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## I. Introduction

This report reviews the recent significant tax or other revenue actions of state legislatures, with particular focus on Georgia and several peer states, including neighboring states and those, like Georgia, with "Triple-A" credit ratings.[1] These states were chosen for comparison because they are likely competing with Georgia in trying to attract new businesses, jobs, and residents, are presumably fiscally well-managed states, or both.

The primary data presented are based on estimates of the first year revenue effects of legislated changes in taxes as reported by the states to, and published by, the National Conference of State Legislatures (NCSL, various dates).[2] The NCSL data are supplemented by tax collections and population data from the U.S. Census Bureau to scale the tax changes and allow comparisons across states with disparate sizes of population and state budgets. The time frame covered was chosen in part based on data availability, but also to include at least the last two business cycles, to capture states' responses to periods of surplus revenues as well as periods such as the last few years of growing budget gaps in many states.

In summary, states have responded to recent budget gaps with nearly half of states in 2009 legislative sessions passing net tax increases of 1 percent or more of 2008 tax collections, and with aggregate net increases of almost $29 billion or 3.7 percent. This compares to net increases of $9.1 and $8.8 billion in 2002 and 2003, respectively (both about 1.6 percent of prior year collections). Preliminary reports of revenue changes passed in 2010 legislative sessions show nine states nationally (of 45 reported) passing 1 percent or greater net tax increases, amounting to $3 billion or 0.4 percent of 2009 collections. Changes passed in 2010 to fees and other non-tax revenues are expected to raise another $1.3 billion in FY2011.

[1] Neighboring states include Alabama, Florida, North Carolina, South Carolina, and Tennessee. AAA-rated states include those with a AAA or equivalent general obligation bond rating from at least two of the three major rating agencies, Fitch, Moody's, and Standard & Poors. At the time of this report, this includes Delaware, Georgia, Maryland, Minnesota, Missouri, North Carolina, South Carolina, Tennessee, Texas, Utah, Vermont, and Virginia.

[2] Tax changes are reported by the calendar year in which they were enacted. Revenue effects are for the following fiscal year unless otherwise stated. If a tax change is phased in, the reported revenue effect would understate the actual revenue effect since only the first year effect is reported.

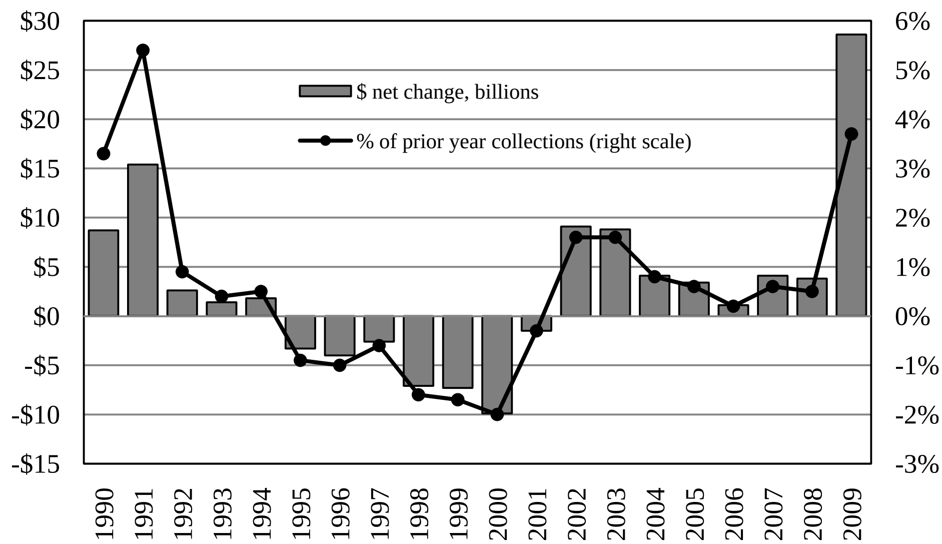
Georgia and the 13 peer states highlighted in this report, however, have been less inclined to raise taxes than the national trends suggest. Six of the 14 states raised taxes by 1 percent or more in 2009 legislative sessions, but the percentage net increase across the 14 states, at 1.4 percent of 2008 collections, was much smaller than the national average. Georgia, in the 2009 session, diverged from the trend toward state tax increases nationally and among its peers, passing net cuts of about $79 million or 4 percent of 2008 collections, though these cuts were largely temporary.

The next section provides an overview of national trends. Section III compares patterns of overall tax changes between Georgia, the five states bordering Georgia (as a group), and AAA-rated states other than Georgia (as a group). Section IV breaks down the changes by type of tax–e.g. personal or corporate income taxes, and general or select sales taxes, and will discuss some specific changes in the peer group states. Section IV also discusses large non-tax revenue changes of recent years–e.g. license and court fees. Section V concludes.

## II. National Trends in State Legislated Tax Changes

Figure 1 presents the aggregate net legislated change in state taxes in the U.S. by year of enactment from 1990 through 2009. Amounts for each year are the aggregate of estimated first year revenue effects of tax changes enacted in the given year's legislative sessions, presented in both nominal dollar terms and as a percent of the previous year's total tax collections by the states. Revenue changes may result from changes to tax rates, the tax base, or both.

