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Tax Incentive Evaluation: Global Intangible Low-taxed Income (GILTI)

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Executive Summary

The treatment of foreign income—one of the most substantial and complex aspects of corporate taxation—has undergone significant changes in recent years, particularly with the introduction of the Global Intangible Low-Taxed Income (GILTI) provision. GILTI was established as part of the federal Tax Cuts and Jobs Act (TCJA) of 2017, a landmark piece of legislation that especially aimed to address challenges related to the taxation of multinational corporations. The Joint Committee on Taxation estimates the GILTI federal tax expenditure for fiscal year (FY) 2025 at more than $47 billion.[1]

Broadly, GILTI is a tax on the foreign earnings of U.S. multinational corporations exceeding a certain threshold—targeting income that is considered to be derived from intangible assets, like intellectual property and business processes, which can be easily shifted across borders. Specifically, GILTI focuses on income earned in low-tax jurisdictions, making it more difficult for U.S. companies to avoid or reduce taxation by holding intangible assets in those countries.

The purpose of this report is to evaluate Georgia's treatment of GILTI as a tax expenditure—in accordance with the provisions of O.C.G.A. § 28-5-41.1 (2021 Senate Bill 6)—in terms of its fiscal and economic impacts as well as its public benefits. This report was prepared under a contract with the Georgia Department of Audits and Accounts (GDAA). To begin, the report introduces key background on U.S. taxation of foreign income and GILTI, followed by an overview of activity data related to GILTI and a comparison of GILTI treatment in other states. The subsequent sections estimate its economic activity and fiscal impacts, including an IMPLAN analysis of GILTI, and the final section concludes with recommendations.

The annual tax-expenditure cost to the state for GILTI is estimated at $146.4 million for FY 2024. Georgia has a single factor apportionment regime for corporate income tax, which allows for a corporation to shift its GILTI share of state taxes to another subsidiary in a state with more favorable tax treatment. Thus, if the GILTI tax exclusion were merely repealed, corporations would shift the GILTI amount to another state. We show gross economic activity associated with the credit amount as if it was a standard tax expenditure, having all the associated economic activity due to the tax expenditure, as a guide to policymakers, should they desire to make changes to the treatment of GILTI.

We use the IMPLAN input-output model to estimate the economic activity associated with the amount of the GILTI tax expenditure in Georgia. The benefit of GILTI is modeled as additional income to corporate shareholders, apportioned by income in IMPLAN. Our distribution of benefits from the tax expenditure follows the distribution of stock ownership, per USAFacts. In addition, it is assumed that the ownership of corporate stock is allocated in Georgia in the same

[1] GILTI represents both a new tax as well as a tax expenditure because its effective tax rate is lower than the federal corporate income tax rate.

manner as the tax liability. These estimated additional economic benefits to the state and locals are shown in the first row of Tables ES1 and ES2, respectively.

As all the economic activity associated with GILTI is due to the tax expenditure, there is no opportunity cost—and thus, no economic impact for the alternative use of the funds. Tables ES1 and ES2 show a zero for state and local revenue from this alternative use of funds, the opportunity cost of the exclusion. The net fiscal cost to the state, accounting for the tax expenditure and opportunity costs, is estimated at $137.3 million for FY 2025. Table ES2 shows the net local revenue effects on the same basis.

Table ES1. State Fiscal Effects of the GILTI Provision, FY 2025–29

($ *millions*)	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**
Revenue gains from economic impact	$3.50	$3.78	$3.82	$3.40	$3.29
Less:					
Tax expenditure cost	($140.80)	($152.30)	($153.70)	($136.90)	($132.40)
Alternative use revenue gains	$0.00	$0.00	$0.00	$0.00	$0.00
Net Fiscal Effects	**($137.30)**	**($148.52)**	**($149.88)**	**($133.50)**	**($129.11)**

Table ES2. Local Fiscal Effects of the GILTI Provision, FY 2025–29

($ millions)	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**
Revenue gains from economic impact	$3.61	$3.90	$3.94	$3.51	$3.39
Less:					
Alternative use revenue gains	$0.00	$0.00	$0.00	$0.00	$0.00
Net Fiscal Effects	**$3.61**	**$3.90**	**$3.94**	**$3.51**	**$3.39**

The GILTI tax expenditure does not alter the corporate behavior or sales activity in the state, nor does it alter corporate stock ownership by Georgians. Because Georgia is a single sales factor apportionment state and it uses separate filing for income taxes, multiple changes to Georgia tax law would be required to capture a share of GILTI revenue. Should Georgia be interested in raising more revenue from its corporate income tax, a simpler option would be to change its current corporate tax rate.

GILTI estimates of corporate tax liability are highly complex, and there are potential legal issues, depending on how the state chooses to approach taxing GILTI revenue. Georgia's approach, offering a full tax exclusion for GILTI income, allows the state to avoid these legal issues. It also saves the state administrative costs on what would be a complex income stream to tax.

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Introduction

The treatment of foreign income—one of the most substantial and complex aspects of corporate taxation—has undergone significant changes in recent years, particularly with the introduction of the Global Intangible Low-Taxed Income (GILTI) provision. GILTI was established as part of the federal Tax Cuts and Jobs Act (TCJA) of 2017, a landmark piece of legislation that especially aimed to address challenges related to the taxation of multinational corporations. The Joint Committee on Taxation estimates the GILTI tax expenditure for fiscal year (FY) 2025 at more than $47 billion.

Broadly, GILTI is a tax on the foreign earnings of U.S. multinational corporations exceeding a certain threshold—targeting income that is considered to be derived from intangible assets, like intellectual property and business processes, which can be easily shifted across borders. Specifically, GILTI focuses on income earned in low-tax jurisdictions, making it more difficult for U.S. companies to avoid or reduce taxation by holding intangible assets in those countries.[2]

Georgia, like many other states, has faced challenging decisions concerning how to conform to the federal GILTI provision.[3] States generally mirror federal rules for corporate income tax purposes but have discretion in adopting specific provisions. The extent to which Georgia conforms to GILTI has significant implications for its tax base as well as for the overall competitiveness of businesses operating in the state. In 2018, Georgia aligned its tax code with several new provisions from the TCJA, but it opted not to tax GILTI income, leading to an exclusion and effectively creating a tax expenditure for the state.[4]

The purpose of this report is to evaluate Georgia's treatment of GILTI as a tax expenditure—in accordance with the provisions of O.C.G.A. § 28-5-41.1 (2021 Senate Bill 6)—in terms of its fiscal and economic impacts as well as its public benefits. This report was prepared under a contract with the Georgia Department of Audits and Accounts (GDAA). To begin, the report introduces key background on U.S. taxation of foreign income and GILTI, followed by an overview of activity data related to GILTI and a comparison of GILTI treatment in other states. The subsequent sections estimate its economic activity and fiscal impacts, including an IMPLAN analysis of GILTI, and the final section concludes with recommendations.

