT impacts of this bill when compared to the HB 1001 baseline can thus be interpreted as the impact of the standard deduction increases only.

Simulations on administrative income tax data from DOR were used to estimate the percent changes in net tax collections that would be expected given the tax rate and standard deduction changes under this bill. These percent changes, under both baseline scenarios, are presented in Table 2 along with the tax rates in effect each tax year under the current-law baseline and under the bill.

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%
SB 476 and HB 1001	4.99%	4.99%	4.99%	4.99%	4.99%	4.99%
	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	-2.12%	-22.41%	-36.18%	-34.80%	-32.22%	-30.73%
v. HB 1001 BL	0.00%	-19.30%	-33.24%	-32.19%	-31.85%	-30.73%

Except for TY 2026, simulated percent changes were adjusted to fiscal-year impacts assuming the proposed 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 rate reductions, so impacts on collections are assumed to begin in June, allowing time for updating of withholding tables and for taxpayers to adjust estimated tax payments. Any overpayments due to higher withholding in the first five months of the tax year are assumed to be refunded or otherwise to reduce payments in FY 2027.

Table 3 summarizes the expected current-law baseline and HB 1001 revenues. Pro forma revenues are also provided when compared to these two baseline assumptions. Note that by FY 2031 the two baselines are the same and the two pro forma projections are also the same.

Table 3. Individual Income Tax Baseline and Pro Forma Revenue

(\$ millions)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Current-law Baseline	\$16,183	\$16,928	\$17,769	\$18,332	\$18,802	\$19,523
HB 1001 Baseline	\$16,079	\$16,120	\$17,114	\$17,843	\$18,663	\$19,523
Pro Forma	\$16,079	\$12,930	\$11,283	\$11,955	\$12,718	\$13,524

Section 2-2 and 2-3

Sections 2-2 and 2-3 of the subject bill propose to reduce the corporate income tax (CIT) rate, including for pass-through entities (PTE) electing to file and pay tax at the entity level, to 4.99 percent, effective for all tax years beginning on or after January 1, 2026. The estimated fiscal impacts of the CIT rate reduction 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 estimated for each year, FY 2026-31 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 3. 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

Sections 3-1 and 3-2

Part III of the subject bill proposes to disallow all credits against taxable income for corporations, fiduciaries, partnerships, and individuals for taxable years beginning on or after January 1, 2032. Section 3-1 would disallow all credits under Chapter 7 of Title 48 of the Georgia Code for all corporations, fiduciaries, pass-through entities, and individuals; Section 3 would repeal the low-income tax credit under Chapter 7A. These changes would likely increase revenues substantially, but outside the five-year estimation window of this fiscal note. For context, data was used from the Georgia Tax Expenditure Report for FY 2027 to estimate roughly \$1.6 billion per year of tax expenditure could be impacted. This estimate is based on the current expenditure for all remaining credits in Chapters 7 and 7A, after accounting for the other changes proposed in this bill, existing scheduled expirations by TY 2032, and the expected decrease in income tax liability for lower income individuals which would result from this bill.

Sections 4-1 and 4-2

Part IV of the subject bill amends insurance premium tax credit under O.C.G.A. §33-1-18 and income tax credit under O.C.G.A. §48-7-29.6 for investment in low-income housing. Under current law, taxpayers earning federal low-income housing credits for projects in Georgia also earn a state credit equal to 100 percent of the federal credit. The bill would reduce the amount of the state credit to 50 percent of the federal credit. The proposed change would be effective for affordable housing projects for which initial applications are received by the Department of Community Affairs on or after January 1, 2027. According to the Georgia Department of Community Affairs (DCA) Housing and Finance Authority Tax Credit Manual, developers may begin claiming the LIHTC only after DCA issues IRS Form 8069, which follows the completion of construction, receipt of a certificate of occupancy, and submission and approval of a cost certification. Given the time required to complete these steps following initial application submission, it is assumed that from the time of application to the issuance of credits, the process will take approximately two years. Thus, the credit claims at the reduced match of federal credits proposed under this bill are assumed to first impact tax collections in the second half of FY 2029. The estimated revenue effects of Part IV of the bill are summarized in Table 5 below.

Table 5. Estimated Fiscal Impacts of Sections 4-1 and 4-2

(\$ millions)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Individual/Corporate	\$0	\$0	\$47	\$107	\$125
Insurance	\$0	\$0	\$56	\$127	\$148
Total	\$0	\$0	\$103	\$234	\$273

Sections 5-1 through 5-21

Sections 5-1 to 5-21 propose to eliminate a range of insurance premium tax (IPT) preferences, income tax credits, and financial-institution credits. By removing these benefits, the bill increases state revenues relative to current law.

