



# DOAA

Georgia Department  
of Audits & Accounts

**Greg S. Griffin**  
State Auditor

January 23, 2025

Honorable Michael Rhett  
State Senator  
321-A Coverdell Legislative Office Building  
Atlanta, GA 30334

SUBJECT: Fiscal Note  
Senate Bill (LC 46 0957)

Dear Senator Rhett:

The bill would apply a cost-of-living adjustment (COLA) to the amount of allowable military retirement payments excluded from Georgia taxable net income. Under current law, taxpayers under 62 are allowed an income tax deduction up to \$17,500 per taxpayer receiving military retirement income. The \$17,500 limit upon passage will increase based on COLA adjustments starting in 2026. The bill would be applicable to all tax years beginning on or after January 2026.

### Impact on State Revenue

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

**Table 1. Estimated Revenue Impact of LC 46 0957**

(\$ millions)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
State Revenue Effect	(\$0.6)	(\$1.2)	(\$1.8)	(\$2.4)	(\$3.0)

### Impact on State Expenditures

The Department of Revenue would be able to implement the provisions of the bill with existing resources.

Respectfully,

Greg S. Griffin  
State Auditor

Richard Dunn, Director  
Office of Planning and Budget

GSG/RD/mt

S.B. 26

**Analysis by the Fiscal Research Center**

In 2023, 29,580 unique taxpayers reported \$633 million of total military retirement income (MRI), of which \$431 million, 68 percent, was effectively excluded. Based on data from the Military Retirement System Statistical Report, the population of military retirees under 62 in Georgia is expected to increase, on average, by 0.31 percent per year between 2023 and 2030. Actual COLA adjustments for military retirement pay were 3.2 and 2.5 percent for 2024 and 2025, according to the Department of Defense. The Consumer Price Index (CPI) forecast from the Congressional Budget Office (CBO) projects annual inflation averaging 2.3 percent between 2026 and 2030. Based on these expectations, Table 2 presents estimated projections for total military retirement income for tax years (TY) 2026–30. Individual taxpayer simulations using DOR administrative data were used to estimate the share of that income that would be effectively excluded under the current cap of \$17,500.

**Table 2. Estimated Projections of Current-Law MRI Exclusion for TY 2026–30**

(\$ millions)	TY 2026	TY 2027	TY 2028	TY 2029	TY 2030
Total MRI	\$694.0	\$714.4	\$735.3	\$756.8	\$779.1
MRI Excluded	\$449.1	\$450.4	\$451.7	\$453.0	\$454.3

As expected, as total MRI increases with inflation over time, the portion of that income that taxpayers can exclude reduces with the fixed per-taxpayer cap. Under the proposed bill, the per-taxpayer limit of \$17,500 is set to increase with the previous year’s change in the cost of living. For this analysis the CPI forecast from the CBO is used to estimate the per-taxpayer cap from 2026 through 2030, summarized in Table 3.

**Table 3. Estimated Allowable Retirement Pay Excluded with Annual COLA, TY 2026–30**

	TY 2026	TY 2027	TY 2028	TY 2029	TY 2030
Per-Taxpayer Cap	\$17,927	\$18,342	\$18,756	\$19,177	\$19,606

Similar taxpayer-level simulations were used to calculate the amount of excluded income assuming the increasing per-taxpayers caps from Table 3. Table 4 presents the aggregate amount of MRI excluded under the increasing per taxpayer caps.

**Table 4. Estimated Excluded MRI using COLA, TY 2026–30**

(\$ millions)	TY 2026	TY 2027	TY 2028	TY 2029	TY 2030
MRI Excluded	\$460.0	\$472.3	\$484.7	\$497.4	\$510.5

The bill’s net effect in Table 1 is first calculated as the difference between the amounts with a fixed cap in the second row of Table 2 and those using COLA in Table 4. Then the current flat income tax rate of 5.39 percent is applied to the newly excluded income, and each tax year effect is assumed to fully impact the following fiscal year.