

The House Committee on Ways and 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12 be held in the Revenue Shortfall Reserve; to remove outdated provisions; to provide for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.

16
 17 Article 2 of Chapter 7 of Title 48 of the Official Code of Georgia Annotated, relating to the
 18 imposition, rate, computation, exemptions, and credits relative to income taxes, is amended
 19 in Code Section 48-7-20, relating to individual tax rates, credit for withholding and other
 20 payments, and applicability to estates and trusts, by revising subsection (a.1) as follows:

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

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

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

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

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

40 ~~(3) The Office of Planning and Budget shall make the determinations necessary to~~
 41 ~~implement the provisions of paragraph (2) of this subsection and shall report its~~
 42 ~~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 percent
 47 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 \$200.00 annually
 54 beginning on January 1, 2027, until such deduction reaches \$6,000.00, 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 \$1,200.00 annually beginning on
70 January 1, 2027, until such deduction reaches \$36,000.00, 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 \$600.00 annually beginning on January 1, 2027, until such deduction reaches
76 \$18,000.00, 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 any of the following are true
81 as of December 1:

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

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

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

90 (B) The Office of Planning and Budget shall make the determinations provided in
91 subparagraph (A) of this paragraph and shall report its determinations by December 1
92 of each year to the department, the Speaker of the House of Representatives, the
93 President of the Senate, and the chairpersons of the House Committee on
94 Appropriations, the House Committee on Ways and Means, the Senate Appropriations

95 Committee, and the Senate Finance Committee. This paragraph shall not be applicable
96 after the final increases in the standard deductions provided under divisions (i) and (ii)
97 of subparagraph (B) of paragraph (1) of this subsection occur;"

98 "(xii) For taxable years beginning on or after January 1, 2008, and prior to January
99 1, 2012, retirement income from any source not to exceed an exclusion amount of
100 \$35,000.00; ~~and~~

101 (xiii) For taxable years beginning on or after January 1, 2012, and ending on or
102 before December 31, 2026, retirement income from any source not to exceed an
103 exclusion amount of \$35,000.00 for each taxpayer meeting the eligibility requirement
104 set forth in division (i) or (ii) of subparagraph (D) of this paragraph or an amount of
105 \$65,000.00 for each taxpayer meeting the eligibility requirement set forth in division
106 (iii) of subparagraph (D) of this paragraph; and

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

112 SECTION 4.

113 Part 1 of Article 4 of Chapter 12 of Title 45 of the Official Code of Georgia Annotated,
114 relating to management of budgetary and financial affairs, is amended by revising Code
115 Section 45-12-93, relating to revenue shortfall reserve, reservation of surplus state funds,
116 appropriation and release of funds, and limitations, as follows:

117 "45-12-93.

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

119 (b) The amount of all surplus in state funds existing as of the end of each fiscal year shall
120 be reserved and added to the Revenue Shortfall Reserve. Funds in the Revenue Shortfall

121 Reserve shall carry forward from fiscal year to fiscal year, without reverting to the general
 122 fund at the end of a fiscal year. The Revenue Shortfall Reserve shall be maintained,
 123 accumulated, appropriated, and otherwise disbursed only as provided in this Code section.

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

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

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

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

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

139 ~~(h)~~ The Revenue Shortfall Reserve shall not exceed ~~15~~ 20 percent of the previous fiscal
 140 year's net revenue for any given fiscal year. Any amount of undesignated surplus funds in
 141 excess of 20 percent of the previous fiscal year's net revenue may be used for tax relief
 142 pursuant to Acts of the General Assembly."

143 **SECTION 5.**

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

146

SECTION 6.

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