The largest components of the estimated gain are the repeal of the insurance premium tax abatement, the county and municipal tax credit for life insurance companies, and the bank tax credit. Additional revenue increases result from eliminating credits for personal protective equipment manufacturers, optional investment credits in Tier 3 and Tier 4 counties, port activity credits, teleworking credits, alternative fuel and electric vehicle credits, and other business-related incentives.

Table 6 presents the estimated state revenue impact associated with the repeals of the tax credits, premium tax abatements, and related offsets specified in Sections 5-1 through 5-21 of the bill.

Overall, these repeals are estimated to increase state revenues by approximately \$315 million in FY 2027, growing to \$731 million by FY 2032. It is assumed that since the proposed changes take effect January 1, 2027, FY 2027 reflects a half-year impact based on a 50/50 split. It is further assumed that carryforward provisions under current law will remain in place, and therefore credits generated in prior tax years may continue to be utilized in future years.

Table 6. Estimated Revenue Increases from Credit Repeals

Bill Section (O.C.G.A Provision)	Description	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
5-1 (33-1-25)	Georgia Agribusiness and Rural Jobs Tax credit	— No revenue impact (see note 1) —				
5-2 & 5-3 (33-8-4.1 & 4.2)	GA Job Tax Credit (IPT only)	\$1.6	\$3.2	\$3.2	\$3.3	\$3.3
5-4 (33-8-5)	Insurance abatements	\$166.7	\$332.9	\$338.4	\$347.2	\$352.7
5-5 (33-8-8)	Municipal license fees credit (life only)	\$1.9	\$3.9	\$3.9	\$4.0	\$4.1
5-6 (33-8-8.1)	County and Municipal Tax Credit for local tax (life only)	\$140.8	\$283.6	\$288.7	\$294.7	\$300.5
5-7 (33-38-22)	Life and Health Insurance Guaranty Fund Assessment Offset	\$0.007	\$0.014	\$0.014	\$0.015	\$0.015
5-8, 5-9, & 5-10 (48-6-93, 48-6-95, & 48-7-29.7)	Bank tax credit	\$0.0	\$18.8	\$44.2	\$54.3	\$60.0
5-11 (48-7-29.11)	Tax Credit for teleworking expenses	— No revenue impact (see note 2) —				
5-12 (48-7-40.1A)	Personal Protective Equipment	\$0	\$0.004	\$0.004	\$0.004	\$0.004
5-13 (48-7-40.1B)	Personal Protective Equipment Credit – Pharmaceutical Manufacturers	\$0.7	\$1.5	\$1.5	\$1.4	\$1.4
5-14 (48-7-40.9)	Optional Investment Credit	\$0.5	\$1.9	\$2.9	\$3.1	\$3.4
5-15 & 5-16 (48-7-40.15 & 40.15A)	Port Tax Credit	\$1.1	\$3.2	\$4.7	\$5.3	\$5.6
5-17 (48-7-40.16)	Electric Vehicle Charger Credit	\$0.00	\$0.020	\$0.018	\$0.020	\$0.021
5-18 (48-7-40.18)	Headquarters Tax Credit	— No revenue impact (see note 3) —				

5-19 (48-7-40.20)	Manufacturers of Cigarettes for Export	— No revenue impact (see note 4) —				
5-20 (48-7-40.22)	Business Enterprise Vehicle Credit	\$0.001	\$0.003	\$0.003	\$0.003	\$0.003
5-21 (48-7-40.27)	Seed Capital	\$0.09	\$0.20	\$0.21	\$0.14	\$0.04
Total Revenue Effect		\$313.4	\$649.2	\$687.7	\$713.5	\$731.1

Section 5-22

Section 5-22 of the subject bill proposes to repeal eight sales tax exemptions and to cease issuance of new certificates of exemption for three additional sales tax exemptions: 48-8-3(36), 48-8-3(68), and 48-8-3(68.1).

The proposed changes would take effect on January 1, 2027. Thus, fiscal impacts for FY 2027 are half year impacts, assuming a 50/50 fiscal split. The estimated increased revenues from these repeals are summarized in the table below. Values are in millions.

