



# Georgia's Economic and Budgetary Outlook

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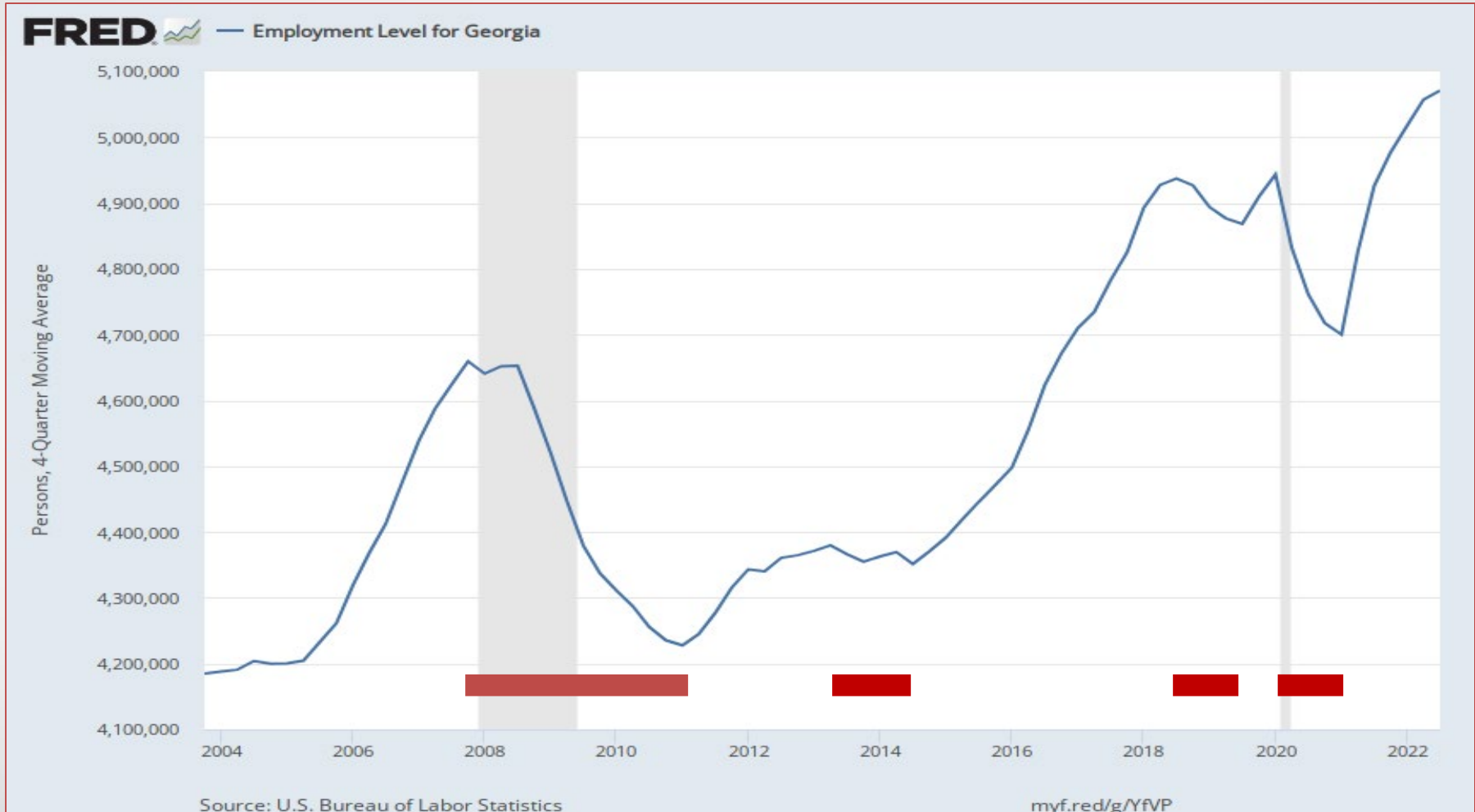


# The economy and the budget are separate

- The U.S. can have a recession while Georgia does not.
- Georgia can have a recession while state revenues rise.
- State revenues can fall without Georgia having a recession.
- We need to realize these are all separate events.



