

Senate Bill 520

By: Senators Jackson of the 41st, Jones II of the 22nd, Parent of the 44th, Halpern of the 39th, Orrock of the 36th and others

A BILL TO BE ENTITLED
AN ACT

1 To amend Article 2 of Chapter 7 of Title 48 of the Official Code of Georgia Annotated,
2 relating to imposition, rate, computation, exemptions, and credits relative to state income
3 taxes, so as to revise income tax rates; to repeal itemized nonbusiness deductions and revise
4 standard deductions; to revise the child tax credit; to provide for an earned income credit; to
5 repeal tax credits for contributions to student scholarship organizations; to amend Code
6 Section 48-11-2 of the Official Code of Georgia Annotated, relating to excise tax imposed,
7 rates for tobacco and vaping products, exemptions, collection and payment, and tax
8 separately identified, so as to revise tax rates for cigars, loose or smokeless tobacco,
9 consumable vapor products, vapor devices, and cigarettes; to amend Chapter 2A of Title 20
10 of the Official Code of Georgia Annotated, relating to student scholarship organizations, so
11 as to repeal and reserve Code Section 20-2A-4, relating to list of student scholarship
12 organizations to be provided to the General Assembly; to repeal a penalty regarding
13 noncompliance by student scholarship organizations; to provide for effective dates and
14 automatic repeals; to provide for conforming changes; to provide for definitions; to provide
15 for related matters; to provide for an effective date and applicability; to repeal conflicting
16 laws; and for other purposes.

17 BE IT ENACTED BY THE GENERAL ASSEMBLY OF GEORGIA:

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18

SECTION 1.

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

24 ~~“(a.1)(1) On and after January 1, 2025 2027, the tax imposed pursuant to subsection (a) of~~
25 ~~this Code section shall be 5.19 percent for taxable years beginning on or after~~
26 ~~January 1, 2025; provided, however, that such rate shall be reduced by 0.10 percent~~
27 ~~annually beginning on January 1, 2026, until the rate reaches 4.99 percent, provided that~~
28 ~~such annual reductions in the tax rate shall be subject to delays as provided in paragraph~~
29 ~~(2) of this subsection.~~

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

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

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

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

41 ~~(3) The Office of Planning and Budget shall make the determinations necessary to~~
42 ~~implement the provisions of paragraph (2) of this subsection and shall report its~~
43 ~~determinations by December 1 of each year to the department, the Speaker of the House~~
44 ~~of Representatives, the President of the Senate, and the chairpersons of the House~~

45 ~~Appropriations Committee, the House Ways and Means Committee, the Senate~~
 46 ~~Appropriations Committee, and the Senate Finance Committee. This paragraph shall not~~
 47 ~~be applicable after the final reduction to the rate of 4.99 percent occurs;~~

48 (1) In the case of a married couple filing a joint return:

49 (A) With a Georgia taxable net income of up to \$30,000.00, 2 percent for taxable years
 50 beginning on or after January 1, 2027;

51 (B) With a Georgia taxable net income of more than \$30,000.00 and less than
 52 \$60,000.00, 4 percent for taxable years beginning on or after January 1, 2027; and

53 (C) With a Georgia taxable net income of \$60,000.00 or more, 6 percent for taxable
 54 years beginning on or after January 1, 2027; and

55 (2) In the case of a single taxpayer, head of household, or married taxpayer filing a
 56 separate return:

57 (A) With a Georgia taxable net income of up to \$15,000.00, 2 percent for taxable years
 58 beginning on or after January 1, 2027;

59 (B) With a Georgia taxable net income of more than \$15,000.00 and less than
 60 \$30,000.00, 4 percent for taxable years beginning on or after January 1, 2027; and

61 (C) With a Georgia taxable net income of \$30,000.00 or more, 6 percent for taxable
 62 years beginning on or after January 1, 2027."

63 **SECTION 2.**

64 Said article is further amended in Code Section 48-7-21, relating to taxation of corporations,
 65 by revising subsection (a) and division (b)(7)(C)(iii) as follows:

66 "(a) Every domestic corporation and every foreign corporation shall pay annually an
 67 income tax on its Georgia taxable net income at the ~~same rate of the tax imposed on~~
 68 ~~individuals under subsection (a.1) of Code Section 48-7-20~~ rate of 6 percent for the
 69 corresponding taxable year. Georgia taxable net income of a corporation shall be the
 70 corporation's taxable income from property owned or from business done in this state. A

71 corporation's taxable income from property owned or from business done in this state shall
72 consist of the corporation's taxable income as defined in the Internal Revenue Code of
73 1986, with the adjustments provided for in subsection (b) of this Code section and allocated
74 and apportioned as provided in Code Section 48-7-31."

