



# DOAA

Georgia Department  
of Audits & Accounts

**Greg S. Griffin**  
State Auditor

March 24, 2026

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

SUBJECT: Fiscal Note  
House Bill 880 (LC 59 0364S)

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, as well as to establish a schedule of increases to certain deductions under O.C.G.A. § 48-7-26 and 27. Section 1 extends the schedule of tax rate reductions, which currently end when the rate reaches 4.99 percent, to allow for further reductions until the rate reaches 3.99 percent. These would be subject to the same tests as current law. In Sections 2 and 3, the bill adds stepped increases to the dependent exemption and the standard deduction, subject to the same conditions applicable to the income tax rate reductions, and it increases the retirement income exclusion once without conditions (see note in appendix).

Section 4 would increase the maximum amount of Revenue Shortfall Reserve (RSR) fund balances from 15 percent to 50 percent of prior fiscal year net revenues, while allowing that balances in excess of 25 percent may be used for legislated tax relief.

The bill is effective January 1, 2027, and would be applicable to all tax years beginning on or after that date.

### Impact on Revenue

Georgia State University’s Fiscal Research Center (FRC) estimated that the bill would decrease revenue as shown in Table 1. Revenue effects result from Sections 1, 2, and 3. The Revenue Shortfall Reserve provisions in Section 4 do not impact future revenues.

The second row of Table 1 assumes a tax rate of 4.69% by TY 2031 if HB 1001 accelerates implementation of the 4.99% rate to TY 2026. This bill provides for further rate-cut triggers to eventually bring the individual and corporate tax rates down to 3.99 percent. While the likelihood and timing of any triggered rate cuts are highly uncertain, an additional 70 basis point reduction in individual and corporate tax rates would reduce annual revenues from individual and corporate income taxes by an additional \$2.9 billion annually. The appendix provides details of the analysis.

**Table 1. Estimated State Revenue Effects of HB 880 LC 59 0364S**

(\$ millions)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Effect v. Current-Law Baseline	(\$15.0)	(\$28.7)	(\$122.1)	(\$315.7)	(\$773.7)
Effect v. HB 1001 Baseline	(\$14.7)	(\$27.9)	(\$346.2)	(\$988.2)	(\$1,696.0)

**Impact on Expenditures**

The Department of Revenue would be able to implement the bill's provisions 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**

Under current law, the flat income tax rate of 5.19 percent is set to decrease by 10 basis points each year in which the conditions listed below are met, until the rate reaches 4.99 percent. This bill does not modify the conditions but extends the schedule of conditional reductions such that they continue until the rate reaches 3.99 percent. The conditions under current law 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.

In Sections 2 and 3 of the bill, conditional increases in the dependent exemption and the standard deduction are added to coincide with the scheduled income tax rate reductions, subject to the same conditions. These increases are as follows:

- The amount of the dependent exemption would increase by \$200 per year when the conditions are met, from the current \$4,000 per dependent until it reaches \$6,000.
- The standard deduction for married taxpayers filing joint returns would increase by \$1,200 per year when the conditions are met, from the current amount of \$24,000 until it reaches \$36,000.
- The standard deduction for all other filers would increase by \$600 per year when the conditions are met, from the current amount of \$12,000 until it reaches \$18,000.

Section 3 also increases the retirement income exclusion (REI) for taxpayers age 65 or older from a maximum of \$65,000 per year to \$70,000 per year. This increase is not subject to the conditions applicable to the other scheduled changes.

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 current-law 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, and microsimulation-based estimates of the revenue loss from the REI increase are subtracted 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 to occur and become effective for tax years (TY) 2029–31. However, because of already implemented tax rate cuts in 2024 and 2025, the adjusted general fund revenue baseline does not meet the 3-year backward-looking test until FY 2028, when general fund revenues exceed the previous high in FY 2025.

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 those rate reductions is a cost under existing law, not a cost of this bill. Table 2 summarizes the two possible baseline and pro forma tax structures for the conditional-change

provisions and the resulting expected decrease in revenues when they are simulated and compared.

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 4.69 percent in TY 2031 instead of 4.89 percent. Given this interaction, two baseline assumptions are considered: first, the current-law baseline with projected conditional rate decreases; 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.