**FIGURE 1. NET STATE TAX CHANGES, 1990-2009 BY YEAR OF ENACTMENT**



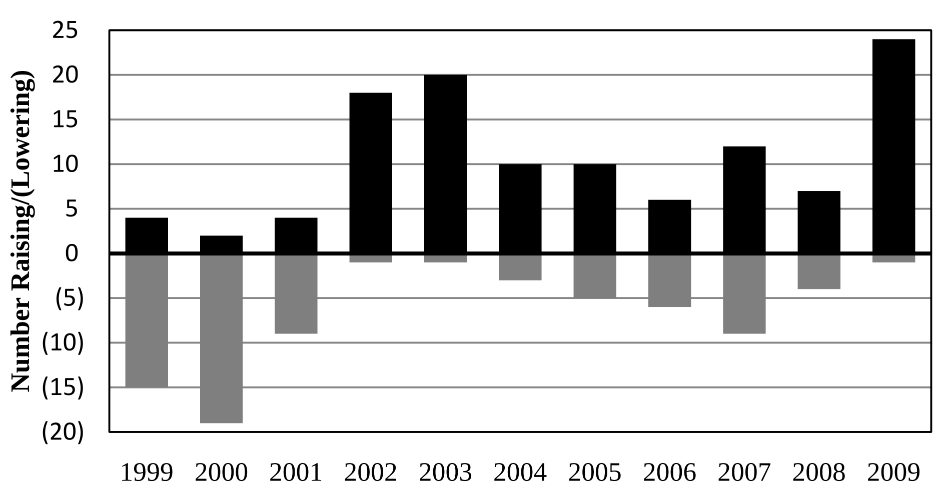

Source: National Conference of State Legislatures.

As the figure shows, the largest aggregate tax increases in percentage terms came in 1991 (generally effective in the states' next fiscal year, FY1992), around the time of a recession. As the economy expanded through the 1990s, aggregate increases became smaller and then, in 1995, began a seven year string of aggregate tax cuts. That streak came to an end along with the 2001 recession, and aggregate tax changes have been positive every year since, though modest in size from 2004 through 2008. Legislative sessions in 2009, however, brought a dramatic rise in state taxes as many states faced growing budget gaps. Although smaller in percentage terms than the 1991 increases, aggregate net tax increases passed in 2009 were nearly twice as large in dollar terms at $28.6 billion. This amounted to 3.7 percent of 2008 aggregate state tax collections.

It is important to note, however, that over 38 percent of the 2009 aggregate increase is attributable to California's $10.98 billion net tax increase. These increases were passed as the state faced a projected $42 billion deficit for fiscal years 2009 and 2010. Without California, the aggregate tax increases of the other 49 states came to 2.3 percent of 2008 tax collections–not as dramatic, but still the highest percent increase enacted in 18 years.

Another consideration in evaluating national trends in state taxation is that these aggregate numbers mask considerable variation across the states. As a first step in breaking down the numbers, Figure 2 shows the mix of states raising or lowering taxes each year since 1999 by more than 1 percent of the prior year's collections. In 2009, 24 states passed net tax increases of more than one percent of collections while only one cut taxes by more than one percent. In 2002 and 2003, again only one state cut taxes, but 18 and 20 states raised taxes by greater than 1 percent. Half the states in 2009 made small net changes or no changes at all, but that is down from 39 states in 2008 and an average of 33 each year from 1999 through 2008.

**FIGURE 2. STATES RAISING OR LOWERING TAXES BY 1% OR MORE OF PRIOR YEAR COLLECTIONS**




Source: National Conference of State Legislatures.

It is not surprising that the numbers of states passing significant tax increases in 2009, versus those cutting or making only small changes, is significantly higher than after the 2001 recession or at any time since 1999. As of January 2009, according to the NCSL, 34 states were projecting budget gaps for FY2010 totaling $84 billion, with 27 of the states projecting gaps of more than 5 percent of their general fund budgets. In November 2002, a year after the 2001 recession officially ended, 43 states were projecting budget gaps totaling $71 billion to $88 billion for the 2004 fiscal year according to the Center on Budget and Policy Priorities (2003), citing estimates from the NCSL. Yet the aggregate of net tax increases passed in 2003 was much smaller in dollar and percentage terms than in 2009, and only 20 states passed increases of 1 percent or more. The difference in 2009 was that budget gap estimates were growing and by the time most legislatures were assembling their FY2010 budgets, they were looking for ways to close a gap of $143 billion (NCSL 2009).

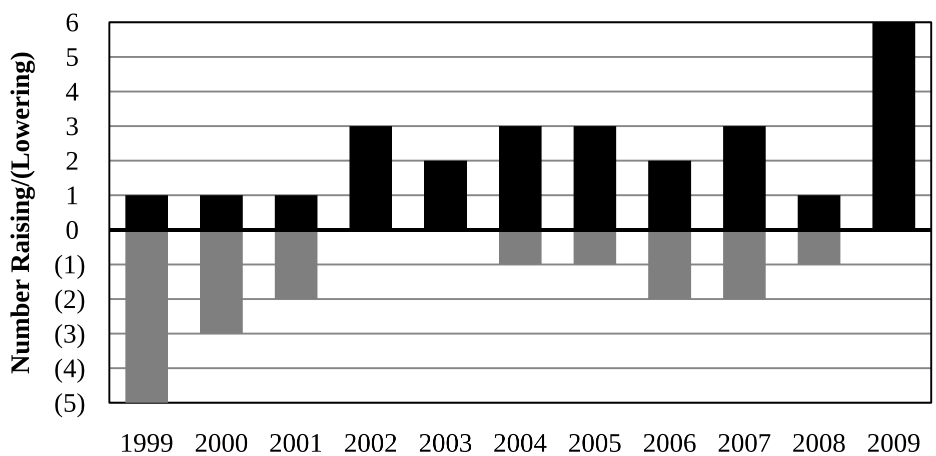
According to the NCSL, projected budget gaps during enactment of FY2011 state budgets were roughly $84 billion over 41 states (NCSL 2010a). Preliminary results of 2010 legislated tax changes show that, of the 45 states reporting by July 2010[3], only nine increased taxes by more than 1 percent of 2009 tax collections. The aggregate net tax increase for the 45 states was $3 billion and 0.4 percent of 2009 collections (NCSL 2010b).