# State recessions (red) vs national (gray)





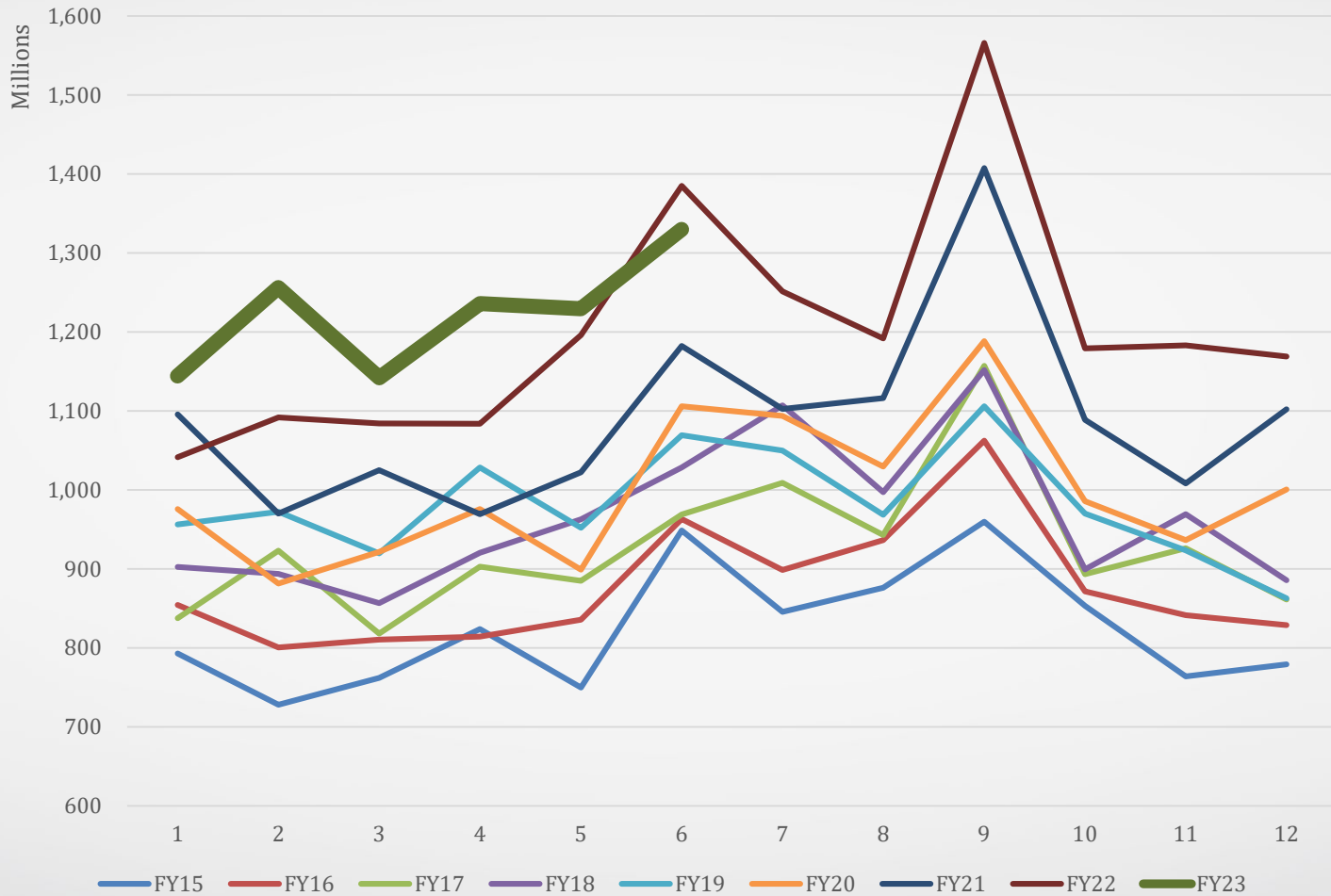
## Revenues are detached from economy

- In FY2022 Georgia collected over \$3 billion in capital gains taxes, *a lot of it in April*.
  - Those will not show up this year whether or not there is a recession.
- Inflation means that even a slowing economy can yield higher tax revenues (in inflated dollars).
- Most corporate income tax comes from a small number of taxpayers.



