

House Bill 596

By: Representative Campbell of the 42<sup>nd</sup>

A BILL TO BE ENTITLED  
AN ACT

1 To amend Article 2 of Chapter 7 of Title 48 of the Official Code of Georgia Annotated,  
2 relating to imposition, rate, and computation of income taxes, so as to change certain  
3 provisions regarding computation of taxable net income; to provide for taxation of capital  
4 gains; to provide an effective date; to provide for applicability; to repeal conflicting laws; and  
5 for other purposes.

6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF GEORGIA:

7 **SECTION 1.**

8 Article 2 of Chapter 7 of Title 48 of the Official Code of Georgia Annotated, relating to  
9 imposition, rate, and computation of income taxes, is amended by adding a new Code section  
10 immediately following Code Section 48-7-26, to be designated Code Section 48-7-26.1, to  
11 read as follows:

12 "48-7-26.1.

13 (a) As used in this Code section, the term 'capital gain net income' means the same as it  
14 is defined under Section 1222 of the Internal Revenue Code of 1986, as amended.

15 (b) Notwithstanding any other provision of this chapter to the contrary, any income of a  
16 taxpayer which is claimed and allowed as capital gain net income for federal income tax  
17 purposes shall, if the taxpayer elects, be taxed at the rate of 4 percent. The maximum  
18 amount of income that is eligible to be taxed under this Code section shall be equal to the  
19 capital gain net income subject to the limitations in subsections (c) and (d) of this Code  
20 section.

21 (c) In the case where the capital gain net income is greater than the Georgia taxable  
22 income as determined without regard to the adjustment provided for in paragraph (11) of  
23 subsection (a) of Code Section 48-7-27, then the maximum amount that is eligible to be  
24 taxed under this Code section shall be reduced by the difference between the capital gain  
25 net income and the Georgia taxable income as determined without regard to the adjustment  
26 provided for in paragraph (11) of subsection (a) of Code Section 48-7-27.

1 (d) The maximum amount of income that is eligible to be taxed under this Code section  
2 shall be reduced by the amount of capital gain net income included in the computation of  
3 the adjustment to Georgia taxable income as provided under paragraph (5) of subsection (a)  
4 of Code Section 48-7-27.

5 (e) This Code section shall not apply with respect to taxation of corporations under Code  
6 Section 48-7-21."

7 **SECTION 2.**

8 Said article is further amended in subsection (a) of Code Section 48-7-27, relating to  
9 computation of taxable net income, by striking "and" at the end of paragraph (9); by striking  
10 the period at the end of paragraph (10) and inserting in its place "; and"; and by adding a new  
11 paragraph immediately following paragraph (10), to be designated paragraph (11), to read  
12 as follows:

13 "(11) An amount equal to the amount of income taxed under Code Section 48-7-26.1."

14 **SECTION 3.**

15 Said article is further amended by repealing in its entirety subsection (e) of Code Section  
16 48-7-27, relating to computation of taxable net income, which reads as follows:

17 "(e) Notwithstanding any other provision of this chapter to the contrary, Georgia taxable  
18 net income shall, if the taxpayer so elects, be adjusted in an amount equal to the amount  
19 of any full or partial deduction or exclusion from federal adjusted gross income for federal  
20 income tax purposes with respect to capital gains."

21 **SECTION 4.**

22 This Act shall become effective on January 1, 2002, and shall be applicable to all taxable  
23 years beginning on or after that date.

24 **SECTION 5.**

25 All laws and parts of laws in conflict with this Act are repealed.