[3] California, Georgia, Hawaii, Michigan, and Pennsylvania had not yet reported 2010 tax changes as of July.

## III. Trends Among Georgia and its Peers

Focusing more narrowly on Georgia, its immediate neighbors, and other AAA-rated states, we find similar patterns in terms of numbers of states raising or lowering taxes. Figure 3 shows that six of the 14 states (including four of Georgia's five immediate neighbors) passed net tax increases in 2009 of 1 percent or more of 2008 collections while eight made smaller positive or negative changes. By way of comparison, in 2003, only two of the 14 states (Delaware and Vermont) increased taxes by more than 1 percent.

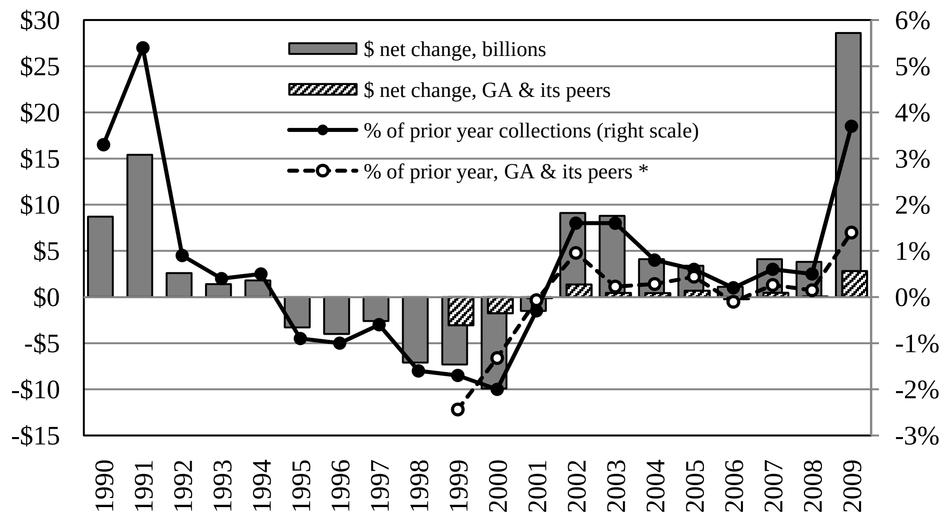
**FIGURE 3. SE AND AAA-RATED STATES RAISING OR LOWERING TAXES BY 1% OR MORE FROM PRIOR YEAR**




Includes 14 states: AL, DE, FL, GA, MD, MN, MO, NC, SC, TN, TX, UT, VT, VA.
Source: National Conference of State Legislatures.

Figure 4 shows the 14-state total net tax changes (dollar and percent changes) for 1999 through 2009 superimposed over the 50-state changes from Figure 1 (for 1990-1998, only aggregate 50-state data are shown). Again the pattern for Georgia and its peers is similar to that of all 50 states, though as one might expect from 14 mostly AAA-rated states, the percent changes in the years of national aggregate increases are much smaller. For 2003, the 14-state net tax increase was only 0.2 percent versus 1.6 percent nationally, while for 2009 it was 1.4 percent versus 3.7 percent nationally.

**FIGURE 4. NET STATE TAX CHANGES, 1990-2009 BY YEAR OF ENACTMENT**

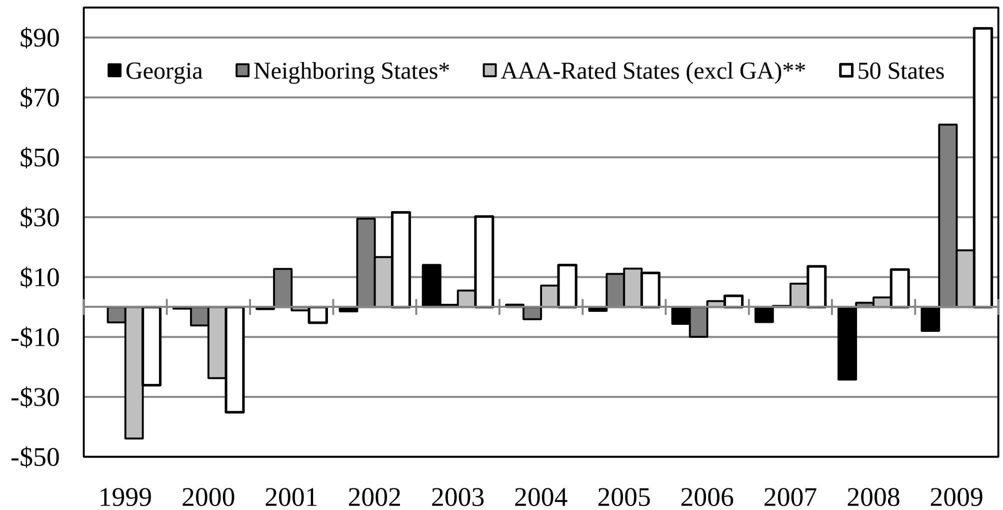



* Includes 14 states: AL, DE, FL, GA, MD, MN, MO, NC, SC, TN, TX, UT, VT, VA.
Source: National Conference of State Legislatures and U.S. Census Bureau.