# Consumers still earning plenty of money

### Withholding Tax by Fiscal Year





# Capital gains won't appear in FY23

FY2022



■ WH ■ Other

FY2021



■ WH ■ Other

Average of  
FY2017-FY2020



■ WH ■ Other

**Normally, withholding and total PIT are very similar.**

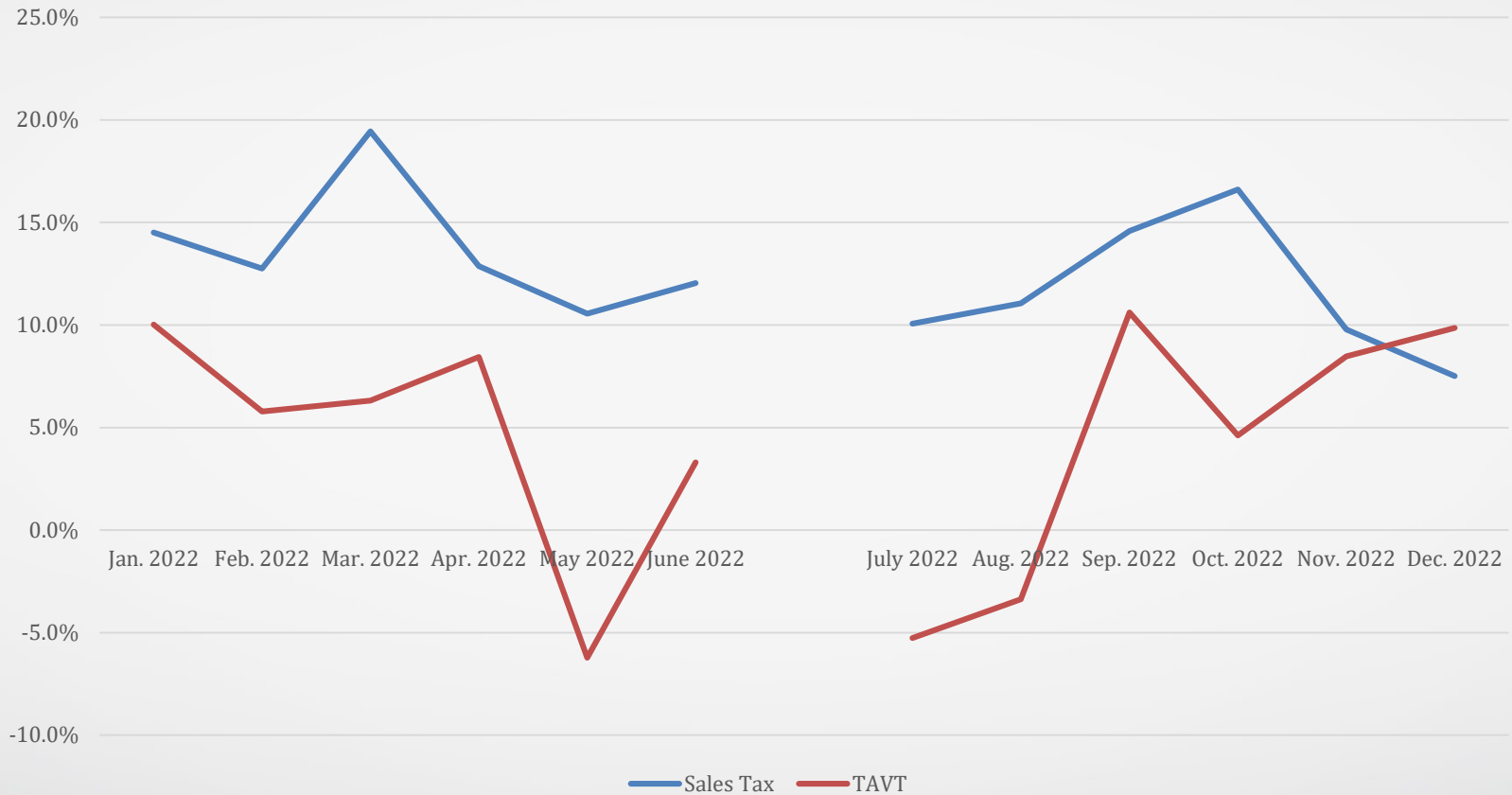
**In FY21 and FY22, we collected an extra \$4.2B in PIT revenues, thanks to huge capital gains.**