[2] As observed by Overesch, Schindler, and Wamser (2024, p.8), "GILTI is not determined on the basis of qualitative income criteria, but as an excess return in relation to so-called qualified business asset investments (QBAI). The innovation of this new rule is therefore no longer to identify specific types of passive income. Instead, residual profits above a basic return on observable assets are related to some intangible assets that often cannot be observed."
[3] For more detailed discussions about the difficulties inherent in defining a tax expenditure, see the introductory material in Georgia's annual Tax Expenditure Report.
[4] See Appendix B for industry perspectives on potential GILTI taxation.

Overview

History of GILTI and U.S. Taxation of Foreign Income

Since the first permanent corporate income tax was adopted in 1909, the deferral of income tax (especially from foreign income) has constituted a significant tax expenditure for the United States (CRS, 2022). Global economic expansion and the rise of multinational corporations in the second half of the 20th century brought increasing complexity to corporate tax policy, including the introduction of rules to address tax deferral on foreign earnings. Before the TCJA in 2017, income from foreign subsidiaries of U.S. corporations were not taxed until such income was repatriated to U.S. shareholders, typically as dividends.[5] Therefore, by retaining profits in low-tax jurisdictions abroad, a U.S. company may have been able to take advantage of tax deferral indefinitely.

In response, Congress has passed an array of legislation, most importantly Subpart F of the Internal Revenue Code, to prevent some forms of tax avoidance. Introduced in 1962, Subpart F specifically targets passive or easily movable forms of income that U.S. corporations might shift to controlled foreign corporations (CFCs) located in low-tax jurisdictions to avoid immediate domestic taxation.[6] Over subsequent decades, however, deferral has become more controversial—with ongoing debates about tax fairness, corporate contributions to revenue, and international competitiveness—and these rules have been viewed as insufficient or incomplete in the face of growing offshore profits (Gravelle, 2022).

<u>2017 Tax Cuts and Jobs Act</u>

One of the most substantial changes to deferrals was the adoption of the Tax Cuts and Jobs Act (P.L.115-17) in 2017. Arguably this 2017 law has broadly had one of the largest impacts on international corporate taxation since the introduction of Subpart F. TCJA stopped the taxation of foreign dividends and transitioned the United States from a worldwide tax system to a hybrid territorial tax system that allowed the repatriation of foreign earnings with reduced tax liabilities. While the worldwide tax system's deferral structure incentivized multinationals to keep foreign profits offshore—commonly referred to as the 'locked-out effect'—the newly adopted territorial system exempts most foreign earnings from U.S. taxation upon repatriation.

Aligned with the practice of many other developed nations, the territorial system effectively eliminates the disincentive to repatriate profits, ending the locked-out effect, and it encourages U.S. companies to reinvest foreign earnings domestically. However, the territorial system also introduces risks, particularly the potential that multinationals shift profits to low-tax jurisdictions abroad and erode the U.S. tax base (Dharmapala, 2019). To guard against this prospect, TCJA

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[5] In this context, as defined in Subpart F of the Internal Revenue Code, a 'shareholder' is an individual owning at least 10 percent of a controlled foreign corporation—a company in which more than 50 percent of the stock is owned by U.S. shareholders.

[6] Subpart F was expanded by various acts in the 1970s through the early 1990s, but later legislation more frequently restricted its scope and allowed more deferral of income.

incorporates a pair of provisions that function in tandem: GILTI and the Foreign-Derived Intangible Income (FDII) deduction.

GILTI and FDII

This pair of tax provisions introduced under the TCJA represent a 'carrot and stick' incentive approach for U.S. multinational corporations (Fort, 2024). GILTI serves as the 'stick' by imposing a minimum tax on certain foreign earnings that would otherwise escape taxation and by discouraging the shifting of income to low-tax jurisdictions.[7] FDII acts as the 'carrot,' offering a tax incentive as a deduction of 37.5 percent on income earned from the sale of goods and services to foreign markets, where such income is tied to intangible assets held within the United States. This effectively lowers the tax rate on those earnings, encouraging companies to keep their intangible assets (such as patents or trademarks) domestically while exporting products and services abroad. Together, GILTI and FDII create a balance: GILTI penalizes profit shifting abroad, while FDII rewards keeping intangible assets in the United States and earning income from international sales (Gardner, 2023; Fort, 2024).

GILTI as a Tax Expenditure

Although GILTI increases tax revenue on foreign income, it also contains three aspects that constitute a tax expenditure for the federal government. First, the tax rate on GILTI is effectively lower than the standard corporate tax rate (currently 21 percent) because only 50 percent of a corporation's income is regarded as taxable, resulting in an effective tax rate of 10.5 percent (or 13.125 percent from 2026). This reduction affords a preferential rate compared to other forms of corporate income and therefore functions as a tax expenditure. Second, U.S. corporations can deduct 50 percent (37.5 percent after 2025) of their GILTI income—the so-called Section 250 deduction—further lowering the effective tax rate on foreign earnings. Third, credits can be claimed for up to 80 percent of foreign taxes paid on GILTI, although these are limited.[8] The cap on the foreign tax credit means some foreign taxes are non-creditable, but the availability of the credit mitigates double taxation and reduces U.S. tax liabilities, functioning as a tax expenditure.

Income Calculations of GILTI at the Federal Level

The calculation of GILTI is complex and depends on several narrowly defined terms. The following table explains key definitions that will subsequently be used in the discussion of calculating a multinational corporation's tax burden under GILTI.

[7] As of this writing, the United States is the only country that imposes current minimum income tax on the active foreign earnings of its own multinational corporations.

[8] Unlike typical foreign tax credits, GILTI-related ones cannot be carried forward or back to other tax years. If a company cannot use all its foreign tax credits in the current year, it loses any excess credit.

Table 1. Terminology Relevant to GILTI Calculation

Term	Definition
Controlled Foreign Corporation (CFC)	A foreign corporation in which more than 50 percent of the vote or value is owned by U.S. shareholders, subjecting certain types of income, such as GILTI, to U.S. taxation.
Tested Income	The net income of a CFC after excluding certain income, such as Subpart F income, effectively connected income (ECI), and certain other categories.
Tested Loss	The excess of deductions over gross income for a CFC in a taxable year. A CFC’s tested loss can offset the tested income of other CFCs owned by the U.S. shareholder.
Qualified Business Asset Investment (QBAI)	The average of a CFC’s adjusted bases in depreciable tangible property used in the trade or business, which reduces GILTI inclusion.
Net Deemed Tangible Income Return (NDTIR)	10 percent of the CFC’s QBAI, designed to exempt normal returns on tangible assets from GILTI. Only returns above this threshold are subject to the GILTI tax.
GILTI Inclusion	The U.S. shareholder’s allocable share of the CFC's tested income minus the NDTIR, representing foreign earnings above a routine return that are subject to U.S. taxation.
Section 250 Deduction	A deduction that reduces the effective tax rate on GILTI income by allowing U.S. corporations to deduct 50 percent of GILTI income (for years prior to 2026) when computing U.S. taxes owed.
Foreign Tax Credit (FTC)	A credit for foreign taxes paid that may be claimed to offset the U.S. tax on GILTI, but is subject to limitations, including an 80 percent cap on the creditable portion of foreign taxes.
Subpart F Income	Certain categories of passive or easily movable income of CFCs that are immediately subject to U.S. tax, separate from GILTI.

