

The House Committee on Ways & Means offers the following substitute to HB 880:

A BILL TO BE ENTITLED

AN ACT

1 To amend Article 2 of Chapter 7 of Title 48 and Part 1 of Article 4 of Chapter 12 of Title 45
2 of the Official Code of Georgia Annotated, relating to the imposition, rate, computation,
3 exemptions, and credits relative to income taxes and management of budgetary and financial
4 affairs, respectively, so as to reduce the income tax rate that may be reached under certain
5 conditions; to provide for a gradual increase of the amount of the deduction from state
6 taxable income for dependents that may be reached under certain conditions; to provide for
7 a gradual increase of the amount of the standard deduction from state taxable income for
8 individuals that may be reached under certain conditions; to provide for an increase in the
9 amount of retirement income that may be excluded from state taxable income for individuals
10 65 or older; to provide for certain amounts of the Revenue Shortfall Reserve to be used for
11 tax relief; to increase the limitation on the maximum percentage of net revenue allowed to
12 be held in the Revenue Shortfall Reserve; to remove outdated provisions; to provide for
13 related matters; to provide for an effective date and applicability; to repeal conflicting laws;
14 and for other purposes.

15 BE IT ENACTED BY THE GENERAL ASSEMBLY OF GEORGIA:

SECTION 1.

Article 2 of Chapter 7 of Title 48 of the Official Code of Georgia Annotated, relating to the imposition, rate, computation, exemptions, and credits relative to income taxes, is amended in Code Section 48-7-20, relating to individual tax rates, credit for withholding and other payments, and applicability to estates and trusts, by revising subsection (a.1) as follows:

"(a.1)(1) On and after January 1, 2025, the tax imposed pursuant to subsection (a) of this Code section shall be 5.19 percent for taxable years beginning on or after January 1, 2025; provided, however, that such rate shall be reduced by 0.10 percent annually beginning on January 1, 2026, until the rate reaches ~~4.99 percent~~, 3.99 percent; provided that such annual reductions in the tax rate shall be ~~subject to delays as provided in paragraph (2) of this subsection~~ delayed by one year for each year that prospective annual reductions in the standard deduction are delayed for any of the reasons provided in paragraph (1.1) of subsection (a) of Code Section 48-7-27.

(2) Each prospective annual reduction in the tax rate that would otherwise occur as provided in paragraph (1) of this subsection shall be delayed by one year for each year that any of the following are true as of December 1:

(A) The Governor's revenue estimate for the succeeding fiscal year is not at least 3 percent above the Governor's revenue estimate for the present fiscal year;

(B) The prior fiscal year's net revenue collection was not higher than each of the preceding three fiscal years' net tax revenue collection; or

(C) The Revenue Shortfall Reserve provided for in Code Section 45-12-93 does not contain a sum that exceeds the amount of the decrease in state revenue projected to occur as a result of the prospective reduction in the tax rates set to occur the following year.

(3) The Office of Planning and Budget shall make the determinations necessary to implement the provisions of paragraph (2) of this subsection and shall report its determinations by December 1 of each year to the department, the Speaker of the House

43 of Representatives, the President of the Senate, and the chairpersons of the House
 44 Committee on Appropriations Committee, the House Committee on Ways and Means
 45 Committee, the Senate Appropriations Committee, and the Senate Finance Committee.
 46 This paragraph shall not be applicable after the final reduction to the rate of ~~4.99~~ 3.99
 47 percent occurs."

48 SECTION 2.

49 Said article is further amended by revising subsection (b) of Code Section 48-7-26, relating
 50 to personal exemptions, as follows:

51 "(b) Each taxpayer shall be allowed as a deduction in computing his or her Georgia taxable
 52 income a personal exemption in the amount of \$4,000.00 for each dependent of such
 53 taxpayer; provided, however, that such deduction shall be increased by \$100.00 annually
 54 beginning on January 1, 2027, until such deduction reaches \$5,000.00, provided that such
 55 increases in such deduction shall be subject to the same delays as those applied to standard
 56 deductions as provided in paragraph (1.1) of subsection (a) of Code Section 48-7-27."

57 SECTION 3.

58 Said article is further amended in subsection (a) of Code Section 48-7-27, relating to
 59 computation of taxable net income, by revising the introductory language and paragraph (1),
 60 by adding a new paragraph and a new division, and by revising divisions (a)(5)(A)(xii) and
 61 (a)(5)(A)(xiii) to read as follows:

62 "(a) Georgia taxable net income of an individual shall be the taxpayer's federal adjusted
 63 gross income, as defined in the ~~United States~~ Internal Revenue Code of 1986, less:

64 (1) At the taxpayer's election, either:

65 (A) The sum of all itemized nonbusiness deductions used in computing such taxpayer's
 66 federal taxable income; or

67 (B) A standard deduction in an amount as follows:

68 (i) In the case of a married couple filing a joint return, \$24,000.00; provided,
69 however, that such deduction shall be increased by \$600.00 annually beginning on
70 January 1, 2027, until such deduction reaches \$30,000.00, provided that such
71 increases in such deduction shall be subject to delays as provided in paragraph (1.1)
72 of this subsection; or

73 (ii) In the case of a single taxpayer, head of household, or married taxpayer filing a
74 separate return, \$12,000.00; provided, however, that such deduction shall be increased
75 by \$300.00 annually beginning on January 1, 2027, until such deduction reaches
76 \$15,000.00, provided that such increases in such deduction shall be subject to delays
77 as provided in paragraph (1.1) of this subsection;