**That won't be happening this year.**



# Consumers are still spending

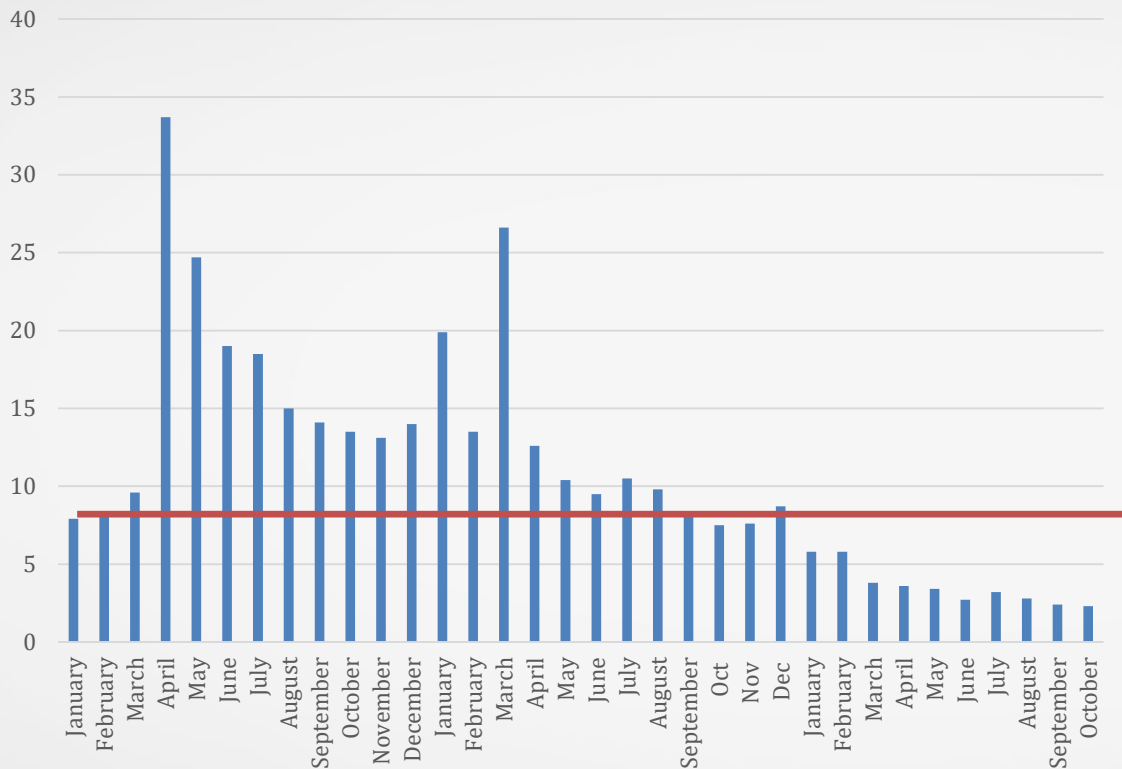
## Sales Tax and TAVT YoY gains





# Savings declining but still large

Savings Rate, 2020-2022



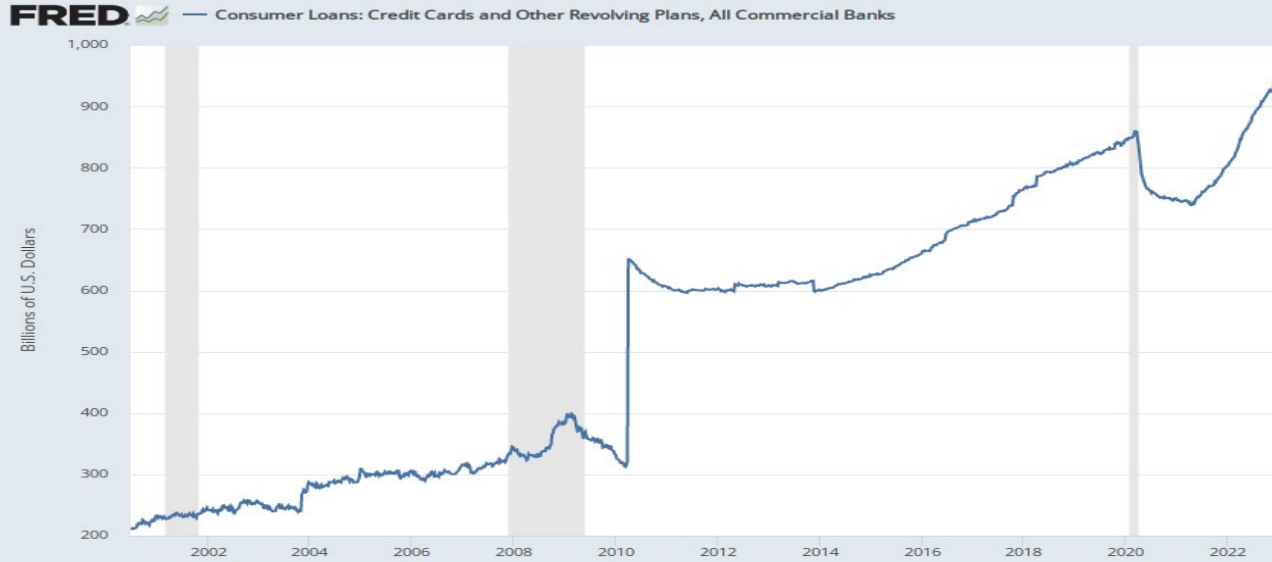
Consumers are starting to spend the excess savings built up in the early part of pandemic, but still have a lot left.