Calculation Scenario

GILTI is designed to capture ‘excess’ profits that are often attributed to intangible assets, while allowing some relief through the foreign tax credit. At the most basic level, the value of GILTI equals a controlled foreign corporation’s (CFC) tested income, minus 10 percent of the adjusted basis of depreciation assets, reduced by interest expense (Misey, 2020).

GILTI covers all income earned by a CFC except:

1. Subpart F income,
2. Income that is not Subpart F income because it is subject to an exception for income that is highly taxed,
3. Income that is effectively connected to a U.S. trade or business,
4. Related-party dividends, and
5. Income from certain foreign oil and gas extractions (Overesch, Schindler, and Wamser, 2024).

As an example, suppose a U.S.-based multinational corporation owns a CFC located in a low-tax jurisdiction.[9] At the end of the tax year, the CFC reports $10 million in total revenue and $4 million in expenses, for a net income of $6 million—referred to as tested income under GILTI rules.[10] The CFC also owns tangible business assets, such as manufacturing equipment, with an average value of $15 million for the year. Under GILTI, the multinational can exclude a 10-percent return on these assets, known as Qualified Business Asset Investment (QBAI), from its taxable income. Therefore, 10 percent of $15 million equals $1.5 million, which is called the Net Deemed Tangible Income Return (NDTIR). This amount is subtracted from the tested income of $6 million, leaving a GILTI inclusion of $4.5 million.

Next, the multinational applies the Section 250 deduction, which allows a 50-percent deduction on GILTI (for years before 2026), and in this case, 50 percent of $4.5 million is $2.25 million—meaning the multinational will pay taxes on $2.25 million in foreign income. At the current U.S. corporate tax rate of 21 percent, the multinational calculates its U.S. tax liability as 21 percent of $2.25 million, which is $472,500.

Finally, if the CFC paid any foreign taxes, the multinational could apply a foreign tax credit (FTC) to reduce its U.S. tax liability. Assume the CFC paid $200,000 in foreign taxes. The FTC allows the multinational to credit up to 80 percent of the foreign taxes paid against its U.S. tax bill. In this case, the multinational can claim 80 percent of $200,000, or $160,000, as a foreign tax credit. After applying this credit, the multinational's net U.S. tax liability on its GILTI income is reduced to $472,500 - $160,000 = $312,500.

The multinational corporation overall owes $312,500 in U.S. taxes on its foreign income after factoring in the GILTI inclusion, the Section 250 deduction, and the foreign tax credit. Note that the lower the foreign tax rate, the less impactful the foreign tax credit is to offset the U.S. tax liability. Additionally, beginning in 2026, the GILTI deduction will decrease from 50 percent to 37.5 percent, which will raise the effective tax rate on GILTI from 10.5 percent to 13.125 percent (Lautz, 2024).

State-level Apportionment

At the state level, corporate taxation has generally evolved alongside federal tax developments. As such, globalization and multinational corporations have had a profound effect on international corporate taxation for states—which not only must determine domestic from foreign taxable income, but also intrastate from interstate (CRS, 2022).

In the mid-20th century, Congress adopted the Uniform Division of Income for Tax Purposes Act to standardize rules for how corporate income was apportioned by states, and today all states use some version of its alternative apportionment provisions (Fort, 2024). Apportionment formulas vary by state, but the process ensures that a corporation doing business in more than

[9] Example based on similar scenarios in various publications, e.g., Loughead, 2021; Misey, 2020.
[10] Because the multinational corporation in this example has only this one CFC, it is not necessary to aggregate tested income across multiple subsidiaries.

one state or country only pays tax on the income attributable to its activities in a given state. Once a corporation is deemed to have nexus in a state, the key factors considered in apportionment are the derivation of its taxable income and the factors to apportion that income.

The calculation of taxable income is impacted by a state's choice of accounting method, usually separate or combined reporting. Currently, there are 25 states, including Georgia, that use a separate reporting structure, which allows corporations to report income from a subsidiary in a given state independently (Walczak, 2019; O.C.G.A. § 48-7-31). The other half of states use some version of combined reporting, in which multistate or multinational corporations aggregate income across the entire group of affiliated entities, rather than just the entity operating in the state, before sharing down. Separate reporting is administratively simpler but risks tax avoidance by corporations shifting income to other jurisdictions—a risk reduced by combined reporting regimes (Fort, 2024).

Apportionment Factors

To apportion this reported income tax base, states historically used a three-factor apportionment formula that equally weighted sales, property, and payroll. Over time, however, many states moved to emphasize sales more heavily, or even exclusively, as the changing nature of businesses—especially multinationals and service-based companies—made the traditional method less equitable in their jurisdictions. Currently, 32 states, including Georgia, have adopted a sales-only apportionment factor, while several others give greater weight to sales but retain some measure of in-state property and payroll (Federation of Tax Administrators, 2023).

The definition of 'sales' as an apportionment factor also has flexibility in interpretation. States including Georgia are increasingly using market-based sourcing, which assigns sales to the state where the customer is located or services are delivered, but other states use a cost-of-performance definition, which assigns sales to the state where the corporation incurs expenses associated with providing those services (Walczak, 2019).[11]

The shift to sales-only apportionment has been driven by the growing mobility of property and labor. With increasing cross-border operations and reliance on technology, many corporations may have a limited physical presence but significant sales in a given state—a problem at the core of the *South Dakota v. Wayfair* decision in 2018, which allowed state taxation of remote sellers that do not have a physical presence in a state. Many states, therefore, consider property and payroll factors to be less representative of an organization's actual economic activity in their jurisdictions. Furthermore, by focusing on sales, states provide a tax incentive for corporations to invest in local jobs and infrastructure without penalizing them for maintaining a large payroll or physical footprint in the state. On the other hand, corporations have little ability to reduce their

[11] In Georgia, the only exception is for airline companies that ship passengers and cargo across state lines. Income generated through these businesses is taxed by a three-factor formula, as a ratio of Georgia activity to total activity. The formula weighs revenue air miles traveled at 25 percent, tons handled by aircraft at 25 percent, and originating passenger and cargo revenue at 50 percent.

tax burden via relocation because the location of their headquarters or operations is not prioritized in the calculation of their taxable income under a sales-only apportionment formula.

