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April 1, 2008

Honorable Chip Rogers, Chairman
Senate Finance Committee
Paul D. Coverdell Office Building, Room 325-B
Atlanta, Georgia 30334

SUBJECT: Fiscal Note
House Bill 1244 Substitute
(LC 18 7547ERS)

Dear Chairman Rogers:

The Georgia State University Fiscal Research Center provided the following description of this bill and analysis of its fiscal impact:

> This legislation has two main provisions. First, it amends the existing tax credit for telecommuting. Second, it proposes changes to Article 2 of Chapter 7 of Title 48 of the Official Code of Georgia to amend the individual income tax. This aspect would reduce the statutory tax rate for the first 5 tax brackets by 10 percent effective January 1, 2009. The top tax bracket would be phased down to 5.4 percent by 2012.
>
> The revenue loss associated with these changes to income tax rates is a first year loss of 2.65 percent of current law revenues (calendar year); 4.2 percent in the second year, 5.9 percent in the third year, 7.6 percent in the fourth year, and 11.4 percent in the fifth year. Using a revenue base for FY 2010 of $9.8 billion, the revenue loss on a fiscal year basis is as follows (in millions of dollars): FY 2010 $476, FY 2011 $526, FY 2012 $727, FY 2013 $1,061, and FY 2014 $1,313. This assumes all of the costs from calendar year (CY) 2009 occur in FY 2010 due to inflexibility of withholding, and then 50% of the CY 2010 costs also fall in FY 2010.
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> These estimates were obtained using the Georgia Individual Income Tax Microsimulation Model.
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> The second provision amends O.C.G.A. §48-7-29.11 to extend employer state income tax credits for teleworking. Presently, credits are available only through 2010; the proposed legislation will extend availability of credits to 2012. A feature of the existing program is a cap on the total amount of tax credits available to qualified applicants in any given year. For 2008 and 2009 the total credits

available are $2 million. The proposed legislation will expand the total credits available to $2.5 million in 2010 and 2011.

The fiscal impact of the legislation is limited by the tax expenditure caps. For the years 2008 and 2009 the maximum impact is $2 million per year; tax expenditure for these two years is already approved in current law. For 2010 and 2011 the maximum impact is $2.5 million per year. Based on experience in 2008 as noted by the Department of Revenue, the maximum available credit is likely to be used in each year.

Sincerely,

/s/ Russell W. Hinton
State Auditor

/s/ Trey Childress, Director
Office of Planning and Budget

RWH/TC/eb/bb