\$1.5 T in US  
\$50 B in GA





# Debt is still manageable



Source: Board of Governors of the Federal Reserve System (US)

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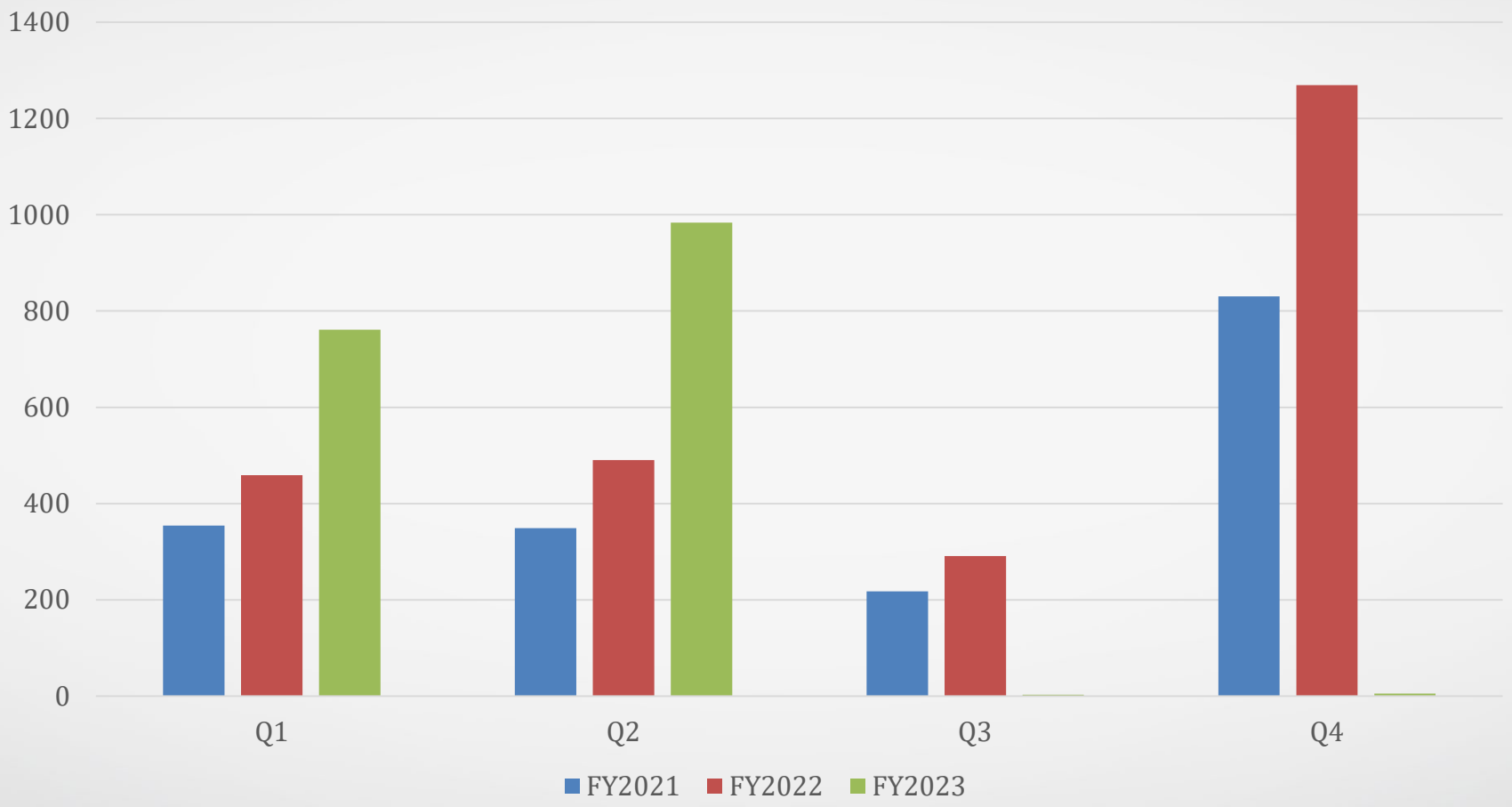
Source: Board of Governors of the Federal Reserve System (US)

