



DOAA

Georgia Department
of Audits & Accounts

Greg S. Griffin
State Auditor

February 6, 2025

Honorable Shaw Blackmon
Chairman, House Ways and Means
133 State Capitol
Atlanta, GA 30334

SUBJECT: Fiscal Note
House Bill 111 (LC 59 0028-EC)

Dear Chairman Blackmon:

The bill would reduce the flat personal income tax rate from 5.39 percent to 5.19 percent effective January 1, 2025. Under current law the corporate income tax rate is statutorily set equal to the personal income tax rate, so the rate change proposed will result in the same rate change for the corporate income tax.

Impact on State Revenue

Georgia State University's Fiscal Research Center (FRC) estimated that the bill would decrease state revenues as shown in **Table 1**. FY 2026 would be the first year of the bill's full effect. The appendix provides details of the analysis.

Table 1. Estimated State Revenue Effects of LC 59 0028-EC

(\$ millions)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Personal Income Tax	(\$96.9)	(\$758.4)	(\$610.9)	(\$638.9)	(\$665.5)	(\$694.1)
Corporate Income Tax	(\$54.9)	(\$110.5)	(\$113.8)	(\$120.2)	(\$127.9)	(\$133.8)
Total	(\$151.8)	(\$868.9)	(\$724.7)	(\$759.0)	(\$793.4)	(\$827.9)

Impact on State Expenditures

The Department of Revenue would be able to implement the bill 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

HB 1437 (2022) and SB 56 (2023) established that the existing progressive tax rate system be replaced by the single rate of 5.49 percent effective January 1, 2024. Subject to specific criteria, this rate would decline by 0.10 percent every year until the rate reaches 4.99 percent. The look-forward and look-back conditions that trigger these reductions are not impacted by the subject bill. HB 1015 (2024) amended the schedule to reduce the flat rate applicable beginning with tax year (TY) 2024 to 5.39 percent. Additionally, HB 1023 (2024) established that the corporate income tax rate would equal the current statutory personal income tax rate.

The fiscal impacts related to the personal income tax (PIT), detailed in Table 1, are based on the following data as assumptions:

- The current personal income tax budget projections were used to establish the expected income tax base (i.e., Georgia taxable income) for TY 2025–30, shown in Table 2 below.
- Current budget projections already anticipate the proposed 0.2 percent rate reduction. Thus, the estimated effects, shown in Table 2 as the revenue value of 0.2 percent of the tax base, represent a reduction not from budget projections but from current-law revenues projected under a 5.39 percent flat rate.
- This rate reduction would impact withholding upon passage with 16.7 percent of the TY 2025 effect impacting FY 2025 revenues and the remainder impacting FY 2026, assuming withholding is adjusted effective May 1, 2025. The amount of the revenue impact realized in FY 2025 depends on the timing of implementation of new withholding tables, an earlier implementation increasing the impact this year and reducing that of FY 2026, and vice versa for a later implementation.
- For periods after the initial year, tax year effects are converted to fiscal years assuming that approximately 46 percent of the effect impacts the fiscal year ending June 30 of the given tax year and the balance impacting the following fiscal year.

Table 2. Taxable Income and Revenue on the Marginal 0.2% by Tax

(\$ millions)	TY 2025	TY 2026	TY 2027	TY 2028	TY 2029	TY 2030
Individual Tax Base	\$290,782	\$298,669	\$313,487	\$326,451	\$340,190	\$355,159
PIT Revenue from 0.2%	\$582	\$597	\$627	\$653	\$680	\$710
	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Revenue Impact	(\$96.9)	(\$758.4)	(\$610.9)	(\$638.9)	(\$665.5)	(\$694.1)

The proposed reduction in the personal income tax rate would also result, under current law, in the same rate change to the corporate income tax. The fiscal impacts of the corporate income tax (CIT) rate reduction reported in Table 1 are based on the following data and assumptions:

- Current net corporate income revenue projections from OPB were used to establish the expected amount of revenues for FY 2025–30, shown in Table 3 below.
- These revenues 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 2.9 percent of the combined collections from these taxes and the CIT during FY 2022–24. The FY 2025–30 projected CIT revenues were reduced by this percentage to isolate CIT revenues.
- The current statutory rate of 5.39 percent was used to establish the expected corporate income tax base (i.e., Georgia taxable corporate income) for FY 2025–30.

- Corporations' tax years frequently do not start on January 1, creating variation in effective tax rates during the early portion of calendar year 2025. 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 2025–30.
- Fiscal impact estimates are based on a constant CIT rate of 5.39 percent for the baseline.

Baseline revenues, pro forma effective tax rates, and projected CIT revenues based on these data and assumptions are presented in Table 2. The difference between the baseline expected revenues and the proforma revenues are the fiscal impact estimates in table1.

Table 3. Baseline (5.39%) and Pro Forma Projected State CIT Revenues

(\$ millions)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Current-Law CIT Baseline	\$3,341	\$3,160	\$3,066	\$3,239	\$3,447	\$3,607
NO CNWI or FIBUI						
Pro Forma CIT Effective Tax Rates						
Effective Tax Rate	5.39%	5.30%	5.20%	5.19%	5.19%	5.19%
CIT Revenue	\$3,286	\$3,049	\$2,953	\$3,119	\$3,319	\$3,473