

Tax Reform Georgia Style

**David L. Sjoquist
Andrew Young School
Georgia State University**

**Nebraska Tax Modernization Committee
Lincoln, Nebraska
August 6, 2013**




ANDREW YOUNG SCHOOL
FISCAL RESEARCH CENTER

HB 1405 (Passed in 2010)

- **Special Council on Tax Reform and Fairness for Georgians**
 - **“conduct a thorough study of the state’s current revenue structure and make a report ... January 10, 2011.”**

- **Special Joint Committee on Georgia Revenue Structure**
 - **Write legislation “without significant changes” to recommendations of the Council**
 - **Up or down vote in the General Assembly, no amendments**

- 
- **Cigarette Tax**
 - **increase from 37¢ to 68¢ per pack**
 - **Motor Fuel Tax**
 - **index for inflation**
 - **Insurance Premium Tax**
 - **reduce rates to 1.75%**
 - **Communication**
 - **replace current sales tax and franchise fee with**
 - **7% tax on all communication services**

Corporate Income Tax

Recommendations:

- **Maintain tax rate parity with PIT**
- **Credits**
 - **Eliminate all econ development credits**
 - **Create two new econ development credits**
 - **Sunset all other credits**

Sales Tax: Recommendations

➤ Exemptions

- **Remove food exemption**
- **Remove sales tax holiday**
- **Remove casual sales exemption**
- **Retain food stamp/WIC exemption**
- **Retain exemption for government**
- **Retain business input exemptions**
- **Add exemption for energy**
- **Fix agricultural exemptions**
- **Fix manufacturing equipment exemption**
- **Sunset other exemptions**

