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Tax Highlights From Georgia's 2026 Legislative Session

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Georgia's two-year legislative cycle recently concluded with the enactment of several significant tax bills, although the extent of the income and property tax changes fell short of the groundbreaking reform originally proposed.

Prior to the legislative session, house and senate leadership announced plans to phase out both the personal income tax and the ad valorem property tax on homestead property. Ultimately, the Georgia General Assembly passed legislation to accelerate the multiyear planned reduction of the state income tax rate that was already in place, and to cap the growth of assessments of homestead property and allow localities to adopt a penny sales tax to provide additional homestead property tax relief.

While much attention was given during the session to the taxation of data centers and high-technology companies, and their energy use, such legislation failed to receive final passage.

This marked the end of the two-year legislative session. Legislation that did not pass will need to be reintroduced in 2027.

Enacted Tax Legislation

Income Tax

H.B. 463 — Georgia Economic Growth and Tax Relief Act of 2026

H.B. 463, signed by Gov. Brian Kemp on May 11, accelerates the phased-in reduction of the personal and corporate income tax rate under current law — 5.19% reduced by 0.10% annually down to 4.99% by 2027 — by reducing the tax rates immediately to 4.99% in 2026 and instituting further rate reductions of 0.125% annually, to 3.99%, provided the state meets certain economic thresholds.

Although early versions of this legislation focused only on reductions to the personal income tax rate, in this final version, the personal and corporate tax rates remain coupled in this final version. The act also includes phased-in increases in personal exemptions and standard deductions subject to existing economic thresholds.

Although current law provides for annual rate reductions, the state has generally not met the economic thresholds that trigger the automatic rate reduction.[1] Georgia did not meet the thresholds to lower the rate in 2026 from 5.19% to 5.09%.[2] Accordingly, it remains uncertain whether the state will meet the economic thresholds for the income tax rate to decrease below 4.99% in future years, although a future General Assembly may look to reduce the rates regardless of those thresholds.

For tax years 2026 through 2028, H.B. 463 also provides a temporary exclusion for tips and overtime of up to $1,750 each. This represents a partial amount of the exclusions within Sections 225 and 225 of the Internal Revenue Code, beginning in 2025 and enacted as part of H.R. 1, the One Big Beautiful Bill Act.

H.B. 463 repeals the following income tax credits as of Jan. 1: telework credits;[3] tax credits for manufacturers of personal protective equipment;[4] manufacturers of medical equipment and supplies;[5] port traffic and employers with port traffic increases;[6] alternative fuel, low-emission and zero-emission vehicles, and electric vehicle chargers;[7] businesses headquartered and full-time jobs in Georgia,[8] manufacturers of cigarettes;[9] and for purchasing or leasing vehicles to provide transportation to employees.[10]

The act also repeals the following sales tax exemptions provided within Section 48-8-3 of the Georgia Code, presumably as of its effective date: the rental of videotape or film to anyone who charges admission, the sale of printed advertising inserts as part of a newspaper for resale, the sale of machinery and equipment used in the construction of a clean room, the sale of watercraft by a licensed dealer to nonresidents, and any new exemption certificates for the sale of machinery and equipment primarily used in reducing or eliminating air or water pollution.

The immediate reduction in Georgia's personal and corporate income tax rates, coupled with potential future rate decreases, will result in lower tax burdens for both individual taxpayers and businesses, and will require recalculation of deferred income tax liabilities. The repeal of multiple income tax credits and sales tax exemptions will only partially offset the fiscal impact of the rate reductions.

To balance the budget, Kemp utilized his budget veto authority to reduce approximately $300 million in spending from the budget within the state's appropriations bill, H.B. 974.[11] Many of the repealed incentives were lightly utilized by taxpayers.

Based on the state's FY 2027 Tax Expenditure Report, the only repealed incentives with an annual state fiscal impact over $1 million include the port credit ($5 million), and the rental of videotapes or film ($6 million), although there is no estimate included within the report for the watercraft exemption.

While it may not have a broad, significant impact on businesses currently, the abrupt — and arguably retroactive — repeal of these incentives may cause businesses that are considering locating or expanding in Georgia to question the long-term reliability of its state tax incentives.