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# Businesses staying strong

## Corporate Income Tax, by Quarter

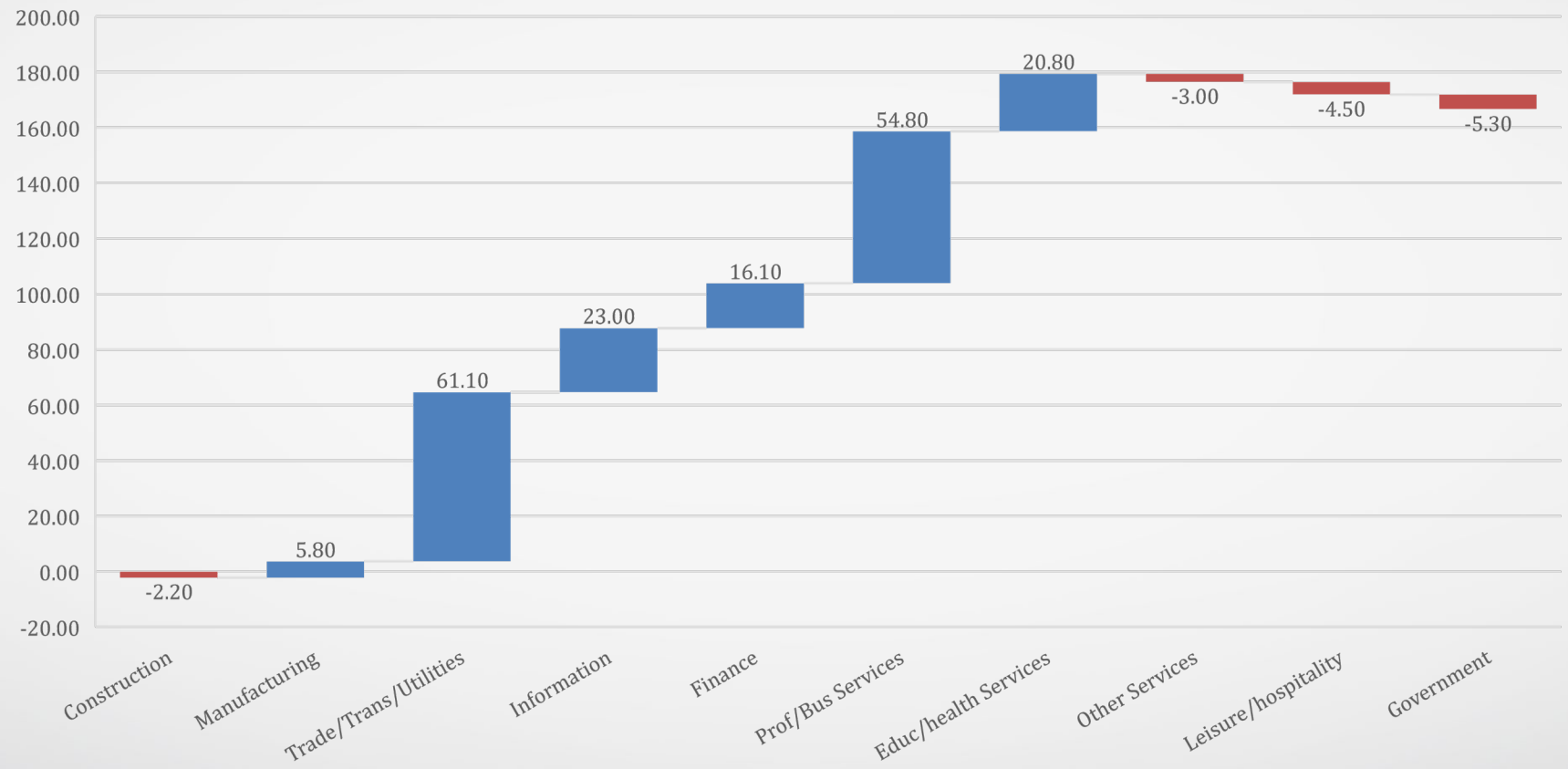




# Georgia has gained 167,000 jobs

Net job changes by industry in Georgia, Feb 2020-Nov 2022  
(in thousands of jobs)

