



DEPARTMENT OF AUDITS AND ACCOUNTS

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January 13, 2021

Honorable James Beverly
State Representative
509-H Coverdell Legislative Office Building
Atlanta, Georgia 30334

SUBJECT: Fiscal Note
House Bill (LC 43 1722)

Dear Representative Beverly:

The bill would require all corporate taxpayers that are part of an affiliated group to file a consolidated tax return, with the current requirement of first seeking the consent of the Commissioner of Revenue. It is applicable to tax years beginning on or after July 1, 2021.

Impact on State Revenue

Georgia State University's Fiscal Research Center (FRC) stated that data available from state corporate tax returns does not allow for a specific revenue estimate. However, the bill would likely result in lower state revenue due to the reduced ability of the Department of Revenue (DOR) to obtain agreements with corporations to use practices that enhance tax compliance.

Under current law, companies that want the financial benefit of consolidated returns (offsetting income in one company with losses in an affiliate) must agree to certain terms before approval. For example, DOR often requires that intercompany transaction amounts be set at reasonable levels before granting a company approval to submit a consolidated return. The approval terms ensure that a company does not benefit from both a questionable transfer of income to a subsidiary *and* the offsetting of remaining taxable income with losses in another subsidiary. This reduction in oversight would likely result in additional taxable income being offset by tax planning activities which are currently monitored by the DOR.

Impact on State Expenditures

The Department of Revenue (DOR) estimated that the bill would result in \$12,160 in one-time costs associated with sending audit staff to additional corporate tax class training and having those staff training other DOR staff.

Sincerely,

/s/ Greg S. Griffin
Greg S. Griffin
State Auditor

/s/ Kelly Farr
Kelly Farr, Director
Office of Planning and Budget

GSG/KF/mt