

Georgia House and Senate Republicans worked frantically March 30 to save a tax overhaul plan (HB 387) that looked almost nothing like the major reforms proposed by a special council in January.

Meanwhile, as part of the state's fiscal 2012 budget proposal (HB 78), the Senate on March 30 voted to increase funding for the Department of Revenue in order to catch tax cheats.

### **'A Disorganized Mess'**

At press time, a special joint committee of the General Assembly was quickly editing HB 387 but was expected to favorably report out an amended bill late March 30 that would go to the House floor for an up-or-down vote.

HB 387 would reduce the personal income tax rate from 6 percent to 4.5 percent and would eliminate the state sales tax on utilities used by manufacturers.

The measure also would replace telecommunications taxes and franchise fees with one 7 percent statewide communication service tax, as well as eliminate the sales tax on capital investment in telecommunications.

The revenue-neutral bill would pay for the cuts by expanding the sales tax to automobile repair services and person-to-person casual sales of motor vehicles. (For the latest version of HB 387 available at press time, see *Doc 2011-6697* .)

The Joint Committee on Revenue Structure favorably reported out the bill late March 29 -- then took it back first thing the morning of March 30 to bring it into a form that could pass both chambers without amendment. This bill is under different rules than any other in the legislature.

Last year the General Assembly passed a law establishing a special council of business leaders and economists to recommend major structural tax reform. That council's key recommendations, released in January, included expanding the sales tax base to most services, reinstating the sales tax on groceries, reducing the corporate income tax, and increasing taxes on cigarettes. (For coverage, see *State Tax Notes*, Jan. 17, 2011, p. 153, *Doc 2011-516* , or *2011 STT 6-14* . For the council's report, see *Doc 2011-545* or *2011 STT 7-5* .)

The law that created that council also created the Joint Committee on Revenue Structure to put the council's recommendations into legislative form. Once a bill leaves the joint committee, it cannot be amended; it goes directly to the House and Senate floors for straight up-or-down votes.

In a prepared statement, House Democratic Caucus Chair Brian Thomas called the Republican proposal "a shell game" that would raise taxes on middle-income earners because it would eliminate most deductions.

"It's a disorganized mess," Democratic Party spokesman Eric Gray said in a statement. "Republicans don't even have a clue what they are trying to vote on."

The Revenue Structure Committee's co-chairs, Sen. Bill Heath (R) and Rep. Mickey Channell (R), said last week that the panel focused on job-creating proposals that lawmakers believe can be implemented immediately, given the time constraints of the state's short 40-day session.

Heath said March 28 that the special joint legislative panel will not dissolve until it has completed work on the council's recommendations and that it will consider more of them in future legislative sessions.

Meanwhile, Gov. Nathan Deal (R) campaigned on a pledge to reduce the corporate income tax rate, one of the recommendations the committee passed over.

Though Republican lawmakers have speculated in the press that Deal would sign the measure, the governor has made no public commitment, and his office did not respond to requests from Tax Analysts for comment.