It is within this complex tax environment, as well as their own constitutional frameworks, that states contend with whether and how to tax GILTI and whether and how to implement any of the associated credits or deductions. Note, however, that because one half of states—including Georgia—employ a separate filing reporting structure, corporations may be able to shield GILTI income from states that elect to tax it by shifting the income to another jurisdiction.[12]

Potential Legal Ramifications of State-level GILTI Taxation

Although Congress's intent in the TCJA—to incentivize domestic business activity—suggests that taxing GILTI aligns with national policy, state-level taxation potentially raises constitutional issues. The most prominent concerns revolve around extraterritorial taxation and discrimination (Fort 2024). Claims of extraterritorial taxation rest on the idea that GILTI taxation amounts to a state taxing revenue unrelated to activities within its borders, while discrimination claims suggest differences in taxation between foreign and domestic corporations. As discussed earlier, states vary in how they handle corporate income—some use combined filing to consolidate all income across related entities, while others use separate filing that attributes income to distinct corporate units within the state. This structural variance influences how GILTI is handled, and state approaches to taxing GILTI may invite constitutional scrutiny based on these differences (Loughead 2021).

Most important regarding GILTI taxation is the precedent set by *Kraft General Foods, Inc. v. Iowa Department of Revenue and Finance* (1992), which addressed whether states could tax income from foreign subsidiaries differently than income from domestic subsidiaries without violating the Constitution. The Supreme Court ruled that state tax policies must treat income from foreign and domestic subsidiaries equally if they are in similar situations, preventing states from discriminating against foreign commerce.

The example of *Kraft* suggests that in combined filing states, all income is included in the return, so no discrimination arises within corporate groups. Separate filing states, on the other hand, must take additional steps, like "addback" statutes, to ensure that income genuinely earned within their jurisdiction is captured, reducing concerns of income shifting (Fort 2024).

Tax-Provision Related Activity Data

The table below provides an overview of Georgia and national GILTI income, emphasizing the importance of the manufacturing sector for the GILTI taxbase. In Georgia, total GILTI income across all industries is estimated at $18.7 billion, with the manufacturing sector accounting for $9.9 billion—about 53 percent of the state's total GILTI income. Note that, although manufacturing makes up 53 percent of Georgia's GILTI income, it contributes only 10 percent to

[12] Note this comment from Fort (2024): "Separate filing states are unlikely to see any GILTI income since it can be reported on the returns of non-nexus subsidiaries included on the taxpayers' federal consolidated returns."

the state's overall economic output. The manufacturing share is comparable to the national trend, where manufacturing represents 58 percent of total GILTI income. Overall, Georgia's manufacturing sector accounts for 3 percent of the entire U.S. output in this sector, in line with numerous Georgia-to-U.S. metrics.

Table 2. Summary of GILTI Taxation, 2021

Metric	Value
Georgia's estimated GILTI from all industries	$18,742,000,000
Manufacturing's contribution to GILTI in Georgia	$9,924,000,000
GILTI from all industries in U.S.	$607,658,000,000
Manufacturing contribution to GILTI in U.S.	$351,765,000,000
Share of GILTI from only manufacturing in Georgia	53%
Share of Georgia manufacturing output out of total Georgia output	10%
Share of GILTI from only manufacturing out of total U.S. GILTI	58%
Share of Georgia manufacturing output out of total U.S. output	3%

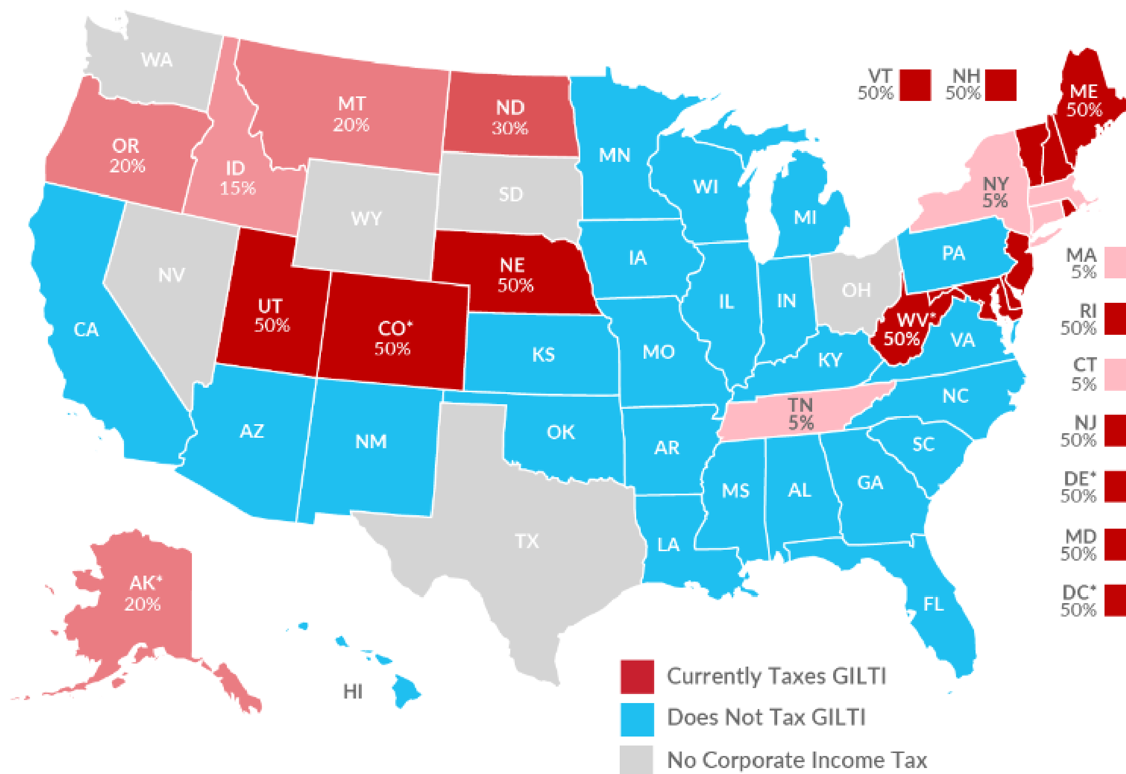
Note: All values are for 2021. U.S. GILTI values taken from SOI tax statistics, IRS. U.S. and Georgia gross output by industry taken from the U.S. Bureau of Economic Analysis. GILTI values for Georgia are estimates.

Other State-level Treatment of GILTI

When GILTI was enacted as part of the 2017 TCJA, states policymakers had to decide how to align their tax codes accordingly, as state corporate income taxes often conform in some way to federal definitions of income. The complex interaction of GILTI with state tax codes, however, posed a significant challenge and pressed states to adopt varying approaches, as illustrated in the map below (Fort, 2024).[13] Some states choose to conform to GILTI, incorporating its income into their corporate income tax base. This has the potential to increase state tax liabilities for companies with significant foreign operations, as some states may not provide the same deductions or credits available at the federal level. Other states, however, have opted for a non-conformity approach, either excluding GILTI from taxable income entirely or adopting a different treatment, which may mitigate the overall state tax burden on multinational corporations.

