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February 26, 2021

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

SUBJECT: Fiscal Note
House Bill 593 (LC 43 1928)

Dear Chairman Blackmon:

The bill would increase the amounts of the standard deduction under O.C.G.A. §48-7-27(a)(1) that taxpayers who do not itemize deductions may deduct in determining taxable income. It would be effective for tax years beginning on or after January 1, 2022.

Impact on State Revenue

Georgia State University's Fiscal Research Center (FRC) estimated that the bill would decrease state revenue $141 million in FY 2023, the first year of the bill's full impact on revenue (Table 1). The revenue loss would grow to $146 million by FY 2026. The attached appendix provides details of the analysis.

Table 1. Estimated State Revenue Effects of HB 593 LC 43 1928

($ *millions*)	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**	**FY 2026**
Change in State Revenue	($58)	($141)	($142)	($144)	($146)

Impact on State Expenditures

The Department of Revenue (DOR) would implement the provisions of the bill with existing resources.

Sincerely,

/s/ Greg S. Griffin
Greg S. Griffin
State Auditor

/s/ Kelly Farr
Kelly Farr, Director
Office of Planning and Budget

GSG/KF/mt

Analysis by the Fiscal Research Center

The proposed bill would increase the amounts of the standard deduction under O.C.G.A. §48-7-27(a)(1) that taxpayers who do not itemize deductions may deduct in determining taxable income. Standard deduction amounts by filing status, effective beginning tax year (TY) 2022, as provided in the bill are as follows:

Filing Status	Deduction
Single	$5,400
Married Filing Joint	$7,100
Married Filing Separate	$3,550
Head of Household	$5,400

The proposed changes are analyzed using a microsimulation model, with TY 2018 administrative tax return data from the Department of Revenue (DOR), to estimate their impact on tax liability of filers for that year, but with reported amounts adjusted to account for the effects of the current 5.75 percent top tax rate in the state, down from 6.0 percent in TY 2018. The model adjusts the amount of the standard deduction for each return claiming it to the amount shown above (plus any additional deductions for taxpayers over age 65 or blind) and recalculates their tax liability.

The proforma loss in TY 2018 tax liabilities from the increased standard deduction, as if applicable for that year, is estimated to be about $134 million. This amount is grown to the TY 2022-26 periods based on population growth, as a proxy for growth in filers utilizing the increased deduction on their returns. Population growth rates are calculated from OPB population estimates and projections. As the deduction amounts are fixed, there is no adjustment for inflation.

Tax year impacts are adjusted to state fiscal years assuming the impact on revenues is primarily through reduced withholding. For any given tax year, 5/12 of the change in tax liability is assumed to be realized in reduced revenues in the fiscal year ending June of the tax year, the balance impacting the subsequent fiscal year.