In general since 1999, Georgia has tended to neither increase nor decrease its taxes dramatically as compared to other states, but Georgia has run rather counter to trends among its peers in the last two years, cutting taxes by 0.4 percent in 2009 on top of a 1.3 percent net tax cut in 2008, the largest cuts in both years among the 14 states. Figure 5 shows these comparisons between Georgia's tax changes and those of its peers on a per capita basis. As the figure shows, in 1999 through 2002, Georgia made only marginal net tax changes[4] while AAA-rated states, on average, reported large cuts in 1999 and 2000, and a roughly $17 per capita increase in 2002. Neighboring states, on average, passed small cuts in 1999 and 2000, and per capita increases of roughly $13 in 2001 and $30 in 2002. Georgia finally joined the post-recession trend

[4] The Georgia legislature did pass a measure in 1999, the Homeowner Tax Relief Credit, which reduced local property tax bills and offset the local revenue losses with grants from the state amounting to $83 million in FY2000 or about $10 per capita.

**FIGURE 5. PER CAPITA NET TAX CHANGE BY YEAR ENACTED**




* AL, FL, NC, SC, TN. ** DE, MD, MN, MO, NC, SC, TN, TX, UT, VT, VA.
Sources: NCSL, US Census, and author's calculations.

among its peers in 2003 by passing a $14 per capita net tax increase, the third largest per capita increase that year among the 14 states.[5]

More recently, Georgia cut overall state taxes by about $24 per capita in 2008 and by another $8 per capita in 2009. Meanwhile, the 11 other AAA-rated states passed average net increases of about $19 per capita in 2009 and the five neighboring states raised net taxes by $61 per capita (the 2008 average net increases were about $3.2 and $1.4 per capita, respectively).

[5] Georgia also passed in 2003 a phased-in increase in the retirement income exclusion limit for taxpayers age 62 or older (these taxpayers may exclude from taxable income a limited amount of qualified retirement income), but the first increase in the exclusion limit took effect in calendar 2006, so the revenue effects for FY2004 and FY2005 were zero. See note 7 for discussion of longer-term effects.

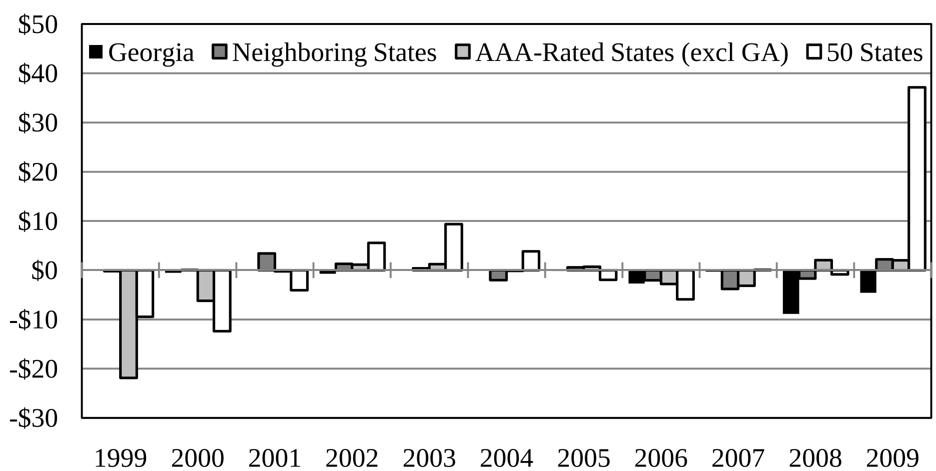
## IV. Changes by Type of Tax

We now look more closely at tax changes by specific taxes in the various states, beginning with personal and corporate income taxes, followed by general and selected sales taxes, which together account for about 90 percent of state revenues nationally and 87 percent or more in Georgia and its peer states except for Delaware. Health care taxes, and other taxes and fees are also discussed.

### Personal Income Tax (PIT)

Figure 6 shows per capita net changes in personal income taxes enacted from 1999 through 2009 for Georgia, its neighbors, AAA-rated peers, and the 50 states. Average net PIT changes for all 50 states enacted in 2009 amounted to a $37 per capita increase out of the $93 per capita average net increase for all types of state taxes. However, PIT increases among Georgia's peer states were much smaller, on average, as only four enacted PIT increases.

**FIGURE 6. PER CAPITA NET CHANGES IN PERSONAL INCOME TAXES**




Sources: NCSL, US Census, and author's calculations.

Delaware increased the PIT rate by 1 percentage point on incomes over $60,000, amounting to a $33 per capita increase, while North Carolina enacted temporary (expiring December 31, 2010) surtaxes of 2 percent on incomes over $60,000 and 3 percent on incomes over $150,000, amounting to an $11 per capita increase (Tax Foundation 2009 and NCSL). Vermont made several changes to its

PIT, including rate cuts as well as base-broadening, that together added $21 per capita and Minnesota terminated its reciprocity agreement with Wisconsin, which together with other technical changes resulted in a roughly $8 per capita increase in PIT revenues for FY2010, but which is largely a timing matter and thus a temporary gain.[6]

Georgia's PIT cuts in 2008 and 2009, roughly $9 and $5 per capita respectively, account for about 42 percent of the state's total cuts for the two years. The 2008 cuts took the form primarily of credits for donations to scholarship organizations and increased deductions for high deductible health plans, while 2009's cut consisted entirely of a temporary home purchase credit. In the years between the last two recessions, Georgia's peers made modest cuts, on average, in 2006 and 2007 while Georgia also made modest cuts in 2006 and in 2003 passed phased-in increases to the retirement income exclusion limit that took effect only beginning in 2006 with a revenue effect of about $7 per capita that year.[7] This latter cut is not reflected in Figure 6.

