This policy brief provides detailed information on the trends in major revenue sources for Georgia from 1974-1999. The goal of this report is to assist policymakers in understanding how state revenues change with employment, income, and the overall state of the economy. The types of taxes profiled include general sales and use taxes, excise taxes, personal income taxes, and corporate income taxes. In 1999, these taxes comprised 96 percent of total net tax revenue in Georgia (Georgia Department of Revenue 1999 Statistical Report).

Georgia has seen revenues steadily grow since 1992, benefiting from a strong national economy. Revenues are reported over time in three different ways:

- nominal, or unadjusted for inflation,
- real, or adjusted for inflation, and
- adjusted real.

Adjusted real revenues are an estimate of the revenues Georgia would have received if some major changes in state tax law had not taken place over the time-period. These include the 1-percent sales tax hike of 1989, the exemption of food from sales tax beginning in 1996, and the changes in the personal income tax code in 1998.

Adjusted real revenues illustrate the revenue consequences of major changes in state tax law, and can aid state legislators in forming and revising tax policy in the future. Real revenues are approximately 7 percent higher than adjusted real revenues in 1999. Even though food exemptions and the changes in the personal income tax code reduced tax revenues, the 1-percent sales tax hike more than offset the revenue loss due to those changes.

Georgia relies primarily on the general sales tax and the personal income tax to generate revenue. In 1999, 84 percent of total net revenue came from the sales and personal income tax. The other 16 percent came from the corporate income tax, the excise tax and other miscellaneous taxes. Georgia experienced mostly positive growth in real per capita revenues over the 25-year period. Exceptions include the excise tax, which consistently declined over time, and the corporate income tax that experienced negative growth from 1985-1990, corresponding with the recession of the early nineties. As a general rule, total state revenues tend to move with the overall economy, indicating potential problems in supporting the public sector if the economy experiences a serious downturn in the future. State revenues could be better protected if policymakers broaden the base of the sales and personal income tax, or increase the importance of other types of taxes in generating revenue for Georgia.
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