Tax Reform Georgia Style

David Sjoquist

Georgia State University

Follow this and additional works at: https://scholarworks.gsu.edu/ays_cslf_presentations

Recommended Citation
https://scholarworks.gsu.edu/ays_cslf_presentations/31

This Presentation is brought to you for free and open access by the Center for State and Local Finance at ScholarWorks @ Georgia State University. It has been accepted for inclusion in CSLF Presentations by an authorized administrator of ScholarWorks @ Georgia State University. For more information, please contact scholarworks@gsu.edu.
Tax Reform Georgia Style

David L. Sjoquist
Andrew Young School
Georgia State University

Nebraska Tax Modernization Committee
Lincoln, Nebraska
August 6, 2013
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
Retirees: No food sales tax

By WALTER C. JONES - Norris 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

Your morning jolt: Girl Scouts ticked over cookie tax
9:31 am March 7, 2011, by igalloway

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/J.crawford@ajc.com
"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