75 "(iii) No electing Subchapter 'S' corporation nor any of its shareholders shall be
76 entitled to any credit under Code Section 48-7-28 with respect to such tax so paid or
77 any deduction for such income under subsection (d) of Code Section 48-7-27;
78 provided, however, that such electing Subchapter 'S' corporation shall otherwise be
79 eligible for credits provided by this chapter and shall be considered an 'other entity'
80 for purposes of Code Sections ~~48-7-29.16~~, 48-7-29.20; and 48-7-29.21."

81 **SECTION 3.**

82 Said article is further amended in Code Section 48-7-23, relating to taxation of partnerships,
83 by revising paragraph (4) of subsection (b) as follows:

84 "(4) No electing partnership nor any of its partners shall be entitled to any credit under
85 Code Section 48-7-28 with respect to such tax so paid or any deduction for such income
86 under subsection (d) of Code Section 48-7-27; provided, however, that such electing
87 partnership shall otherwise be eligible for credits provided by this chapter and shall be
88 considered an 'other entity' for purposes of Code Sections ~~48-7-29.16~~, 48-7-29.20; and
89 48-7-29.21."

90 **SECTION 4.**

91 Said article is further amended in Code Section 48-7-27, relating to computation of taxable
92 net income, by revising the introductory language and paragraph (1) of subsection (a) as
93 follows:

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

- 96 ~~(1) At the taxpayer's election, either:~~
- 97 ~~(A) The sum of all itemized nonbusiness deductions used in computing such taxpayer's~~
- 98 ~~federal taxable income; or~~
- 99 ~~(B)(1) A standard deduction in an amount as follows:~~
- 100 ~~(i)(A) In the case of a married couple filing a joint return, \$24,000.00 \$34,000.00; or~~
- 101 ~~(ii)(B) In the case of a single taxpayer, head of household, or married taxpayer filing~~
- 102 ~~a separate return, \$12,000.00 \$17,000.00; and~~
- 103 ~~(C) Provided, however, that, in the case of:~~
- 104 ~~(i) A married couple filing a joint return with a federal adjusted gross income of~~
- 105 ~~\$280,000.00 or more, such standard deduction shall be reduced annually by an~~
- 106 ~~amount equal to 25 percent of the amount by which the taxpayer's federal adjusted~~
- 107 ~~gross income for the current taxable year exceeds \$280,000.00; and~~
- 108 ~~(ii) A single taxpayer, head of household, or married taxpayer filing a separate return~~
- 109 ~~with a federal adjusted gross income of \$140,000.00 or more, such standard deduction~~
- 110 ~~shall be reduced annually by an amount equal to 25 percent of the amount by which~~
- 111 ~~the taxpayer's federal adjusted gross income for the current taxable year exceeds~~
- 112 ~~\$140,000.00;"~~

113 **SECTION 5.**

114 Said article is further amended by repealing and reserving Code Section 48-7-29.16, relating

115 to tax credits for contributions to student scholarship organizations.

116 **SECTION 6.**

117 Said article is further amended in Code Section 48-7-29.27, relating to tax credits for

118 qualifying child, by revising subsection (b) as follows:

119 "(b)(1) For taxable years beginning on or after January 1, 2026, a taxpayer shall be
120 allowed a credit against the tax imposed by Code Section 48-7-20 in an amount equal to
121 ~~\$250.00~~ \$1,250.00 for each qualifying child of the taxpayer.

122 (2) If the total amount of the tax credit provided for in this subsection exceeds the
123 taxpayer's income tax liability for a taxable year, such excess funds shall be refunded to
124 the taxpayer."

125 **SECTION 7.**

126 Said article is further amended by adding a new Code section to read as follows:

127 "48-7-29.29.

128 (a) A taxpayer shall be allowed a credit against the tax imposed by Code Section 48-7-20
129 in an amount equal to 20 percent of the federal credit that such taxpayer is allowed under
130 Section 32 of the Internal Revenue Code. Such credit shall be allowed only if the
131 individual would have received the federal credit allowed under Section 32 of the Internal
132 Revenue Code after adding any carryforward of a net operating loss that was deducted
133 pursuant to such section in determining eligibility for the federal credit.

134 (b) If the total amount of the tax credit provided for in this Code section exceeds the
135 taxpayer's income tax liability for a taxable year, such excess funds shall be refunded to the
136 taxpayer.