[13] Note in the map that six states do not levy a corporate income tax, and thus no conformity path is required.

Map 1. Varying Degrees of State-level Taxation of GILTI[14]



(*) Taxes GILTI but has not yet issued guidance.
Sources: State statutes and guidance; Bloomberg Tax; Tax Foundation research.

Notes: 1) All taxation percentages use as a base federal GILTI income *after accounting for the § 250 deduction of 50 percent*. Therefore, a state taxing GILTI at 50 percent without any additional associated credits or deductions, effectively taxes GILTI at 25 percent of the federal base. 2) As of 2023, Minnesota now taxes GILTI at 50 percent, and New Jersey reduced its percentage from 50 to 5 percent.

Currently, 21 states and the District of Columbia tax GILTI, but not all have provided specific guidance on the minutiae of GILTI taxation within their respective jurisdictions (Titterton, 2024). As shown in the map above, GILTI is taxed at varying rates, but no state's tax is above 50 percent of the federal amount after their 50-percent deduction. Eleven states and the District of Columbia tax GILTI at 50 percent, while others tax smaller rates of 30, 20, and 15 percent. Four states that tax only 5 percent.

Some states, like New York, initially adopted the GILTI provision entirely because of rolling conformity and later introduced modifying legislation for partial conformity (or full exclusion). Other states adopted partial conformity from the beginning, taxing a portion of GILTI while allowing certain exclusions or deductions. States with partial exclusions have generally chosen to modify how GILTI is included in the corporate tax base or apply deductions, lowering the overall tax burden (Fort, 2024). Other states—including Georgia, Hawaii, and South Carolina—

[14] For more detail, see Appendix A. More comprehensive detail in a state-by-state table from Thomson Reuters entry on GILTI: tax.thomsonreuters.com/en/glossary/global-intangible-low-taxed-income.

have chosen to decouple from GILTI legislatively, excluding the provision from their tax bases (Grant Thornton Advisors, 2023b).[15]

Continuing Challenges of Conformity

Despite several years since the passage of TCJA, the conformity landscape remains challenging and is still shifting, evident by two noteworthy changes to GILTI treatment in 2023 alone. Minnesota, which previously did not conform to GILTI taxation at all, adopted a 50-percent tax on the provision (Grant Thornton Advisors, 2023a). In the same year, New Jersey elected to reconsider all GILTI income as dividends, thereby allowing corporate taxpayers to increase their exclusion of potential GILTI income going forward.

Since 2017, the numerous approaches to conforming to GILTI at the state level have yet to result in a consensus about the most efficient and effective way to tax U.S.-based, multinational corporate income. Additionally, recurring proposals at the federal level to adjust components of GILTI loom overhead for many states. In several annual revenue proposals, for instance, the Biden Administration has made varied suggestions to raise additional revenue from multinational corporations (Gravelle, 2022). In general, these proposals align with the OECD's Pillar 2 for taxing global profits of multinationals—which the administration helped to frame—to better align the U.S. tax system with global efforts to curb profit shifting and tax avoidance (Brosy, 2023).[16] The administration's proposed GILTI reforms have aimed to increase taxation on foreign earnings of U.S. multinationals, primarily through a higher effective tax rate (from the current 10.5 percent to 21 percent) and a shift to country-by-country calculations.[17] Other changes include tightening of the use of foreign tax credits and the elimination of the FDII deduction (U.S. Department of Treasury, 2024).

Economic Activity

Overview of How Economic Activity Is Measured

We measure economic activity using data on estimated distributions of corporate profits to shareholders as a result of the tax savings from GILTI. For the purpose of estimating economic activity, we use FY 2024 as the representative year. We calculate the net effect of the state-level credit by assuming none of the economic activity would occur without the credit as discussed on the "but-for" causation section. Because no additional income would be collected by the state in

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[15] In Georgia, Governor Deal signed SB 328 into law in March 2018, excluding GILTI from the corporate tax base after reversing a previous law (HB 918) that subjected GILTI to the state's corporate income tax. It specifically removes the inclusion of GILTI under IRC Section 951A from the state's taxable income and expands the provisions for excluding such income.

[16] GILTI preceded international discussions on implementing a global minimum tax, which the OECD/G20 has since advanced through its BEPS 2.0 initiative. The OECD's global minimum tax, known as Pillar 2, is designed to ensure a minimum tax rate of 15 percent on the profits of large multinationals worldwide.

[17] Under current GILTI rules, a U.S. multinational calculates GILTI income on a global basis, meaning it can offset income earned in high-tax jurisdictions against income earned in low-tax jurisdictions—thereby reducing their overall liability by averaging taxes across different countries. The Biden proposal prevents such a blending of income.

the absence of the provision, the estimated economic activity associated with alternative use of the funds is also zero. Table 3 summarizes the estimated economic activity, and the remainder of this section provides details.

Table 3. Net Economic Activity – GILTI

($ millions)	**Employment***	**Labor Income**	**Value Added**	**Output**
Gross Activity for Period	651	$36.2	$69.3	$117.6
Less: "But-for" Reduction	0	0	0	0
Activity Net of "But-for"	651	$36.2	$69.3	$117.6
Less: Alternative Use Impacts	0	0	0	0
Net Economic Impact	**651**	**$36.2**	**$69.3**	**$117.6**

Source: IMPLAN and authors' calculations

But-for Causation

Georgia has a single sales factor apportionment regime for corporate income tax. As was noted earlier, such a regime allows for a corporation to shift its GILTI share of state taxes to another subsidiary in a state with more favorable tax treatment. Thus, if the GILTI tax expenditure were merely repealed, corporations would shift the GILTI liability to another state—however, there would be no change in economic activity. This is merely a function of accounting because actual corporate activity that generated revenue would not change nor would the manner in which that revenue is distributed to shareholders. We show gross economic activity associated with the expenditure amount as if it was a standard tax expenditure, having all the associated economic activity due to the exclusion, as a guide to policymakers, should they desire to make changes to GILTI taxation. As such, all the economic activity is due to the GILTI exclusion, and there is no opportunity cost to the state. There is, therefore, no economic impact to the alternative use, as well. Georgia could make more extensive revisions to its tax code to capture more GILTI revenue. We discuss this scenario in a later section.

IMPLAN Model

To estimate the economic impact of GILTI in Georgia, the IMPLAN model is used. IMPLAN is a regional input-output model to estimate how an initial change in spending or revenue for any industry category works its way through a regional economy. It also has data on the size of each industry in the economy in terms of revenue and employment at the state and county level. This analysis uses IMPLAN model data for a representative year's production spending.

The model uses sector multipliers to estimate the impact of the initial spending by firms on suppliers of goods and services to the sectors of interest. Below is a discussion of the relevant IMPLAN terms relevant to this report.