Sales Tax: Recommendations

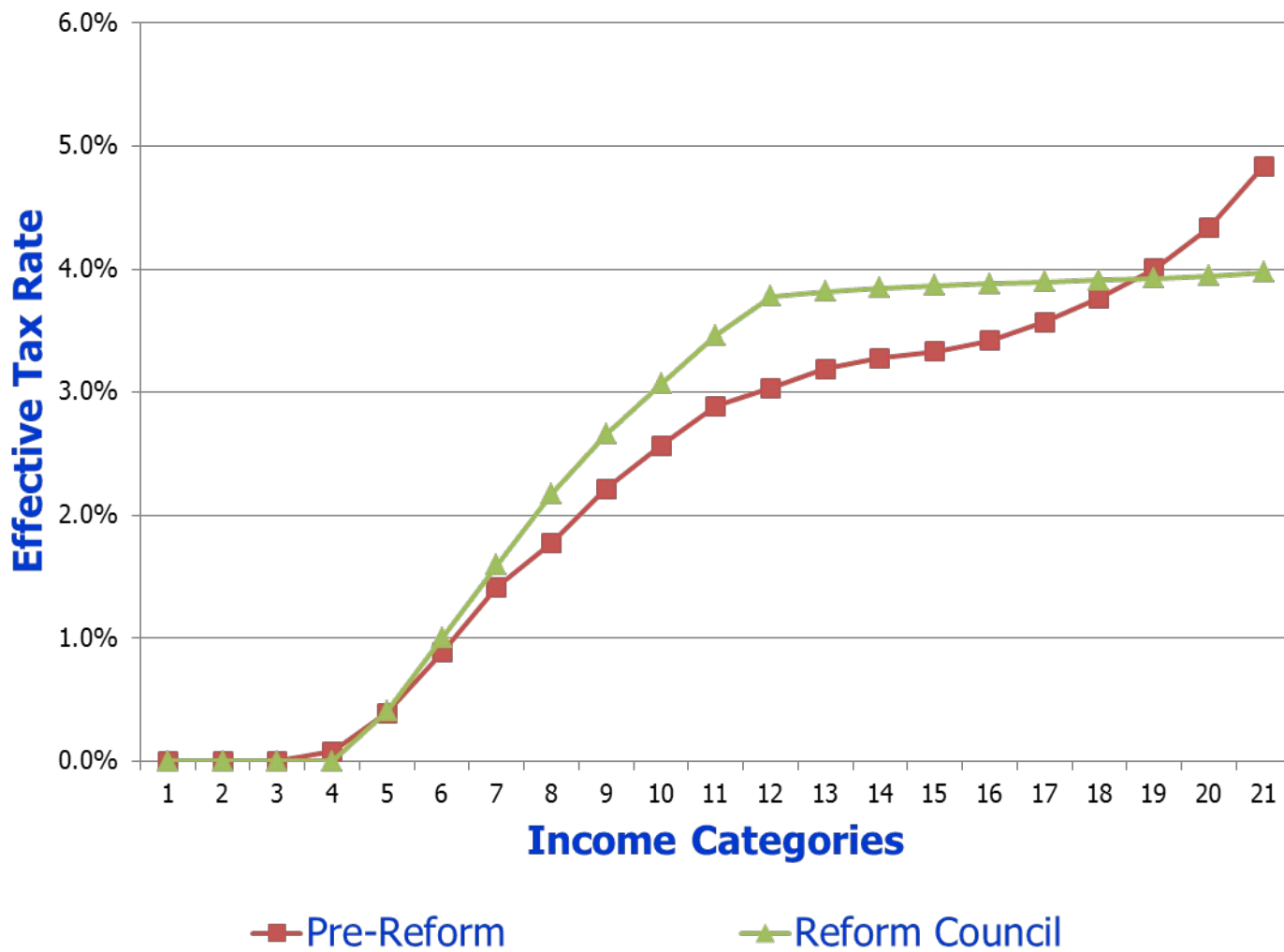
➤ Services

- Household services**
- Personal services**
- Repair services**
- Memberships**
- Vehicle maintenance services**

➤ E-commerce

Personal Income Tax: Recommendations

- **Eliminate retirement exclusion**
- **Sunset credits**
- **Convert to a flat tax**
 - **Eliminate exemptions and deductions**
 - **\$2000 per dependent exemption**
 - **Lower rate to 4% over time**
 - **Add a new credit**



GA Income Tax Proposal

Democrats: Overhaul bill would raise income taxes for those who earn \$20k to \$180k

4:43 pm March 29, 2011, by jgalloway



Your morning jolt: Grover Norquist, tea party split on tax overhaul

9:00 am March 30, 2011, by jgalloway

"I commend the legislature and Gov. [Nathan] Deal for recognizing that tax reform can never include tax increases," Norquist continued. "That axiom is reflected in this amended legislation, which is in compliance with the Taxpayer Protection Pledge."

But Georgia Tea Party Patriots this morning is urging lawmakers to vote against it:

"One can not just look at the tax rate cut, one has to look at the deductions/exemptions that are slashed and, in many cases, removed in this bill. Taxes will be raised for some and will be cut for others. In other words, this bill re-distributes wealth."

Georgia Baptist Convention urges 'no' vote on tax overhaul

1:00 pm March 30, 2011, by jgalloway

Sales Tax Exemptions - Groceries

OnlineAthens
ATHENS BANNER-HERALD

Retirees: No food sales tax

By **WALTER C. JONES** - Morris News Service
Published Friday, March 11, 2011

ATLANTA - Retirees already struggling on a limited income will suffer if state lawmakers impose a sales tax on food, AARP representatives at the state Capitol emphasized Thursday in what's become a weekly message to legislators.

Sales Tax Exemptions – Non-Profits

Proposed Legislation Would Tax Girl Scout Cookie and Boy Scout Popcorn Sales

Submitted by Girl Scouts of Greater Atlanta

Propose
including
financial
and pro

Your morning jolt: Girl Scouts ticked over cookie tax

9:31 am March 7, 2011, by jgalloway

Be prepared, lawmakers:

Over the weekend, an e-mail went out to Girl Scout leaders, warning them that HB 385, a bill to rewrite the state tax code, would subject their cookies to a sales tax – and would hit Boy Scout popcorn sales as well:



Gov. Nathan Deal holds boxes of Girl Scout cookies as the young women kicked off their sales season last month. Johnny Crawford/Jcrawford@ajc.com

Sales Tax on Services



Business owners share concerns about tax law changes

Tax laws could change

By Carole Hawkins

Staff Writer

Monday, March 7, 2011

"A haircut is something that's a repeat service. People come every four to six weeks, so it would add up," said Thelen, who owns Modish Salon & Spa on Broad Street. "I think it would hurt us in the long run."


"I don't feel good about auto repair being taxed," Clements said. "People are already paying a huge amount of money for gas to drive their car ... it's almost like salt in the wound."

