

The House Committee on Ways & Means offers the following substitute to HB 1370:

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 for state income tax, so as  
3 to exclude a portion of overtime compensation and cash tips from taxation; to provide for  
4 reporting by employers; to provide for rules and regulations; to provide for definitions; to  
5 provide for automatic repeal; to provide for related matters; to provide for an effective date  
6 and applicability; to repeal conflicting laws; and for other purposes.

7 BE IT ENACTED BY THE GENERAL ASSEMBLY OF GEORGIA:

8 **SECTION 1.**

9 Article 2 of Chapter 7 of Title 48 of the Official Code of Georgia Annotated, relating to  
10 imposition, rate, computation, exemptions, and credits for state income tax, is amended in  
11 subsection (a) of Code Section 48-7-27, relating to computation of taxable net income, by  
12 striking "and" at the end of paragraph (14), by replacing the period at the end of paragraph  
13 (15) with a semicolon, and by adding new paragraphs to read as follows:

14 "(16)(A) For all taxable years beginning on or after January 1, 2026, and ending on  
15 December 31, 2028, any amount up to \$2,500.00 received by a full-time employee paid  
16 by an hourly wage as compensation for work performed in excess of 40 hours a week,

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17 and any amount paid as overtime compensation in accordance with the federal Fair  
18 Labor Standards Act of 1938.

19 (B) Notwithstanding subparagraph (A) of this paragraph, for employers governed by  
20 the federal National Railway Labor Act, the exemption provided in this paragraph shall  
21 apply to hourly component overtime compensation as defined in applicable collective  
22 bargaining agreements.

23 (C) For each tax year beginning on or after January 1, 2026, and ending on  
24 December 31, 2028, each employer shall submit to the department, on forms prescribed  
25 by the department, the total amount received by full-time employees paid by an hourly  
26 wage as compensation for work performed in excess of 40 hours a week and the total  
27 number of employees to which such compensation was paid. The data shall be  
28 provided monthly or quarterly and shall be due no later than the due date for the  
29 corresponding monthly or quarterly withholding tax returns, except that such data may  
30 be provided at the end of the year for the 2026 tax year.

31 (D) The department may require additional information of employers and shall be  
32 authorized to adopt rules and regulations to provide for the administration of this  
33 paragraph.

34 (E) This paragraph shall stand repealed and reserved on December 31, 2028; and  
35 (17)(A) For all taxable years beginning on or after January 1, 2026, any amount up  
36 to \$2,500.00 received in cash tips.

37 (B) For each tax year beginning on or after January 1, 2026, each employer shall  
38 submit to the department, on forms prescribed by the department, the total amount  
39 received by employees in cash tips and the total number of employees to which such  
40 compensation was paid. The data shall be provided monthly or quarterly and shall be  
41 due no later than the due date for the corresponding monthly or quarterly withholding  
42 tax returns, except that such data may be provided at the end of the year for the 2026  
43 tax year.

44 (C) The department may require additional information of employers and shall be  
45 authorized to adopt rules and regulations to provide for the administration of this  
46 paragraph.

47 (D) As used in this paragraph, the term:

48 (i) 'Cash tips' means cash received by an individual in an occupation that customarily  
49 and regularly receives tips, including tips received from customers that are paid in  
50 cash or charged and, in the case of an employee, tips received under any tip-sharing  
51 arrangement, but only if such amount is paid voluntarily without any consequence in  
52 the event of nonpayment, is not the subject of negotiation, and is determined by the  
53 payor.

54 (ii) 'Occupation that customarily and regularly receives tips' means any occupation  
55 which has been designated as such and given a Treasury Tipped Occupation Code as  
56 set forth in the Federal Register by the secretary of the treasury of the United States.  
57 Occupations excluded under Section 63 of the Internal Revenue Code shall also be  
58 excluded for purposes of this paragraph.

59 (E) This paragraph shall stand repealed and reserved on December 31, 2028."

60 **SECTION 2.**

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

63 **SECTION 3.**

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