137 (c) The commissioner shall be authorized to promulgate rules and regulations necessary
138 to implement and administer the provisions of this Code section."

139 **SECTION 8.**

140 Code Section 48-11-2 of the Official Code of Georgia Annotated, relating to excise tax
141 imposed, rates for tobacco and vaping products, exemptions, collection and payment, and tax
142 separately identified, is amended by revising subsection (a) as follows:

143 "(a) An excise tax, in addition to all other taxes of every kind imposed by law, is imposed
144 upon the sale, receipt, purchase, possession, consumption, handling, distribution, or use of
145 cigars, cigarettes, loose or smokeless tobacco, alternative nicotine products, and vapor
146 products in this state at the following rates:

147 (1) ~~Little cigars: two and one-half mills each; Cigars, loose or smokeless tobacco,~~
148 ~~consumable vapor products, and vapor devices that contain any consumable vapor~~
149 ~~product at the time of sale and which are not designed or intended to be reused or refilled:~~
150 ~~28 percent of the wholesale cost price, exclusive of any trade, cash, or other discounts or~~
151 ~~any promotion, advertising, display, or similar allowances; and~~

152 (2)(A) ~~All cigars other than little cigars: 23 percent of the wholesale cost price,~~
153 ~~exclusive of any trade, cash, or other discounts or any promotion, advertising, display,~~
154 ~~or similar allowances;~~

155 (3) ~~Cigarettes: 37¢~~ \$1.96 per pack of 20 cigarettes and a like rate, pro rata, for other
156 size packages; provided, however, that such tax rate shall be revised annually by being
157 multiplied by the inflation rate for the prior year.

158 (B) For the purposes of this paragraph, the term 'inflation rate' means the annual
159 inflationary index rate as determined for a given year by the commissioner by
160 promulgating a standardized method for determining annual inflationary index rates
161 which reflect the effects of inflation and deflation on the cost of living for residents of
162 this state for a given calendar year. Such method may utilize the Consumer Price Index
163 as reported by the Bureau of Labor Statistics of the United States Department of Labor
164 or any other similar index established by the federal government if the commissioner
165 determines that such federal index fairly reflects the effects of inflation and deflation
166 on residents of this state.

167 (4) ~~Loose or smokeless tobacco: 10 percent of the wholesale cost price, exclusive of any~~
168 ~~trade, cash, or other discounts or any promotion, advertising, display, or similar~~
169 ~~allowances;~~

- 170 ~~(5) Consumable vapor products in a closed system: 5¢ per fluid milliliter;~~
 171 ~~(6) Consumable vapor products in an open system: 7 percent of the wholesale cost price,~~
 172 ~~exclusive of any trade, cash, or other discounts or any promotion, advertising, display,~~
 173 ~~or similar allowances; and~~
 174 ~~(7) Vapor devices that contain any consumable vapor product at the time of sale and~~
 175 ~~which are not designed or intended to be reused or refilled: 7 percent of the wholesale~~
 176 ~~cost price, exclusive of any trade, cash, or other discounts or any promotion, advertising,~~
 177 ~~display, or similar allowances."~~

178 **SECTION 9.**

179 Chapter 2A of Title 20 of the Official Code of Georgia Annotated, relating to student
 180 scholarship organizations, is amended by repealing and reserving Code Section 20-2A-4,
 181 relating to list of student scholarship organizations to be provided to the General Assembly.

182 **SECTION 10.**

183 Said chapter is further amended in Code Section 20-2A-7, relating to penalties for failure to
 184 comply with requirements of chapter and violations, by revising paragraph (2) of subsection
 185 (a) as follows:

186 "(2) Upon failure to correct all deficiencies within 90 days, such student scholarship
 187 organization shall:

188 (A) Be immediately removed from the Department of Education list provided for in
 189 Code Section 20-2A-6; and

190 (B) Be required to cease all operations as a student scholarship organization and
 191 transfer all scholarship account funds to a properly operating student scholarship
 192 organization within 30 calendar days of receipt of notice from the Department of
 193 Revenue of removal from the approved list; and

194 ~~(C) Have all applications for preapproval of tax credits under Code Section 48-7-29.16~~
195 ~~rejected by the Department of Revenue on or after the date the Department of~~
196 ~~Education removes the student scholarship organization from its list provided for in~~
197 ~~Code Section 20-2A-6."~~

198 **SECTION 11.**

199 This Act shall become effective on July 1, 2026, and shall be applicable to taxable years
200 beginning on or after January 1, 2026.

201 **SECTION 12.**

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