H.B. 1199 — Annual Internal Revenue Code Conformity

Georgia's static conformity to the IRC requires the General Assembly to annually update Georgia law, either to conform or decouple from the latest version of the IRC. This legislation is usually passed and adopted quickly to allow taxpayers to timely file returns for the prior year. Kemp signed H.B. 1199 the bill on March 20.

This act updates Georgia's income tax law to conform with the IRC as of Jan. 1, with certain exemptions primarily concerning conformity with the One Big Beautiful Bill Act. Notably, H.B. 1199 provides that Georgia continue to conform to IRC Section 174 prior to the enactment in 2017 of the Tax Cuts and Jobs Act, as it relates to research and experimental costs.

It also conforms with the recent increase in the maximum deduction under IRC Section 179(b), but continues to decouple regarding real property as found in IRC Section 179(e).

The act continues Georgia's decoupling from taxation of foreign income as it relates to net controlled-foreign-corporation tested income, also known as NTI, as Georgia also decoupled from taxing global intangible low taxed income. Georgia did not conform to the increase in the state and local tax deduction cap in federal legislation, as Georgia's deduction is specifically set at $5,000 or $10,000 for single and joint filers, respectively.[12]

H.B. 1199 is significant for practitioners and taxpayers because it ensures Georgia's income tax laws keep pace with federal changes, making compliance easier and reducing confusion.

The act offers practitioners greater certainty when guiding clients and preparing returns, but they must pay close attention to areas where Georgia's rules diverge from federal law, such as in the treatment of research and experimental costs and foreign income.

Sales Tax

H.B. 1112 — Cash Transaction Rounding

H.B. 1112 provides guidance for businesses using symmetrical rounding on transactions to the nearest nickel, following the U.S. Mint's 2025 announcement that pennies will no longer be produced.

Under the act, businesses will round down any cash transaction ending in 1, 2, 6 or 7 cents, and round up for transactions ending in 3, 4, 8 or 9 cents. Rounding to the nearest nickel may apply to the amount of the transaction or to the amount of change tendered.

Pennies remain legal tender in Georgia, and the act provides that retailers may not round if a customer can provide exact change, including pennies. No state or local tax applies to losses or gains resulting from rounding.

Kemp signed this act on May 11.

H.B. 1112 streamlines cash payments for both customers and businesses by reducing the complexity of handling small coin denominations. This change may result in minor fluctuations in total transaction costs but overall simplifies everyday purchases.

Clear statutory guidance will also eliminate uncertainty regarding sales tax differences and reduce potential exposure to consumer protection claims.

Property Tax

S.B. 33 — Homeownership Opportunity and Market Equalization Act of 2026

S.B. 33 expands homestead exemptions across the state in two ways. First, it makes the existing homestead exemption provided under Section 48-5-44.2 more statewide. Second, it allows a new and additional homestead exemption to be funded by a 1% local option sales tax.

Beginning in 2025, Section 48-5-44.2 allowed a statewide homestead exemption that in effect caps the value of a homestead for property tax purposes at the value the homestead had in 2024 (or the year prior to the first year the property was eligible for the exemption, whichever is later), plus inflation and the value of any substantial property improvements.

The earlier legislation allowed local governments to opt out of the exemption, and many did. S.B. 33 repeals that optionality so that the homestead exemption capping the values of homesteads, until sale, will truly be statewide as of the 2027 tax year.

By eliminating local opt-outs, starting in the 2027 tax year, S.B. 33 will put a more uniform cap on homestead property values within adopting localities across Georgia. This change means homeowners will enjoy consistent property tax assessments and greater predictability, with reduced risk of unexpected increases in property tax.

S.B. 33 also allows counties, if approved by local referendum, to impose a new and additional 1% sales tax, the local homestead option sales tax, or LHOST, to fund a new homestead property tax exemption.

The amount of this exemption will be determined annually based upon the net proceeds of the LHOST collected in the jurisdiction. All the LHOST collected must be used to fund the new homestead exemption, and the exemption is in addition to, not in lieu of, any other homestead exemption applicable to the property.