The largest permanent PIT cuts by Georgia's neighbors came in South Carolina, which cut $21 per capita in 2007 with tax bracket and exemption changes, and $19 per capita in 2004 with changes providing marriage penalty relief. North Carolina made the most frequent changes to its PIT, increasing taxes by $28 per capita in total over 2001-2005 (largely passage and renewals of marginal rate increases on high income taxpayers) and by $11 per capita in 2009 (the temporary surtax noted above), and cutting them by $13 per capita over 2006-2007.

The large average per capita cuts for AAA-rated peers in 1999 were comprised primarily of marginal rate cuts in Delaware, Maryland, and Minnesota (cuts of $41, $27, and $160 per capita, respectively); and refunds of surplus revenues based on 1998 PIT payments, along with increased personal exemptions in Missouri

[6] The change amounts to a tax increase for only about 8,000 taxpayers out of the estimated 22,500 Minnesota residents who work in Wisconsin, and for those the increase is the amount by which their Wisconsin tax exceeds the taxes paid credit they receive on their Minnesota return (Minnesota House of Representatives 2009).

[7] The phased-in increase in the retirement income exclusion limit passed in 2003 first impacted revenues in 2006. For calendar 2006, the revenue impact was estimated to be about a $64 million decrease or $7 per capita and once the changes were fully phased-in in 2008, the revenue loss was estimated to be $12-13 per capita annually (Fiscal Research Center estimates).

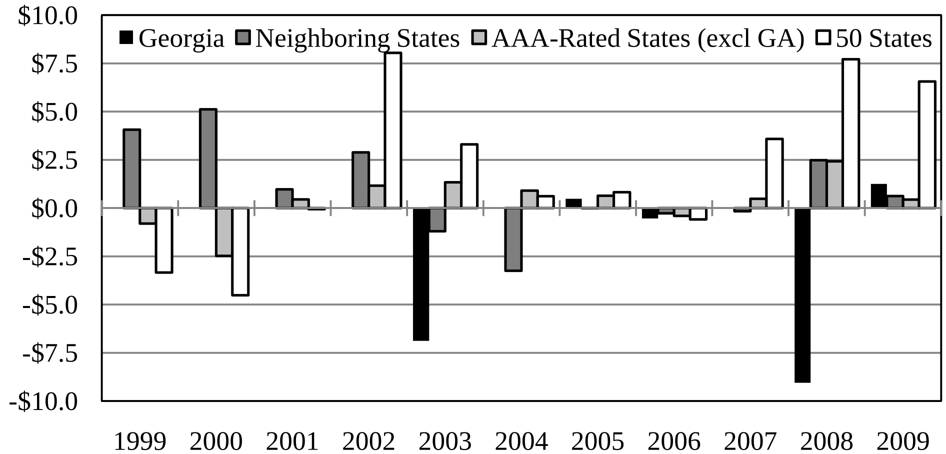
(together amounting to $78 per capita). Minnesota made permanent marginal rate cuts in 2000 amounting to a $48 per capita PIT cut and Maryland's phased-in rate reduction cut another $27 per capita from the PIT in 2000.

In 2010 among Georgia and its peers, Minnesota cut some tax credits and introduced new ones for small business investment (NCSL 2010b) while Georgia also passed a combination of PIT increases and cuts. Georgia eliminated refundability of certain low income tax credits, raising an estimated $22 million annually (NCSL 2010c), and passed a phased-in cut for seniors, further increasing the retirement income exclusion limit in five steps beginning in calendar 2012. The FY2012 revenue effect is estimated to be about $15 million, with the revenue loss increasing to about $150 million annually ($14-15 per capita) in FY2016 when the exclusion cap is lifted completely.

## Corporate Income Tax (CIT) and Other Business Taxes

While corporate income and other business taxes (e.g. franchise and privilege taxes) make up a small portion of revenues for almost all states (5.6 percent of tax revenues on average, with only Alaska and New Hampshire obtaining more than 10 percent of tax revenues from the CIT), this tax has been the channel for significant tax increases among Georgia's peer states since 1999, particularly in Alabama (increases ranging from $13 to $46 per capita in 1999, 2000, 2002 and 2008) and Delaware (increases of $111, $76, and $156 per capita in 2003, 2008, and 2009, respectively). Alabama's increases include a CIT rate increase in 2000, "loophole" closing, and base-broadening as well as changes to taxes based on business net worth rather than income. Delaware's increase were primarily to its corporate franchise tax, which is based on share capital rather than income. North Carolina passed modest increases in 2001 and 2002 totaling $14 per capita, largely from amending the definition of business income, and Florida made several small cuts over 2002-2008 that totaled almost $14 per capita. Figure 7 shows the per capita changes in states' CIT from 1999 through 2009 for Georgia, its peer states, and nationally. Georgia's notable CIT cuts in 2003 and 2008 took the form of an assortment of targeted tax credits (NCSL).