- *Output* is the value of production. This includes the value of all final goods and services, as well as all intermediate goods and services used to produce them. IMPLAN measures

output as annual firm-level revenues or sales, assuming firms hold no inventory. Estimates of output changes resulting from all economic activity are then used to estimate state and local sales tax revenue.

- *Labor income* includes total compensation—wages, benefits, and payroll taxes—for both employees and self-employed individuals. Wage-gain estimates are used to estimate incremental state income tax revenue.
- *Employment* includes full-time, part-time, and temporary jobs, including the self-employed. Job numbers do not represent full-time equivalents, so one individual may hold multiple jobs.
- Three changes (effects) comprise the *total impact* and can be calculated for relevant construction activity reviewed (output, employment, and labor income):
    - *Direct effects* are the changes that initiate the ripple effect. For purposes of this analysis, direct effects are increased firm output (revenue) directly attributable to construction activity and the associated firm employment and labor income supported by this output.
    - *Indirect effects* are the economic activity supported by business-to-business purchases in the supply chain for construction activity firms. For example, a construction firm purchases raw materials and equipment needed in its building activity. Each of the supplying businesses subsequently spends a portion of the money they receive on their own production inputs, which in turn prompts spending by the suppliers of these inputs. This spending continues but progressively decreases due to "leakages," which occur when firms spend money on imports (including imports from other states), taxes, and profits.
    - *Induced effects* are economic activity that occurs from households spending labor income earned from the direct and indirect activities. This activity results from household purchases on items such as food, healthcare, and entertainment. The labor income spent to generate these effects does not include taxes, savings, or compensation of nonresidents (commuters) as these leave the local economy (leakage).

Table 4 shows the gross economic impact associated with the GILTI tax expenditure spending in the economy for representative year 2024. The benefit of the tax expenditure is modeled as additional income to corporate shareholders, apportioned by income in IMPLAN. Our distribution of benefits from the tax expenditure follows the distribution of stock ownership per USAFacts.

Table 4. Gross Economic Impact of the GILTI Tax Expenditure

($ millions)	**Employment**	**Labor Income**	**Value Added**	**Output**
Direct Effect	0	$0	$0	$0
Indirect Effect	0	$0	$0	$0
Induced Effect	651	$36.2	$69.3	$117.6
Total Effect	**651**	**$36.2**	**$69.3**	**$117.6**

Source: IMPLAN and authors' calculations

Most of the benefits go to those with incomes over $200,000, as that group has the largest share of stock ownership. In addition, it is assumed that the ownership of corporate stock is allocated in Georgia in the same manner as the tax liability. For example, if a corporation incurs GILTI tax liability in Georgia representing 3 percent of its national total, it is assumed that Georgia shareholders own 3 percent of the company's stock. Because this is modeled as a household income effect, the only impact is that of induced spending.

The GILTI tax expenditure of $146.4 million in FY 2024 generates additional state income for the shareholders of impacted companies (modeled as additional household income), which supported an additional 651 induced jobs and $36.2 million in labor income. It should be noted that these do not necessarily reflect full-time employment.

Alternate Use of Forgone Revenue/Tax Expenditure

The induced economic impacts estimated above do not account for forgone state revenues, i.e., the economic impacts of alternative uses of the funds currently expended through the tax expenditure. SB 6 requires evaluations of tax incentives to include estimates of *net* economic and fiscal impacts, thus requiring consideration of the economic and revenue effects of alternative uses of the revenues that would be available for other purposes in the absence of the exclusion. As discussed earlier, due to Georgia's single factor apportionment corporate tax regime, none of the modeled gross economic activity would take place in Georgia but for the provision itself. We therefore show the alternative use estimate—should the state decide to pursue other policy options with respect to GILTI—but under current policy, there is no opportunity cost associated with the GILTI exclusion. The discussion below, however, assumes a standard alternative use analysis in which the state could use the money spent on the tax expenditure for other policies.

Alternatives could include other economic incentives, spending on other policy areas across state government, or a reduction in taxes—all of which could also result in direct, indirect, and induced economic effects. However, absent information as to how the General Assembly would otherwise choose to spend foregone revenue if not on the GILTI provision, we estimate the impact of using the revenue to fund an equivalent increase in state government spending in proportion to existing expenditures. That is, we allocated the foregone revenue to industry sectors as direct effects based on the sector shares of spending in the state budget. The two largest categories of spending—education (57 percent) and healthcare (23 percent)—account for about 80 percent of the state budget.

As shown in Table 5 below, if the state received the forgone revenue associated with the excluded GILTI tax revenue, it could be expected to generate approximately $316.4 million in gross output. This estimate includes $146.4 million in annual direct government outlays, the FY 2024 estimated tax expenditure for the exclusion, plus the amounts shown for indirect and induced effects resulting from the initial, direct outlays.

Table 5. Summary of Gross Alternative Use Economic Impacts

($ millions)	**Employment**	**Labor Income**	**Value Added**	**Output**
Direct Effect	2,618	114.7	104.6	146.4
Indirect Effect	248	14.6	25.2	49.1
Induced Effect	658	37.1	71.2	120.9
Total Effect	**3,524**	**166.4**	**201.0**	**316.4**

Source: IMPLAN and authors' calculations

Fiscal Impact

A summary of the fiscal impacts of GILTI is presented in Table 6. We then detail the estimates of the revenue effects of GILTI economic impacts and of the opportunity cost of the tax expenditure—the revenues that could be expected from the alternate use of funds. The detailed estimates are projected forward to obtain the amounts below.

Table 6. Fiscal Impact Summary, FY 2024–29

($ millions)	**FY 2024**	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**
Tax Expenditure Cost to State						
	($146.40)	($140.80)	($152.30)	($153.70)	($136.90)	($132.40)
Revenue Gains from Economic Impact						
State	$3.63	$3.50	$3.78	$3.82	$3.40	$3.29
Local	$3.75	$3.61	$3.90	$3.94	$3.51	$3.39
Alternative Use Reduction						
State	-	-	-	-	-	-
Local	-	-	-	-	-	-
Net Fiscal Effects						
State	($142.77)	($137.30)	($148.52)	($149.88)	($133.50)	(129.11)
Local	$3.75	$3.61	$3.90	$3.94	$3.51	$3.39
Total Net Fiscal Effects	($139.02)	($133.70)	($144.62)	($145.95)	($130.00)	(125.72)
State ROI	0.025	0.025	0.025	0.025	0.025	0.025

Revenue Impacts

Two federal agencies annually estimate and project the aggregate national GILTI and the fiscal impact to the federal government from its partial exclusion. The first is the U.S. Treasury, and their most recent estimates (Fall 2024) represent GILTI income for FY 2025–33. The second is

the Federal Joint Committee on Taxation, and their most recent estimates (December 2023) projected the impact GILTI for FY 2023–27.

