



# DOAA

Georgia Department  
of Audits & Accounts

**Greg S. Griffin**  
State Auditor

June 4, 2026

Honorable Matt Hatchett  
Chairman, House Appropriations Committee  
243 State Capitol  
Atlanta, GA 30334

SUBJECT: Fiscal Note  
House Bill (LC 59 0490)

Dear Chairman Hatchett:

The bill would decrease the standard deductions and dependent exemptions from the increased levels enacted as part of HB 463 (2026). For married joint filers, the standard deduction would be reduced from \$30,000 to \$24,000, for all other filers from \$15,000 to \$12,000; the dependent exemption would be reduced from \$5,000 to \$4,000. However, the bill would increase the amounts by which these deductions and exemptions would increase each year if certain trigger conditions are met. The contingent annual increase in the standard deduction for married joint filers would rise from \$750 to \$1,200, while the annual increase for all other filers would rise from \$375 to \$600. The contingent annual increase in the dependent exemption would rise from \$125 to \$200. The bill would be effective upon the Governor’s signature and would be applicable for all tax years starting on or after January 1, 2026.

### Impact on Revenue

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

**Table 1. Estimated State Revenue Effects of LC 59 0490**

(\$ millions)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Revenue Effect	\$1,231.2	\$836.8	\$566.9	\$270.3	\$181.9

### 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

### *Personal Income Tax*

Under the recently enacted HB 463, the flat income tax rate is set to 4.99 percent with scheduled reductions of 0.125 percentage points per year in which certain conditions are met, until the rate reaches 3.99 percent. The same conditions, listed below, apply to scheduled increases in standard deductions and dependent exemptions, from initially higher levels enacted as part of HB 463. 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.

The subject bill proposes to reverse the initial 25-percent standard deduction and dependent exemption increases under HB 463 while also accelerating future scheduled increases in these deductions if the trigger conditions are met. For married joint filers, the standard deduction would be restored to \$24,000 from \$30,000, and for all other filers to \$12,000 from \$15,000; the dependent exemption amount would be \$4,000 versus \$5,000 under current law (HB 463). Scheduled increases in standard deductions and dependent exemptions, subject to the trigger conditions, would be modified as follows, with the terminal levels of each remaining the same as in HB 463:

- Triggered increases in the standard deduction for married joint filers would increase from \$750 to \$1,200.
- Triggered increases in the standard deduction for all other filers would increase from \$375 to \$600.
- Triggered increases in dependent exemptions would increase from \$125 to \$200.

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 do not include the revenue implications of HB 463 other than the immediate rate reduction to 4.99 percent, nor do they include other recently enacted tax legislation. Thus, the revenue projections herein are adjusted to reflect the estimated, unbudgeted revenue impacts of HB 463 and other enacted tax bills.

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) 2030 and 2031, including rate decreases as well as deduction increases each year. Under LC 59 0490 conditional rate cuts and deduction increases are assumed to be effective in TY's 2029, 2030 and 2031.

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 deduction changes under this bill versus current law (HB 463). The percent changes, on a tax year basis, are also presented in Table 2.

**Table 2. Baseline and Pro Forma PIT Assumptions**

	TY 2026	TY 2027	TY 2028	TY 2029	TY 2030	TY 2031
<b>Tax Rate</b>						
Pre-HB 463	4.99%	4.99%	4.99%	4.99%	4.99%	4.99%
Current-Law	4.99%	4.99%	4.99%	4.99%	4.865%	4.74%
Pro Forma	4.99%	4.99%	4.99%	4.865%	4.74%	4.615%
<b>Dependent Exemption</b>						
Pre-HB 463	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000
Current-Law	\$5,000	\$5,000	\$5,000	\$5,000	\$5,125	\$5,250
Pro Forma	\$4,000	\$4,000	\$4,000	\$4,200	\$4,400	\$4,600
<b>Standard Deduction for Married Filing Joint</b>						
Pre-HB 463	\$24,000	\$24,000	\$24,000	\$24,000	\$24,000	\$24,000
Current-Law	\$30,000	\$30,000	\$30,000	\$30,000	\$30,750	\$31,500
Pro Forma	\$24,000	\$24,000	\$24,000	\$25,200	\$26,400	\$27,600
<b>Standard Deduction for Single Filers</b>						
Pre-HB 463	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000
Current-Law	\$15,000	\$15,000	\$15,000	\$15,000	\$15,375	\$15,750
Pro Forma	\$12,000	\$12,000	\$12,000	\$12,600	\$13,200	\$13,800
<b>Simulated Effects of Individual Income Tax Changes</b>						
Percent Change vs Current Law	5.16%	5.16%	5.16%	2.25%	1.76%	1.29%

These simulated percent changes are converted to fiscal years using a 45-55 tax year to fiscal year split. Due to the timing of the potential passage of this bill, the full TY 2026 impact is expected to be realized in FY 2027. Table 3 summarizes expected current-law and pro forma PIT revenues based on these data and assumptions.

**Table 3. Personal Income Tax Baseline and Pro Forma Revenue**

(\$ millions)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Budget Baseline	\$16,120	\$17,114	\$17,843	\$18,663	\$19,554
Current-Law Baseline*	\$14,813	\$16,205	\$16,898	\$17,473	\$17,694
Pro Forma	\$16,045	\$17,042	\$17,499	\$17,819	\$17,960
Revenue Effect vs Current Law	\$1,231.2	\$836.8	\$601.4	\$346.3	\$265.7

\*Adjusted for unbudgeted changes from HB 463 and other tax legislation enacted in 2026.

*Corporate Income Tax*

Under current law, CIT rates are set equal to PIT rates, thus any change in the timing of future, triggered rate cuts under this bill versus HB 463 would impact the CIT as well as PIT. All else the same, this bill is estimated to accelerate the expected rate cuts by one year, impacting CIT revenues beginning in TY 2029 instead of TY 2030. The estimated fiscal impacts of this triggered reduction in corporate income tax (CIT) rates 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 reduction of the CIT rate would be effective for different corporate taxpayers and thus the overall average effective tax rates during the early periods before the reduction 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 5.10 percent, 5.01 percent for FY 2027, and 4.99 percent beginning FY 2028.

Projected baseline and pro forma CIT revenues, based on these data and assumptions, are presented in Table 4. Again, the current-law baseline assumes triggered rate cuts under HB 463 beginning in TY 2030, while the pro forma projection assumes rate cuts beginning in TY 2029.

**Table 4. Corporate Income Tax Baselines and Pro Forma Revenue\***

(\$ millions)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Budget Baseline	\$2,970	\$3,006	\$3,110	\$3,219	\$3,342
Current-Law Baseline	\$2,970	\$3,006	\$3,110	\$3,183	\$3,226
Pro Forma	\$2,970	\$3,006	\$3,075	\$3,107	\$3,143
Revenue Effect vs Current Law	\$0.0	\$0.0	(\$34.5)	(\$76.0)	(\$83.7)

\*excluding CNWT and FIBOT

Table 5 combines all changes established under LC 59 0490 and summarizes current-law and pro forma revenues for FY 2027 through 2031.

**Table 5. Budget and Current-Law Baselines, and Pro Forma General Fund Revenues**

(\$ millions)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Budget Baseline	\$36,610	\$38,081	\$39,427	\$40,916	\$42,521
Current-Law Baseline	\$35,291	\$37,185	\$38,507	\$39,686	\$40,472
Pro Forma	\$36,522	\$38,022	\$39,074	\$39,957	\$40,654
Revenue Effect vs Current Law	\$1,231.2	\$836.8	\$566.9	\$270.3	\$181.9