**Table 2. Baseline and Pro Forma Tax Structure Assumptions**

	TY 2027	TY 2028	TY 2029	TY 2030	TY 2031
<b>Tax Rate</b>					
Current-Law Baseline	5.19%	5.19%	5.09%	4.99%	4.99%
Pro Forma	5.19%	5.19%	5.09%	4.99%	4.89%
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HB 1001 Baseline	4.99%	4.99%	4.99%	4.99%	4.99%
Pro Forma	4.99%	4.99%	4.89%	4.79%	4.69%
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<b>Dependent Exemption</b>					
Current-Law	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000
Pro Forma	\$4,000	\$4,000	\$4,200	\$4,400	\$4,600
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<b>Standard Deduction for Married Filing Joint</b>					
Current-Law	\$24,000	\$24,000	\$24,000	\$24,000	\$24,000
Pro Forma	\$24,000	\$24,000	\$25,200	\$26,400	\$27,600
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<b>Standard Deduction for Single Filers</b>					
Current-Law	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000
Pro Forma	\$12,000	\$12,000	\$12,600	\$13,200	\$13,800
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<b>Simulated Effects of Individual Income Tax Changes</b>					
Percent Chg v. Current-Law BL	-0.16%	-0.16%	-1.08%	-2.17%	-5.15%
Percent Chg v. HB 1001 BL	-0.16%	-0.16%	-3.08%	-6.18%	-9.16%

Note: The percent change is also impacted by the change in the retirement income exclusion, which is not listed in the provisions above.

Simulated percent changes were adjusted to fiscal-year impacts assuming the scheduled changes would be implemented on January 1 of the following year and immediately impact withholding and estimated tax payments. This proposal, if passed, is expected to reduce state revenues and therefore change the existing conditions for future rate reductions and deduction increases. 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.

As noted above, the rate reductions in TY 2029 and TY 2030 are the same under current law and under this bill, but in 2031, the statutory rate under this bill falls below the terminal 4.99-percent rate under current law. Assuming HB 1001 is also enacted, however, the rate cuts projected to be triggered in TY 2029-31 would result in rates falling below 4.99 percent two years earlier. Under current law, the corporate income tax rate is set equal to the personal income tax rate, so that rate would decline along with the scheduled reductions in the individual rate, under both current law and this bill, effectively subject to the same conditions.

The corporate income tax (CIT) revenue projections from OPB, which again assume enactment of the governor’s proposed 20 basis point rate cut, were similarly adjusted to create a current-law baseline for purposes of this note. The 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.

Corporations’ tax years frequently do not start on January 1, creating variation in when any proposed change in CIT rates would be effective for different corporate taxpayers. IRS national data as to shares of corporate taxable income reported by month of firms’ tax year-ends were used to estimate expected and pro forma effective tax rates for FY 2031, the first fiscal year in which the CIT rate is projected to be lower under this bill than under the current-law baseline. Based on these calculations, the expected decrease in CIT average effective tax rates under this bill was 0.89 percent, or approximately 4.4 basis points given the part-year effect, for FY 2031. This percentage was applied to expected 2031 CIT revenue representing the expected reduction in state revenues of \$29.6 million. A similar calculation is performed to estimate the combined CIT revenue impacts assuming HB 1001 is also enacted.

Table 3 compares the current-law general funds budget projections under the baseline tax rates and deductions in Table 2, and the estimated revenue under this bill. The estimated revenue impacts in Table 1 represent the difference between the expected revenues and those expected under this bill.

**Table 3. Baseline and Pro Forma General Fund Revenues**

<i>(\$ millions)</i>	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>	<b>FY 2030</b>	<b>FY 2031</b>
Current-law Baseline*	\$37,067	\$38,687	\$39,874	\$40,916	\$42,521
Pro Forma from Current-law BL	\$37,052	\$38,658	\$39,752	\$40,601	\$41,747
HB 1001 Baseline	\$36,610	\$38,081	\$39,427	\$40,916	\$42,521
Pro Forma from HB 1001 BL	\$36,596	\$38,053	\$39,081	\$39,928	\$40,825

\* Including projected triggered 10bp rate cuts in TY 2029-30

Finally, note that this bill provides for further rate-cut triggers to eventually bring the individual and corporate tax rates down to 3.99 percent, 70 basis points below the rate projected to be in effect for TY 2030 if HB 1001 is also enacted this session. The likelihood and timing of any triggered rate cuts are highly uncertain, but we estimate that a 70 basis point reduction in individual and corporate tax rates, if in effect in TY 2030, would reduce annual revenues from individual and corporate income taxes by an additional \$2.9 billion annually.