**FIGURE 7. PER CAPITA NET CHANGES IN CORPORATE INCOME TAXES**



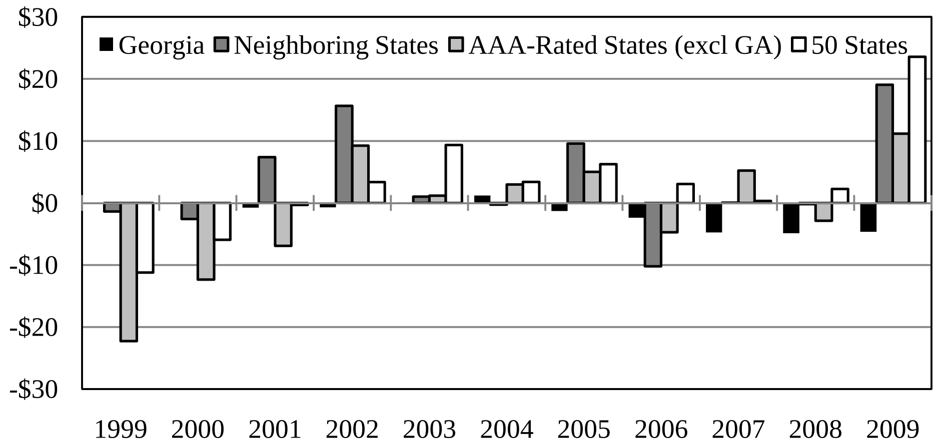

Sources: NCSL, US Census, and author's calculations.

Changes among Georgia's peers in 2010 include new or expanded film production credits in Virginia and North Carolina, and a $1,000 per employee tax credit for targeted industries in Florida (NCSL 2010b).

## General Sales and Gross Receipts Taxes

Figure 8 presents per capita net changes in general sales and gross receipts taxes (sales taxes, for simplicity) since 1999. Passage of several sales tax exemptions and a sales tax holiday account for substantially all of Georgia's 2007 tax changes, coming to almost $5 per capita, and the state passed similar cuts in roughly the same amounts in 2008 and 2009. A one percentage point increase in the sales tax rate in North Carolina, along with some base broadening, resulted in an $87 per capita sales tax increase in 2009. The next largest 2009 increases among the 14 peer states came in Vermont ($3 per capita) and Tennessee ($2). North Carolina also raised the sales tax rate in 2001 and 2005, cut it in 2006, and raised it again in 2007.

**FIGURE 8. PER CAPITA NET CHANGES IN GENERAL SALES & GROSS RECEIPTS TAXES**




Sources: NCSL, US Census, and author's calculations.

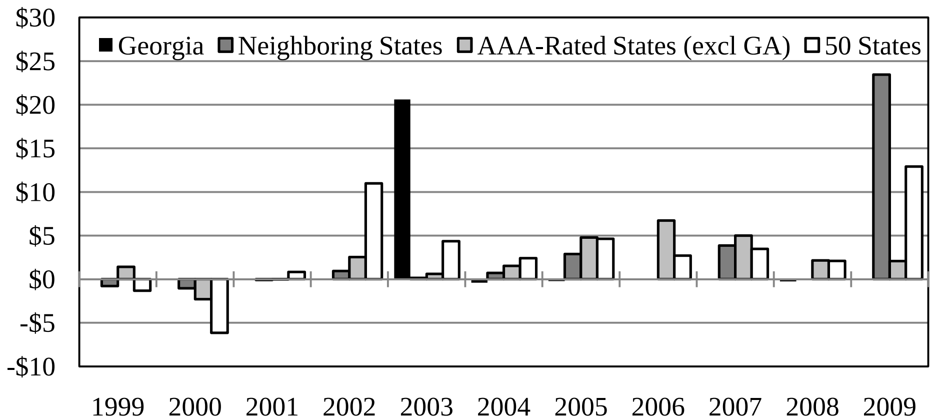
Other significant sales tax changes among the 14 states include cuts in the sales tax on food in South Carolina and Utah in 2006 and 2007. The former reduced and then eliminated the sales tax on food, while the latter reduced it in two steps, amounting to $58 and $39 per capita in 2006 and 2007, respectively. Tennessee passed the largest per capita increase in sales taxes over the period, a $106 per capita increase in 2002 primarily attributable to an increase in the sales tax rate from 6 percent to 7 percent, excluding food. The large per capita cuts among AAA-rated states in 1999 through 2001 consisted primarily of a series of "one-time" sales tax rebates of surplus revenues in Minnesota, amounting to $265, $131, and $152 per capita each year.

In 2010, 10 of the 14 states passed sales tax holidays for FY2011, though Georgia was not among them (Tax Foundation 2010). None of the 14 made other changes to general sales taxes in their 2010 legislative sessions.

## Select Sales and Excise Taxes

Select sales taxes consist primarily of alcoholic beverage, tobacco, and motor fuels taxes, and make up about 16 percent of state tax revenues nationally in 2009. Combined changes in these taxes, on a per capita basis, are presented in Figure 9.

**FIGURE 9. PER CAPITA NET CHANGES IN SELECT SALES/EXCISE TAXES**




Includes alcohol, tobacco, and motor fuels taxes.
Sources: NCSL, US Census, and author's calculations.

Tobacco taxes have been a consistently popular source of new revenues, with 11 of the 14 state passing double digit per capita increases at least once since 1999. Nationally, 46 states plus the District of Columbia and New York City increased cigarette taxes at least once since 2000 (Federation of Tax Administrators). Delaware increased tobacco taxes in 2003, 2007, and 2009 by a cumulative $110 per capita while Vermont passed increases in 2002, 2006, 2008, and 2009 totaling $72 per capita. Maryland also passed double digit increases three times since 1999, totaling $53 per capita, and Florida passed a $51 per capita increase in 2009. Georgia's only tobacco tax increase in the period came in 2003 at about $21 per capita.