If the proceeds from the LHOST exceed the amount necessary to exempt all homestead property from ad valorem taxation imposed by all local governments, the excess proceeds are to be applied to reduce millage rates in effect on all property, including commercial property, within the county for such year.

Proposed referendums that would have provided homestead property tax relief via constitutional amendment failed to advance. Earlier versions of this legislation contained caps on local budget increases, but such budget limitations were ultimately removed before final passage. It may provide homestead property tax relief, but the act falls short of eliminating homestead property taxation.

Kemp signed the bill on May 11.

Other Enacted Tax Legislation

H.B. 141 — Occupation Tax; Allow Businesses to Provide CPA Affidavits in Lieu of Tax Returns

Current law allows local governments to request financial information necessary to allocate the gross receipts of businesses and practitioners among multiple jurisdictions. H.B. 141 allows taxpayers to submit a CPA's affidavit, instead of tax returns or other financial documents, for this purpose specifically and to facilitate the local government's determination of the amount of occupation tax to be levied. Ultimately, this act may make it easier for businesses to comply with local business and occupation taxes and provide additional confidentiality.

Kemp **signed** this act on May 11.

H.B. 1247 — Georgia Bureaucratic Deference Elimination Act

H.B. 1247 ends judicial deference to the interpretations of administrative agencies in Georgia, following the U.S. Supreme Court's 2024 decision in Loper Bright Enterprises v. Raimondo, which ended the Chevron doctrine at the federal level.

The act states that when interpreting Georgia's state constitution, statutes, regulations or subregulatory documents, "a court, or an officer hearing an administrative action, shall not defer to a state agency's determination or interpretation of such authorities, whether such determination or interpretation is written or unwritten."

The act also amends several portions of Title 48 of the Georgia Code, originally adopted in 2021, eliminating judicial deference to regulations in state tax matters.

Kemp signed this act on May 13, but issued a signing statement expressing concern with a portion of the legislation that relates to the General Assembly's power to void executive branch agency rules by resolution.

In the signing statement, he stated his desire that "the constitutional requirements for the passage of legislation, which includes legislative overrides of agency rules and regulations, will be followed, notwithstanding any language in this bill that could be interpreted to the contrary."

H.B. 1247 marks a major change in Georgia law by clearly ending judicial deference to state agency regulatory and subregulatory interpretations, requiring courts to independently evaluate agency decisions.

This legislation will empower taxpayers and practitioners to challenge tax regulations. It aligns Georgia with a national movement to limit administrative deference, addressing concerns about agency overreach and fairness in litigating against administrative agencies in state courts.

Concluding Thoughts

While 2025 saw relatively few significant tax bills passed, the second year of this legislative session included several significant developments in Georgia tax law. These changes reflect a broader legislative trend toward increased scrutiny of administrative agency interpretations and efforts to modernize tax policy in response to evolving economic priorities.

Looking ahead to future legislative sessions, we anticipate legislation that includes reductions in personal income tax rates for low and middle-income taxpayers, further efforts toward homestead property tax elimination and additional measures addressing the taxation of data centers.

The failure of proposed limitations on data center exemptions this year underscores the ongoing tension between maintaining Georgia's competitive position and ensuring long-term tax base stability.

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[1] O.C.G.A. § 48-7-20.

[2] Georgia Governor's Office of Planning and Budget, Governor's Budget Report Amended (AFY 2026 - FY 2027).

[3] O.C.G.A. § 48-7-29.11.

[4] O.C.G.A. § 48-7-40.1A.

[5] O.C.G.A. § 48-7-40.1B.

[6] O.C.G.A. §§ 48-7-40.15; 48-7-40.15A.

[7] O.C.G.A. § 48-7-40.16.

[8] O.C.G.A. § 48-7-40.18.

[9] O.C.G.A. § 48-7-40.20.

[10] O.C.G.A. § 48-7-40.22.

[11] Kemp also vetoed several other bills which would have provided for increased tax incentives stating that the General Assembly failed to account for the fiscal impact in the appropriations process. See Gov. Kemp 2026 Veto Messages and Signing Statements.

[12] O.C.G.A. § 48-7-27(b)(3).