■ Increase ■ Decrease ■ Total





# Not many workers are being laid off

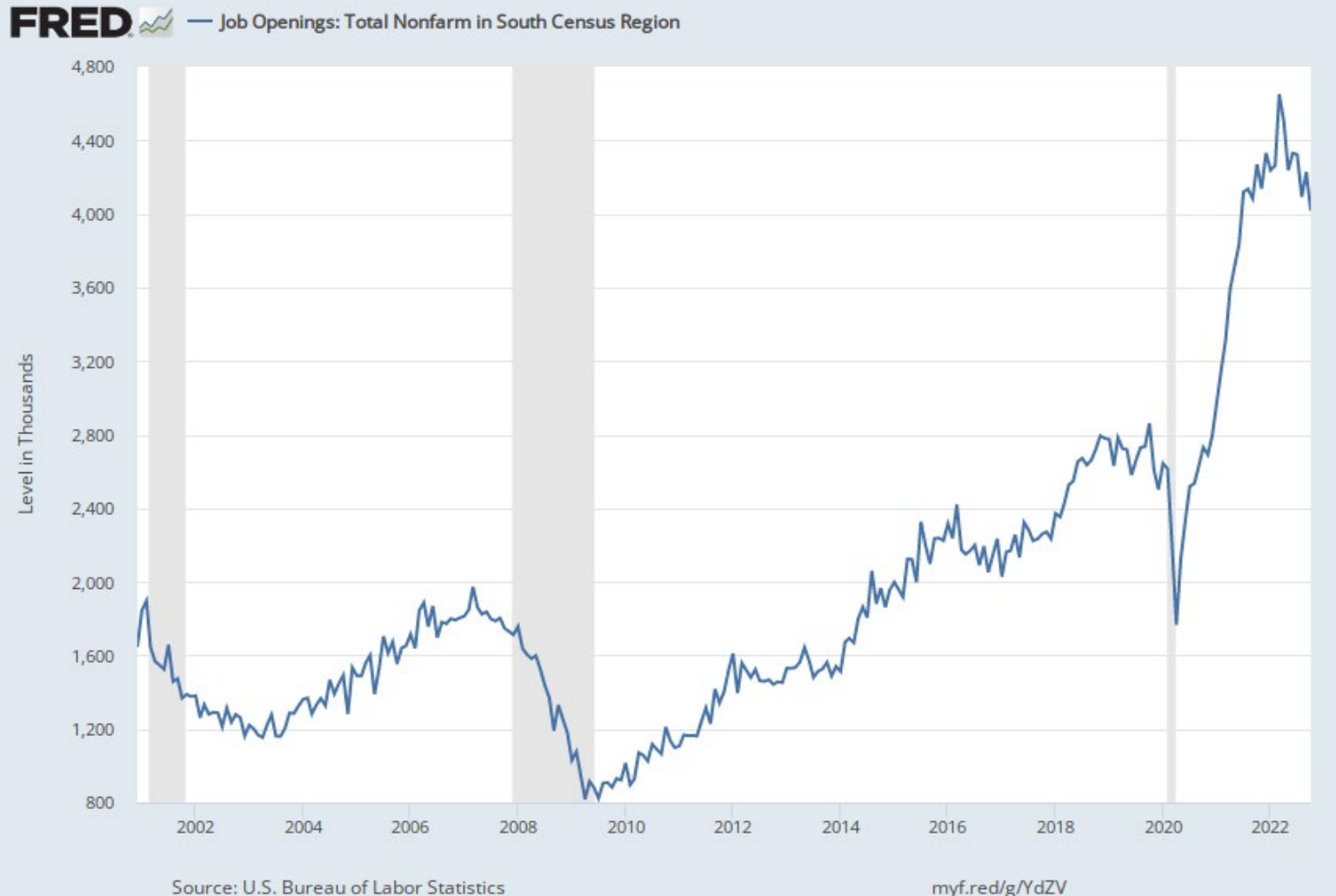


Source: U.S. Employment and Training Administration

[myf.red/g/YdY4](https://myf.red/g/YdY4)



# Job openings shrinking but plentiful





## Revenue estimate assumptions

- PIT withholding to increase about 3.5% in FY23, drop 1% in FY24.
- Capital gains taxes to disappear and preparing for refund requests (entity level taxation).
- Corporate taxes to shrink in FY23 and FY24 as businesses lose ability to fully pass on cost increases through higher prices.
- Sales tax to grow slightly in FY23, flat for FY24 on combination of inflation and shift back to services.