Table 7 Fiscal Impacts of Sales Tax Exemption Repeals and Changes

Provision	Description	FY 2027	FY 2028	FY 2029	FY 2030	FY2031
48-8-3(24)	The rental of film to any person who charges admission fee	\$3.0	\$6.3	\$6.5	\$6.6	\$6.8
48-8-3(32)	Sales of transportation equipment by a manufacturer for use exclusively outside the state (see note 5)	\$103.9	\$212.2	\$216.1	\$220.0	\$224.1
48-8-3(33.1)	Sales of boats by a licensed dealer to a non-resident.	\$5.5	\$11.1	\$11.3	\$11.4	\$11.6
48-8-3(36)	Sales of machinery and equipment used for the primary purpose of reducing pollution. (see note 6)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
48-8-3(44)	Sales of motor vehicles to non-residents for immediate transportation to and use in another state. (see note 7)	— No revenue impact (see note 7) —				
48-8-3(48)	Sales to licensed commercial fishermen of bait for taking crabs. (see note 8)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
48-8-3(61)	Printed advertising inserts distributed as part of any newspaper for resale. (see note 8)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

48-8-3(61)	Printed advertising inserts distributed as part of any newspaper for resale. (see note 8)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
48-8-3(68) & (68.1)	Qualified high-tech computer equipment and qualified high-tech data center equipment purchases (see note 9)	\$215.9	\$542.4	\$547.7	\$445.2	\$450.7
48-8-3(69)	Sales of machinery and equipment used in the construction of a clean room of Class 100 or less.	\$0.1	\$0.1	\$0.2	\$0.2	\$0.2
48-8-3(70)	Sales of natural gas used in the production of electricity.	\$46.9	\$94.5	\$100.2	\$105.7	\$105.8
Total Revenue Effect		\$375.4	\$866.7	\$882.0	\$789.2	\$799.2

Notes on certain provisions

1. Section 5-1 of the bill proposes to repeal Georgia Agriculture and Rural Jobs Tax Credit (O.C.G.A. § 33-1-25) on December 31, 2031. No effect is recorded for the period FY 2027-2031.
2. Section 5-11 proposes to repeal tax credits for teleworking expenses (O.C.G.A. § 48-7-29.11). The teleworking income tax credit is only authorized for taxable years prior to 2012.
3. Section 5-18 repeals the business headquarters tax credit for new full-time jobs (O.C.G.A. § 48-7-40.18). Activities that qualify for firms for this credit also qualify them for the Quality Jobs Tax Credit provided for under § 48-7-40.17. Current law precludes firms from taking credits under both programs and in all cases since 2016 they have elected to utilize those credits under the Quality Jobs program. Repeal of this provision is therefore assumed to have no revenue impact.
4. Section 5-19 repeals the tax credit for businesses engaged in manufacturing cigarettes for exportation (O.C.G.A. § 48-7-40.20). Data from DOR indicates that no companies have utilized this credit. The estimate assumes that no companies qualify and therefore assumes no revenue impact attributable to the elimination of this credit.
5. The estimated increase in revenue from repealing §48-8-3(32) is based on reported revenues of aircraft manufacturers in Georgia that sell directly to private-sector customers. Reported aircraft sales revenues are adjusted to exclude foreign sales and sales to governmental entities, which would remain exempt under other provisions even if §48-8-3(32) were repealed. It is important to note that purchasers of aircraft may alter their behavior or engage in tax planning strategies to reduce their sales tax liability. If such responses occur, the actual revenue generated by repeal could be substantially lower than estimated. Accordingly, the reported estimates should be interpreted as an upper bound.
6. Based on information provided by DOR, almost all purchases exempt under this provision, O.C.G.A. § 48-8-3(36), would continue to be exempt under 48-8-3.2, 48-8-3(1) or 48-8-3(2). With a majority of purchases remaining exempt and the provision set to expire in 2029, the pause in certificates for this exemption is expected to have an immaterial revenue impact.

7. Cars are currently taxed under the Title Ad Valorem Tax (TAVT) and the repeal of this exemption has no revenue impact.
8. Small revenue gain from this repeal is possible but is assumed to be very small.
9. The estimates for the high-tech computer equipment exemption (§48-8-3(68)) and the high-tech data center equipment exemption (§48-8-3(68.1)) are presented together to account for substantial overlap between the two provisions. This overlap, along with the grandfathering of existing certificate holders, results in estimates that differ from those reported in the most recent tax expenditure report. To establish the baseline foregone revenue attributable to these exemptions, utilization data from the Department of Revenue (DOR) for paragraph (68) were combined with data and projections from the 2025 tax incentive evaluation study for paragraph (68.1).

Data centers that currently hold exemption certificates will continue to receive the exemption under §48-8-3(68.1) through TY 2031. Therefore, all estimated maintenance costs associated with existing facilities will remain exempt and are netted out of baseline estimates. Based on the timeline for construction of large-scale datacenters, half of construction costs projected for TY 2027 are assumed to be made by existing certificate holders and thus remain exempt under the proposed bill. Further adjustments are made to account for a behavioral response to the repeal based on the but-for estimate presented in the recent evaluation study. Finally, it should be noted that the high-tech computer equipment exemption under §48-8-3(68) is scheduled to expire on December 31, 2028, under current law.