Alcohol taxes have remained entirely unchanged in nine of the 14 states, including in Georgia, since 1999 and the largest increase among the rest was in North Carolina in 2009 at less than $4 per capita. Motor fuels taxes have remained unchanged in six of the 14 states since 1999 while the only double digit per capita increases came in Vermont in 2009 (about $23 per capita) and Minnesota in 2008 ($29). Among other excise taxes in the 14 states, the only notable change was in Minnesota, which cut its motor vehicle excise tax by about $30 per capita in 2000.

In 2010, South Carolina increased its cigarette tax by 50 cents per pack while Utah increased its tax by $1 per pack. There have not been significant changes in alcohol or motor fuels taxes among the 14 states this year.

## Health Care, and Other Taxes and Fees

From 2001 through 2009, U.S. states passed over $5 billion of new or increased taxes on health care, including more than $2.5 billion in 2009 alone. Eight states in 2009 passed health care tax increases of more than $100 million, including Alabama, which passed a new hospital tax that raised an estimated $200 million, or over $42 per capita annually. In 2006, South Carolina raised an estimated $214 million ($49 per capita) from hospital taxes to fund Medicaid expansion. Among the other AAA-rated states, Vermont passed new or increased health care taxes by amounts ranging from $19 to $23 per capita in 2001, 2003, and 2005, while Maryland and Missouri passed double digit per capita heath care tax increases in 2005 and 2002, respectively.

In 2010, the states passed another $1 billion of net increases in health care taxes, including a hospital “bed tax” in Georgia expected to raise $229 million (about $23 per capita) next year. Among Georgia’s neighbors, Tennessee raised an estimated $286 million ($45 per capita) from a new hospital assessment and Alabama raised $20 million ($4 per capita) from increasing the nursing home bed tax (NCSL 2010b and 2010d).

Changes in other taxes among the 14 states in 2009 include an $18 per capita increase in unemployment taxes in Florida, a $22 per capita increase in insurance premium taxes in Tennessee, $53 per capita of increases in Vermont of statewide taxes on property, and Delaware raised an estimated $60 per capita by offering sports betting through the state lottery.

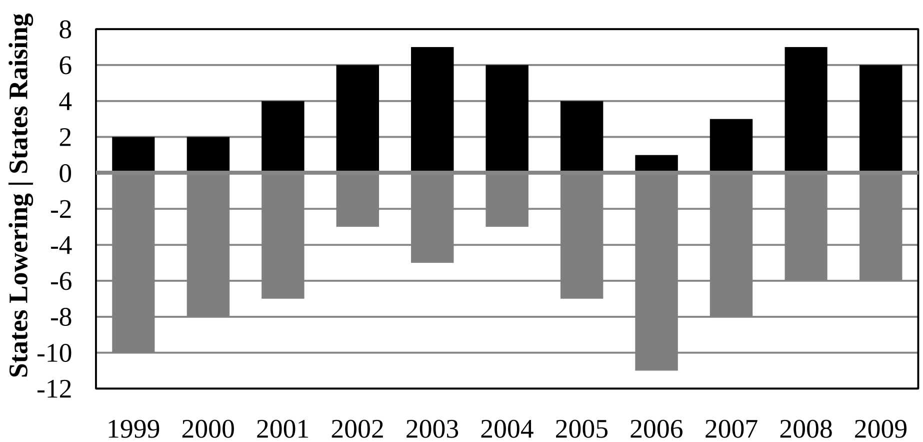
A particularly notable non-tax revenue increase in recent years came in Florida, which passed over $1 billion of increases in vehicle license, civil court, and other fees in 2009 and $160 million of similar fee increases in 2008. Nationally in 2009, states raised over $3.3 billion from new or increased fees.

In 2010, Georgia passed, but voters rejected in November, a $10 motor vehicle tag fee with an estimated $80 million of annual revenue dedicated to the state’s trauma care network (NCSL 2010e). In addition, Georgia passed changes to various licensing, court, and other fees, raising another $100 million in annual revenue. Other states raised $295 million nationally from other tax increases, including $120 million of new gambling taxes in Florida, and $1.3 billion nationally in net fee increases (NCSL 2010b).

## Core versus Non-Core Taxes

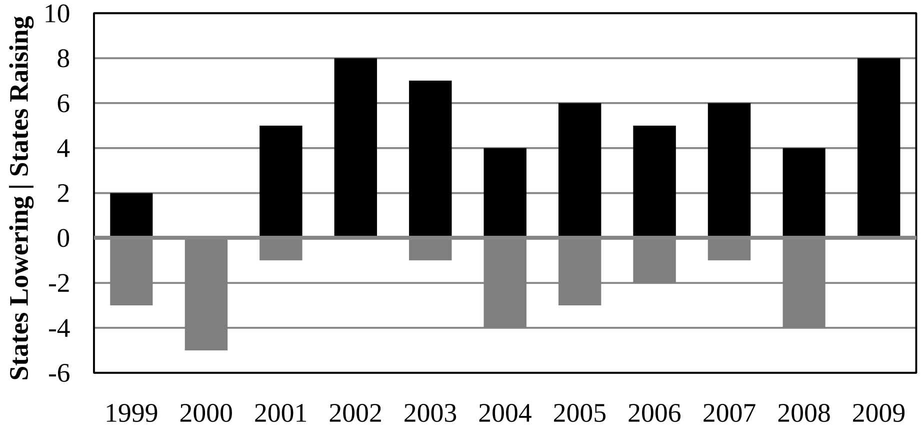
Finally, categorizing the types of taxes discussed above into core and non-core taxes, similar overall preferences can be seen among the 14 states in both post-recession periods. Core taxes include corporate and personal income taxes, and general sales and gross receipts taxes. Non-core taxes consist of excise taxes on alcohol, tobacco, and motor fuels, along with health care, gambling, and miscellaneous other taxes. Figures 10 and 11 show the numbers of states among the 14 that raised or lowered core or non-core taxes (by any amount, net) each year from 1999 through 2009.