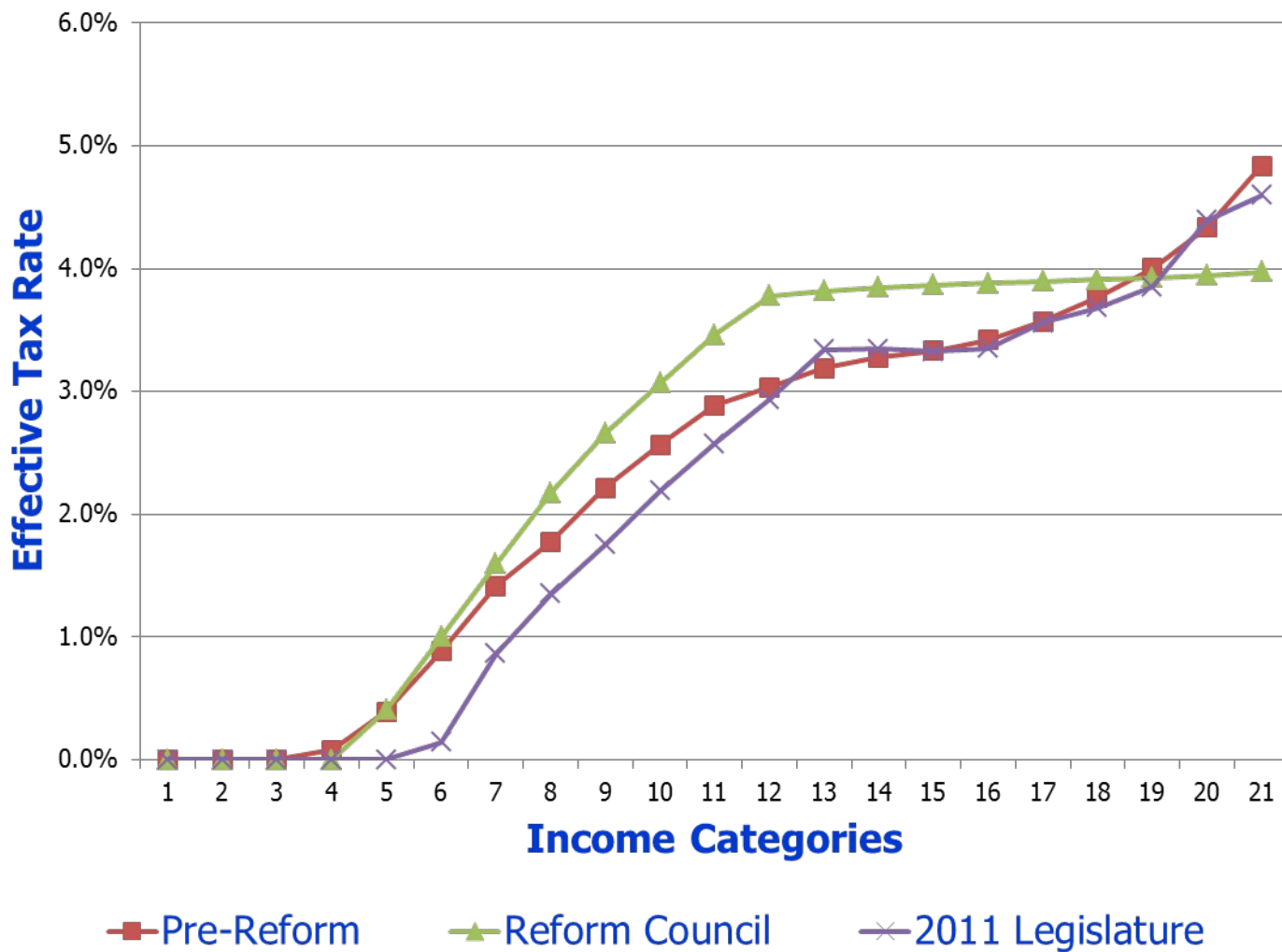
Dr. Thomas Walker of Augusta's Highland Animal Hospital also thought it was a bad time to tax pet owners.

"Already we're seeing an increased number of abandoned pets," he said. "With the economy the way it is, animal shelters are overloaded. People just can't afford it."

2011 Legislation

- **Sales tax on casual sales of motor vehicles, aircraft and vessels**
- **Sales tax exemption for energy used in production**
- **Tax on maintenance, repairs, and installation services for motor vehicles**
- **The Council's communication tax proposal**
- **Fix agriculture exemption**
- **Fix manufacturing exemption**

- 
- **Change the personal income tax**
 - **Cap retirement income exclusion**
 - **Eliminate standard deduction and non-dep exemptions**
 - **Cap itemized deductions and phase them out.**
 - **Replace dependent exemption with a dependent exemption that phases out.**
 - **Replace current rate structure with one tax rate:**
 - **4.6 percent for tax year 2012**
 - **4.55 percent for tax year 2013**
 - **A new tax credit equal to the difference between**
 - **4.6 percent of GAGI and**
 - **Current tax liability using SD and no dependents.**



2012 Legislation

- **Personal income tax**
 - **Increase personal exemption by \$1,000 for a married person**
 - **Cap retirement exclusion at \$65,000**
- **"Sales tax" on casual sales of motor vehicles**
- **State sales tax exemption for energy used in production**
- **Fix agriculture exemption**
- **Fix manufacturing exemption**

Lessons

- **Avoid tax reform during political campaign**
- **Avoid tax reform with a change in state leadership**
- **Five months is too short**
- **Need a balanced commission**