For both, estimates have varied over time. Circa 2022, GILTI estimates were larger than $75 billion in FY 2027, but current estimates from Treasury expect its impact be less than $43 billion in FY 2027, and the JCT estimates the impact to be $32 billion. The decline can be attributed to two factors. First, a few years after implementation, agencies were able to base their estimates on actual corporate GILTI rather than other factors. Second, the exclusion is scheduled to decrease to 37.5 rather than 50 percent, which would structurally reduce the impact from the federal partial exclusion and increase Georgia's exclusion of the remaining GILTI.

Table 7 describes the estimated revenue impact of the current Georgia exclusion of GILTI income. These are based on the JCT revenue impact estimates from the federal partial GILTI deduction for FY 2024–29. The JCT estimates—assuming a federal effective tax rate on corporations of 21 percent and a 10.5-percent rate on GILTI—are the basis for national GILTI income. Georgia represents 1.1 percent of foreign tax credits nationally, which is the basis for reducing national GILTI to Georgia's portion of GILTI. This Georgia GILTI value is the split between the portion that is included by our conformity to the federal provision and the remaining portion being excluded by the Georgia provision.

Under Georgia's corporate apportionment and filing rules, as described in previous sections, multinational corporations may be able to shift some of their GILTI income away from Georgia if this deduction were modified or eliminated. If this shifting were to occur, the realized fiscal and economic impact of reducing or eliminating this deduction would be lessened.

Table 7. GILTI Revenue Impact

($ millions)	**FY 2024**	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**
GILTI Apportioned to Georgia[i]	$5,351	$4,865	$5,027	$4,393	$3,844	$3,959
Excluded by the Federal Law and GA Conformity[ii]	$2,675	$2,433	$1,885	$1,648	$1,441	$1,485
Excluded by the Georgia Deduction	$2,675	$2,433	$3,142	$2,746	$2,402	$2,474
	CY 2024	**CY 2025**	**CY 2026**	**CY 2027**	**CY 2028**	**CY 2029**
Excluding Georgia GILTI in Calendar Years	$2,615	$2,610	$3,043	$2,660	$2,420	$2,493
Revenue Impact at Effective Tax Rate 5.39%[iii]	$140.9	$140.7	$164.0	$143.4	$130.5	$134.4
Revenue Impact in Fiscal Years	$146.4	$140.8	$152.3	$153.7	$136.9	$132.4

i) Assumes 1.1 percent of national GILTI is apportioned to Georgia, based on Georgia's national share of foreign tax credits.
ii) Starting in 2026, the portion of GILTI federally excluded will decrease from 50 to 37.5 percent.
iii) Effective for tax years starting on or after January 1, 2024, Georgia's tax rate is set to be equal to the personal income tax rate, which is currently 5.39 percent with scheduled 0.1 percentage-point rate reductions schedule under certain conditions.

Forgone Revenue

As discussed earlier, due to Georgia's single factor apportionment corporate tax regime, none of the modeled gross economic activity would take place in Georgia but for the credit. Thus, we show the alternative use fiscal estimate if the state were to pursue other policy options with respect to GILTI. Under current policy, however, there is no opportunity cost associated with the GILTI exclusion. The discussion below is hypothetical and assumes a standard alternative use analysis in which the state could use the money spent on the tax expenditure for other policies and that economic activity generates state and local tax revenue. We estimate foregone revenue associated with the GILTI tax expenditures of the representative FY 2024.

Additional Tax Revenue

Table 8 shows the estimates for state and local tax revenues attributable to economic activity associated with the base year of FY 2024. State income tax is estimated using employee compensation, generated by IMPLAN. The labor income estimated due to the induced spending comprised mostly service workers, and the average labor income is approximately $56,000 per job. Based on Georgia Department of Revenue tax data—specifically net tax liability relative to adjusted gross income (AGI) for taxpayers with AGI of $45,000–$90,000 in tax year (TY) 2022—we assume an average effective tax rate under current law of 3.89 percent on labor income.

IMPLAN incorporates estimates of sales and property taxes. However, the model relies on levels of economic activity rather than sales or property tax rates and tax bases. Thus, they are not our preferred estimates. Instead, to estimate sales tax revenues, we use the model's estimated incremental output for various retail sectors and adjust for the taxable portion of sector sales to arrive at estimates of taxable sales. For retail sectors, IMPLAN reports as output only the retail gross margin, not the total sales at retail, so these estimates are grossed up using average gross margin rates from IMPLAN for each retail sector to arrive at estimated sales to which the tax would be applied. The state sales tax is calculated using the state sales tax rate of 4 percent and the local sales tax is calculated using an average local sales tax rate of 3.39 percent, the population-weighted average as of July 2023, according to the Tax Foundation. The state and local sales tax estimates for the base year are also shown in Table 8.

To estimate the additional property tax due to the economic activity associated with the tax expenditure, we calculate the ratio of the IMPLAN estimate of sales tax to our preferred estimate of sales tax above and apply this to the IMPLAN estimate of property tax revenue. This estimate assumes that economic activity generating IMPLAN's sales tax estimates is like that which generates the property tax—thus, this estimate should be treated cautiously.

Finally, about 79 percent of Georgia state tax collections comes from personal income and state sales taxes. Georgia collects a host of other taxes that make up the remaining 21 percent, on average. Two taxes make up about one half of the 21 percent: corporate income tax and title ad valorem tax (TAVT) on motor vehicles. Table 8 shows the base-year estimated revenue from

these other taxes, assuming a proportional effect such that the 21 percent of total tax revenues holds for the economic activity resulting from GILTI. Note the sales tax estimates from IMPLAN rely on the level of economic activity rather than sales tax rates and tax bases.

Table 8. State and Local Tax Revenue GILTI

($ millions)	**State Revenue**	**Local Revenue**
Income Tax	$1.41	$0.00
Sales Tax	$1.45	$1.38
Property Tax	$0.00	$2.37
All Other State Taxes	$0.78	$0.00
Total	**$3.63**	**$3.75**

Source: IMPLAN and authors' calculations

State and Local Taxes Generated from Alternative Use of Funds

New annual tax revenues resulting from the alternative use case are estimated in a similar manner as those generated by projected expenditures. The alternate use case revenues are nonrecurring because they result from a one-time tax expenditure. Recall that these estimates are not included in the net fiscal impact due to the zero opportunity cost distinction, discussed in the earlier section.

Table 9. State and Local Tax Revenues, Alternative Use of Funds

($ millions)	**State Revenue**	**Local Revenue**
Income Tax	$6.47	0
Sales Tax	$1.59	$1.51
Property Tax	$0.00	$2.59
All Other State Taxes	$2.19	0
Total	**$10.25**	**$4.09**

Source: IMPLAN and authors' calculations

Public Goods and Other Benefits

GILTI estimates of corporate tax liability are highly complex. In addition, there are potential legal issues, depending on how the state chooses to approach taxing GILTI revenue. Georgia's approach, offering a full tax exemption for GILTI income, allows the state to avoid these legal issues. It also saves the state administrative costs on what would be a highly complex income stream to tax.