**FIGURE 10. CORE* TAXES IN SE AND AAA-RATED STATES: NUMBER OF STATES RAISING OR LOWERING CORE TAXES**




* Core taxes include personal and corporate income taxes, and general sales and gross receipts taxes.

**FIGURE 11. NON-CORE* TAXES IN SE AND AAA-RATED STATES: NUMBER OF STATES RAISING OR LOWERING NON-CORE TAXES**




* Non-core taxes include alcohol, tobacco, motor fuel, health care, and other taxes.

Over the entire period, the states more often cut than raised core taxes, but tended to increase non-core taxes. After the 2001 recession, the states increased core taxes somewhat more often than they cut them, but several states did cut core taxes in 2002 and 2003. In contrast, eight states increased non-core taxes in 2002 and seven did so in 2003, while only one cut non-core taxes in the two years. The pattern is similar in 2009 with the same number raising and lowering core taxes, and eight states raising non-core taxes versus none cutting them.

The biggest change in this regard from the earlier period to 2009 is in the relative magnitudes of increases. In 2002 and 2003, the 14 states raised about $950 million, net, from core taxes and about $870 million from non-core taxes. In 2009, the net increases were about $930 million from core and $1.9 billion from non-core taxes. This pattern seems to be continuing in 2010 with large increase in tobacco and health care taxes in some states, but results for 2010 are incomplete.

## V. Summary and Conclusion

U.S. states have responded to recent growing budget gaps by passing the largest increases in state taxes in 18 years, measuring the increases as a percentage of the prior year's tax collections. Aggregate state tax increases in 2009 came to $28.6 billion or about $93 per capita, plus another $3.3 billion or almost $11 per capita from new or increased fees. While almost $11 billion of the 2009 aggregate tax increase is attributable to California, 24 states raised taxes by 1 percent or more and the aggregate increase in all states other than California is still the largest single year percent increase since 1991.

Tax increases were also common in the periods after the 2001 recession, but were spread out over two years. 18 states passed tax increases of 1 percent or more in 2002 and 20 did so in 2003, with a two-year aggregate increase of $18 billion. In the present environment, the increases appear to be concentrated in 2009 as far fewer states passed net tax increases in 2010 and the aggregate amount of increases is smaller as well.

Patterns were similar among Georgia's peer states, though the percent and per capita increases in both the 2002-2003 period and in 2009 were considerably smaller than in the other 34 states. The difference from national averages was greatest for AAA-rated states (excluding Georgia), which raised taxes by only $14 per capita in 2009, with similar differences in 2002-2003 as well. Georgia's immediate neighbors passed net tax increases of $61 per capita in 2009 and were close to the national average in 2002, but passed only marginal net increases in 2003.

Particularly noteworthy 2009 tax increases among Georgia's peers include an $87 per capita sales tax increase in North Carolina, a $51 per capita tobacco tax increase in Florida, a new $42 per capita hospital tax in South Carolina, and personal income tax rate increases on high income taxpayers in Delaware and North Carolina amounting to $33 and $11 per capita (the latter temporary). In 2010, noteworthy changes include tobacco tax increases in South Carolina and Utah, and new or increased health care taxes in Georgia, Tennessee, and Alabama.

In general, Georgia and its peers were more inclined in 2009 and 2010 toward raising new revenues from non-core taxes (e.g. alcohol, tobacco, motor fuel, health care, and gambling taxes) than from core taxes (corporate and personal income, and general sales taxes), with eight of the 14 passing increases to non-core taxes in 2009 and none passing cuts. The states were evenly split on changes to core taxes in 2009 with six passing net increases and six passing cuts. This preference for raising non-core taxes is similar to that of the 2002-2003 period, but the magnitudes of increases to non-core taxes were much larger in 2009 compared to the earlier period and to increase in core taxes.

As for Georgia, while the state passed net tax increases in 2003 comparable to other AAA-rated states, it has been a net tax cutter since 2005, with the largest cuts coming in personal and corporate income taxes in 2008. While 2009 saw further net tax cuts in Georgia, the cuts were mostly temporary, including the home buyer credit and sales tax holidays for FY2010. Georgia passed increases in the 2010 session including the hospital "bed tax" and elimination of refundability of a PIT low income credit. Georgia also passed a significant PIT cut for seniors in the form of additional phased-in increases in the retirement income exclusion cap beginning in calendar 2012.

Looking forward, many states continue to face large projected budget gaps for FY2012 and FY2013, at least $72 billion nationally in FY2012 according to the NCSL (2010a), while Georgia faces an estimated $1.8 to 2.0 billion shortfall for FY2012 (Bourdeaux and Sjoquist 2010). While tax increases passed are down overall so far in 2010 from 2009, 2011 will likely find legislatures again seeking new sources of revenue (as well as further spending cuts) to close the gaps.

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**Robert Buschman** is a Senior Research Associate in the Fiscal Research Center and a candidate for PhD in Economics at the Andrew Young School of Policy Studies. His research interests include corporate and personal taxation, public expenditures, macroeconomic policy, history of economic thought and economic history. Prior to joining the Andrew Young School, Bob worked for several years in corporate banking and corporate financial management. Bob holds a BA in Economics from Duke University, an MBA in Finance from the Goizueta Business School at Emory University, and a MA in Economics from Georgia State University.

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