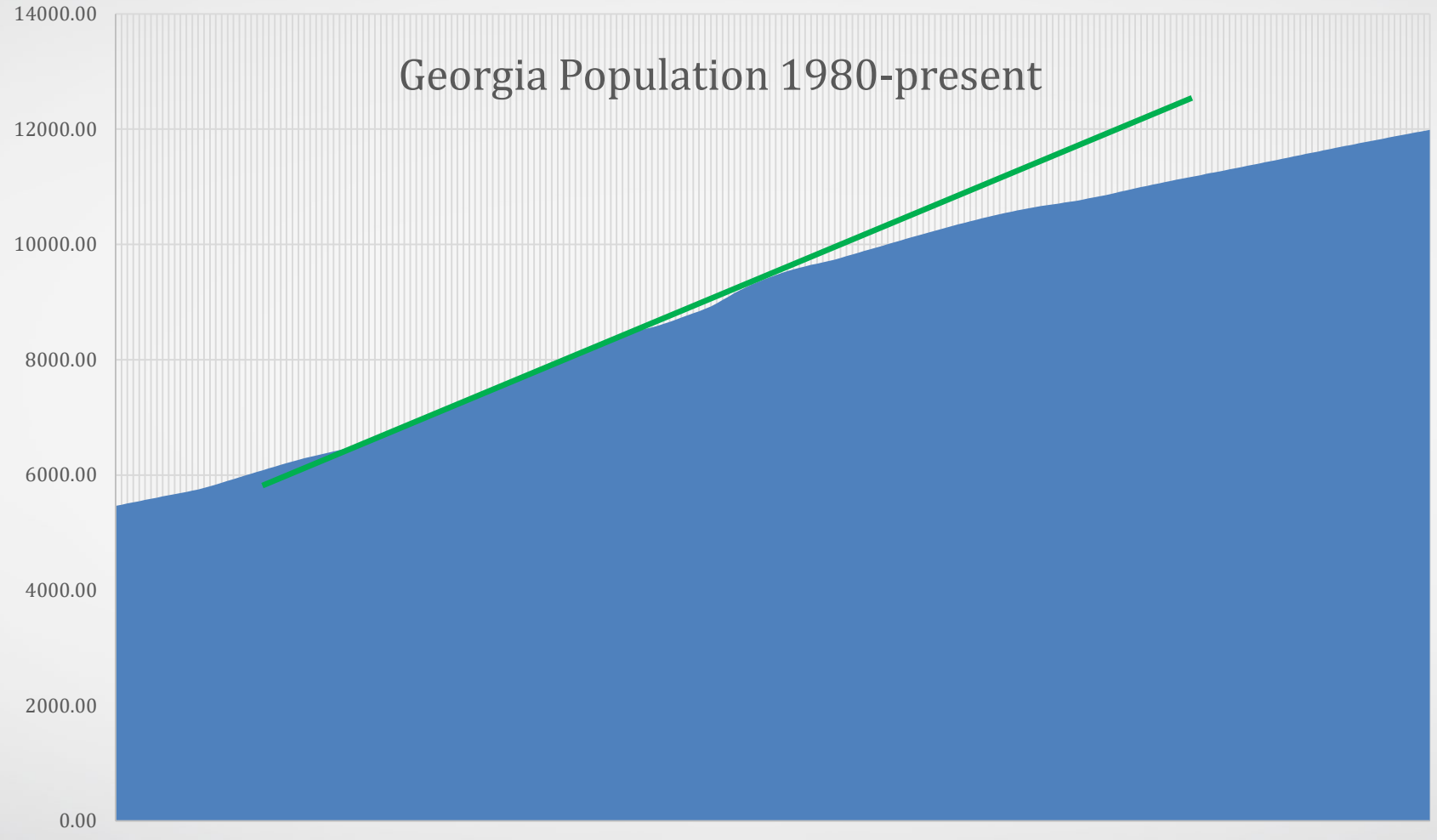


# Future revenue growth challenge

We are growing as  
fast as we can  
without more people



# Population growth has slowed



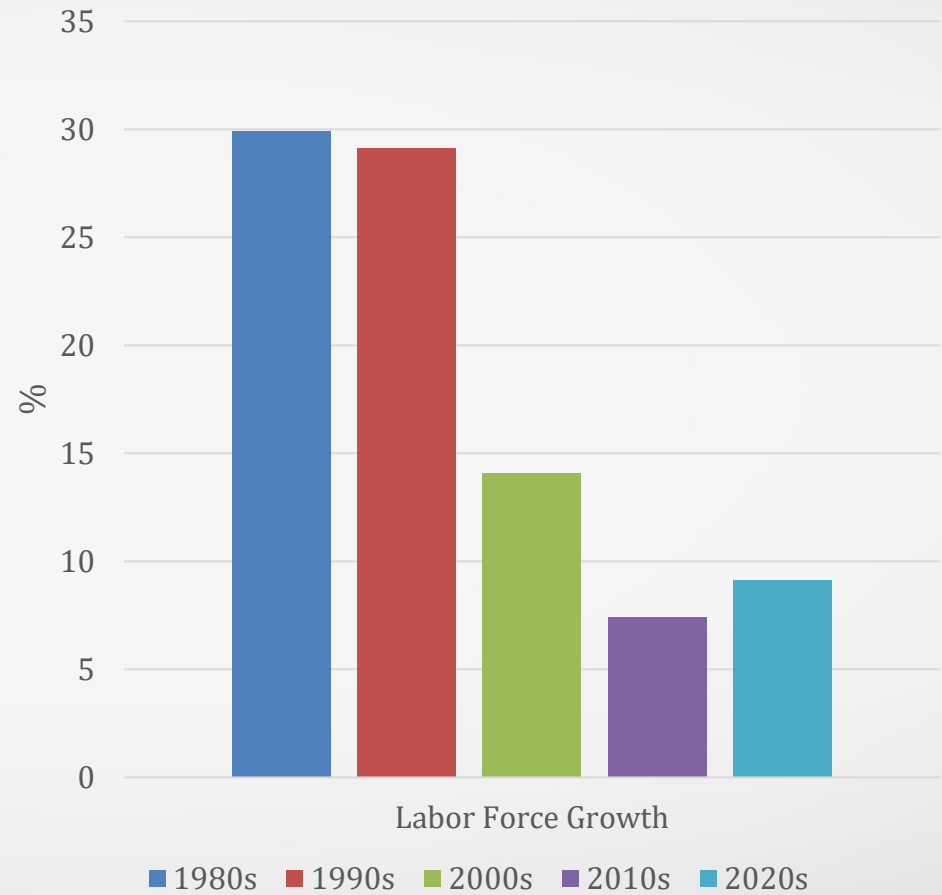




# Longer term caution

- Slow population growth is expected to continue.
- We need to work on policies to address this.

## Labor Force Growth by Decade





- Thank you for listening
  - Questions?