As Georgia is a single apportionment factor state, multiple changes to Georgia tax law would be needed to capture a share of GILTI revenue. Should Georgia be interested in raising more revenue from its corporate income tax, it has a simpler option: changing its current corporate tax rate. As noted in earlier sections, the GILTI tax expenditure does not alter corporate behavior or sales activity in the state, and thus there is no alternative use impact.

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Appendix A: State GILTI Taxation

Table A1. State-level Variation in GILTI Taxation

State	GILTI Inclusion	§ 250 Deduction	Reporting Regime	Potential Taxation of GILTI (+)
Alabama	Yes	Yes	Separate	Yes (constitutional issue)
Alaska	Yes	Yes	Combined	Yes
Arizona	Yes (a)	Yes (a)	Combined	Yes (with conformity update)
Arkansas	No	No	Separate	No
California (b)	Yes (a)	No (a)	Combined	Yes (with conformity update)
Colorado	Yes	Yes	Combined	Yes
Connecticut	Yes	Deductible under DRD	Combined	No
Delaware	Yes	Yes	Separate	Yes (constitutional issue)
Florida	Yes	Yes	Separate	Yes (constitutional issue)
Georgia	No	Yes	Separate	No
Hawaii	No	No	Combined	No
Idaho	Yes	No	Combined	Yes
Illinois	Yes	Deductible under DRD	Combined	No
Indiana	Yes	No	Separate	No
Iowa	Yes	Yes	Separate	Yes (constitutional issue)
Kansas	Yes	Yes	Combined	Yes
Kentucky	No	No	Separate	No
Louisiana	Yes	Yes	Separate	Yes (constitutional issue)
Maine	Partial (c)	No	Combined	Yes
Maryland	Yes	No	Separate	Yes (constitutional issue)
Massachusetts	Yes	Deductible under DRD	Combined	No
Michigan	Yes	Yes	Combined	No
Minnesota	Yes (a)	No (a)	Combined	Yes (with conformity update)
Mississippi	Yes	No	Separate	Yes (constitutional issue)
Missouri	Yes	Yes	Separate	Yes (constitutional issue)
Montana	Yes	No	Combined	No
Nebraska	Yes	Yes	Combined	Yes
Nevada	N/A	N/A	Separate	N/A
New Hampshire	Yes (a)	No (a)	Combined	Yes
New Jersey	Yes	Yes	Separate	Yes (constitutional issue)
New Mexico	Yes	No	Separate	Yes (constitutional issue)
New York	Yes	No	Combined	Yes
North Carolina	No	No	Separate	No
North Dakota	Yes	Deductible under DRD	Combined	No
Ohio	N/A	N/A	Separate	N/A
Oklahoma	Yes	Yes	Separate	Yes (constitutional issue)
Oregon	Yes	No	Combined	Yes
Pennsylvania	Yes	Deductible under DRD	Separate	No
Rhode Island	Yes	No	Combined	Yes
South Carolina	No	No	Separate	No
South Dakota	N/A	N/A	Separate	N/A
Tennessee	Yes	No	Separate	Yes (constitutional issue)
Texas	N/A	N/A	Combined	N/A

State	GILTI Inclusion	§ 250 Deduction	Reporting Regime	Potential Taxation of GILTI (+)
Utah	Yes	No	Combined	Yes
Vermont	Yes	Yes	Combined	Yes
Virginia	Yes (a)	Yes (a)	Separate	Yes (with conformity update)
Washington	N/A	N/A	Separate	N/A
West Virginia	Yes	Yes	Combined	Yes
Wisconsin	No	No	Combined	No
Wyoming	N/A	N/A	Separate	N/A
District of Columbia	Yes	Yes	Separate	Yes (constitutional issue)

(a) Conforms to a prior year and does not yet include GILTI.
(b) California separately taxes controlled foreign corporations and may not be able to tax GILTI in addition.
(c) Maine provides a 50 percent subtraction modification for GILTI but adds back the federal deduction.
Source: Tax Foundation (Walczak, 2019)

Appendix B: Industry Perspectives

- The **Kimberly-Clark Corporation** submitted that future investments in its Georgia locations—Roswell, LaGrange, and McDonough—depend on the state continuing to exclude GILTI from its taxable income. The corporation stressed that if Georgia begins taxing GILTI, it will reduce the state's competitive edge, particularly in comparison to other states, making Georgia a less attractive option for business investments.
- A representative from the **Georgia Association of Manufacturers** mentioned "Georgia, as a separate reporting state, has never taxed foreign income, such as Subpart F, the 2017 IRC Section 965 repatriation tax, or GILTI. Imposing tax on GILTI would make Georgia less attractive as a headquarters for multinational manufacturers that provide well-paying jobs throughout the state, including the most rural parts. Furthermore, no separate reporting state imposes tax on GILTI, mainly because of the constitutional concerns that such taxation would violate the Foreign Commerce Clause by discriminating against foreign income. Taxation of such income would likely lead to prolonged litigation regarding its constitutionality and otherwise incentivize Georgia based multinational manufacturers to reorganize their corporate structure to avoid the taxation of such income by Georgia. Accordingly, it is unlikely that Georgia would ever receive significant income by removing the current deduction for GILTI as found in O.C.G.A. section 48-7-21." She argued further that imposing such a tax would make the state less attractive as a headquarters for these companies.
- The **Georgia Chamber of Commerce** opposed including GILTI in Georgia's state tax base. The Chamber emphasized that Georgia has historically maintained a business-friendly environment by not taxing foreign income, aligning with most states. Introducing a GILTI tax could discourage multinational companies from operating in Georgia, undermining the state's economic competitiveness. Additionally, including GILTI in the state tax base would necessitate adjustments in the sales factor used for apportioning income, adding further uncertainty and complexity to our tax system. The Chamber raised concerns about constitutional issues and potential legal challenges that taxing GILTI could bring. The Chamber urges Georgia to maintain its current policy of not taxing foreign income, as reaffirmed in 2018 with SB 328.
- The **Metro Atlanta Chamber (MAC)** strongly opposes including Global Intangible Low-Tax Income (GILTI) in Georgia's taxable income. They argue that taxing GILTI would make Georgia less attractive to multinational businesses and is unlikely to generate significant revenue for the state. The MAC points out that GILTI is not a tax on intangible income, but on high-value activities conducted outside the United States. They emphasize that Georgia's tax structure, unlike the federal system, does not offer corresponding offsets like foreign tax credits, making the inclusion of GILTI a significant corporate tax increase. Additionally, they raise constitutional concerns, noting that taxing GILTI could violate the Foreign Commerce Clause and lead to prolonged litigation. The MAC recommends that Georgia continue to exclude GILTI from its tax base, as it has done since 2018 with SB 328.