78 (1.1)(A) Each prospective increase in the standard deduction that would otherwise
79 occur as provided in divisions (i) and (ii) of subparagraph (B) of paragraph (1) of this
80 subsection shall be delayed by one year for each year that prospective annual reductions
81 in the tax rate are delayed for any of the reasons provided in paragraphs (2) and (3) of
82 subsection (a.1) of Code Section 48-7-20; provided, however, that, if paragraphs (2)
83 and (3) of subsection (a.1) of Code Section 48-7-20 are repealed at any time, each
84 prospective increase in the standard deduction that would otherwise occur as provided
85 in divisions (i) and (ii) of subparagraph (B) of paragraph (1) of this subsection shall be
86 delayed by one year for each year that any of the following are true as of December 1:

87 (i) The Governor's revenue estimate for the succeeding fiscal year is not at least 3
88 percent above the Governor's revenue estimate for the present fiscal year;

89 (ii) The prior fiscal year's net revenue collection was not higher than each of the
90 preceding three fiscal years' net tax revenue collection; or

91 (iii) The Revenue Shortfall Reserve provided for in Code Section 45-12-93 does not
92 contain a sum that exceeds the amount of the decrease in state revenue projected to
93 occur as a result of the prospective reduction in the tax rates set to occur the following
94 year.

95 (B) The Office of Planning and Budget shall make the determinations provided in
96 subparagraph (A) of this paragraph and shall report its determinations by December 1
97 of each year to the department, the Speaker of the House of Representatives, the
98 President of the Senate, and the chairpersons of the House Committee on
99 Appropriations, the House Committee on Ways and Means, the Senate Appropriations
100 Committee, and the Senate Finance Committee. This paragraph shall not be applicable
101 after the final increases in the standard deductions provided under divisions (i) and (ii)
102 of subparagraph (B) of paragraph (1) of this subsection occur;"

103 "(xii) For taxable years beginning on or after January 1, 2008, and prior to January
104 1, 2012, retirement income from any source not to exceed an exclusion amount of
105 \$35,000.00; and

106 (xiii) For taxable years beginning on or after January 1, 2012, and ending on or
107 before December 31, 2026, retirement income from any source not to exceed an
108 exclusion amount of \$35,000.00 for each taxpayer meeting the eligibility requirement
109 set forth in division (i) or (ii) of subparagraph (D) of this paragraph or an amount of
110 \$65,000.00 for each taxpayer meeting the eligibility requirement set forth in division
111 (iii) of subparagraph (D) of this paragraph; and

112 (xiv) For taxable years beginning on or after January 1, 2027, retirement income from
113 any source not to exceed an exclusion amount of \$35,000.00 for each taxpayer
114 meeting the eligibility requirement set forth in division (i) or (ii) of subparagraph (D)
115 of this paragraph or an amount of \$70,000.00 for each taxpayer meeting the eligibility
116 requirement set forth in division (iii) of subparagraph (D) of this paragraph."

117 SECTION 4.

118 Part 1 of Article 4 of Chapter 12 of Title 45 of the Official Code of Georgia Annotated,
119 relating to management of budgetary and financial affairs, is amended by revising Code

120 Section 45-12-93, relating to revenue shortfall reserve, reservation of surplus state funds,
121 appropriation and release of funds, and limitations, as follows:

122 "45-12-93.

123 (a) There shall be a reserve of state funds known as the 'Revenue Shortfall Reserve.'

124 (b) The amount of all surplus in state funds existing as of the end of each fiscal year shall
125 be reserved and added to the Revenue Shortfall Reserve. Funds in the Revenue Shortfall
126 Reserve shall carry forward from fiscal year to fiscal year, without reverting to the general
127 fund at the end of a fiscal year. The Revenue Shortfall Reserve shall be maintained,
128 accumulated, appropriated, and otherwise disbursed only as provided in this Code section.

129 (c) For each existing fiscal year, the General Assembly may appropriate from the Revenue
130 Shortfall Reserve an amount up to 1 percent of the net revenue collections of the preceding
131 fiscal year for funding increased K-12 needs.

132 (d) The Governor may release for appropriation by the General Assembly a stated amount
133 from funds in the Revenue Shortfall Reserve that are in excess of ~~4~~ 8 percent of the net
134 revenue of the preceding fiscal year.

135 (e) As of the end of each fiscal year, an amount shall be released from the Revenue
136 Shortfall Reserve to the general fund to cover any deficit by which total expenditures and
137 contractual obligations of state funds authorized by appropriation exceed net revenue and
138 other amounts in state funds made available for appropriation.

139 ~~(f) The combined Revenue Shortfall Reserve and the Midyear Adjustment Reserve~~
140 ~~existing on May 9, 2005, shall become the Revenue Shortfall Reserve provided for in this~~
141 ~~Code section.~~

142 ~~(g) Any other provision of law notwithstanding, the General Assembly is authorized to~~
143 ~~appropriate \$7 million for State Fiscal Year 2005 from the Revenue Shortfall Reserve.~~

144 ~~(h)~~ The Revenue Shortfall Reserve shall not exceed ~~15~~ 20 percent of the previous fiscal
145 year's net revenue for any given fiscal year. Any amount of undesignated surplus funds in

146 excess of 20 percent of the previous fiscal year's net revenue may be used for tax relief
147 pursuant to Acts of the General Assembly."

148 **SECTION 5.**

149 This Act shall become effective on January 1, 2027, and shall be applicable to all taxable
150 years beginning on or after January 1, 2027.

151 **SECTION 6.**

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