

After two long afternoons packed with information and testimony, the Tax Reform Council, under the leadership of A.D. Frazier, called it a day and pledged to return to their work next week. This Council has been charged with reviewing Georgia's tax laws to determine a fair and equitable approach to taxation in the State. This Council is not charged with raising revenue. The Council's other members include: Governor Sonny Perdue; Bradford Dickson; Roy Fickling; D.E. "Skeeter" McCorkle; Gerry Harkins; Suzanne Sitherwood; Dr. David Sjoquist; Dr. Roger Tutterow; Dr. Christine Ries; and Dr. Jeffrey Humphreys.

On Thursday, the economists and Mayor Kasim Reed gave presentations. Dr. Humphreys outlined the "draft" Guiding Principles for the Council; Dr. Sjoquist gave an overview of Georgia's current Tax Code; Dr. Tutterow discussed the economy of Georgia and its changes through history, in relation to the Tax Code; and Dr. Ries gave an overview of tax reform undertaken in other states.

Mayor Reed, and a former member of the Georgia State Senate, took a moment to congratulate Governor Perdue on Georgia's winning of the "Race to the Top" grant which will provide Georgia with \$400 million in education funding.

Mayor Reed discussed the need for "wage growth" in the State, describing that Georgia had only experienced such growth at a rate of two percent over the last eight years. This amount is much lower than other areas, including Georgia's neighboring states. He urged thinking of ways in which Georgia could make an investment to attract high-paying jobs. Overall, his recommendations to the Council fell into three areas: 1) review all tax exemptions and tie those to two areas – educating our young and training individuals for jobs; 2) reduce the size of State government by 10-15 percent, looking at making this change over thirty-six months; and 3) take a bi-partisan approach on education. Mayor Reed stated that Georgia, and particularly Atlanta, was losing to Charlotte, North Carolina because Charlotte had good income and wage growth. Another discussion area that Mayor Reed brought up was the impacts of 911 (which hit the air transportation and technology industries) and the latest recession (which impacted the home building sector). All of these industries were important to the City of Atlanta.

The Council appeared to be focusing on ways in which to make Georgia's tax laws less volatile with a broader base. Distortion in the tax system only causes more volatility. Some of the States of Rhode Island, New Mexico, Oregon, and Tennessee were mentioned specifically, in terms of looking at what each of those states has done in revamping their tax laws.

At the public forum on Thursday, a number of speakers addressed the Council with some of their issues and concerns. Among those included:

A representative from Goodwill Industries testified about the preservation and/or extension of some of the sales tax exemption enjoyed by nonprofits.

An individual representing Tobacco Free Kids testified about raising Georgia's taxes on tobacco.

The Agriculture Council and a dairy farmer from Coweta County testified about the exemptions which farmers enjoy. They explained the impact to the individual farmers and how that imposing taxes would impact other businesses such as their feed suppliers and equipment providers as well.

State Representative Chuck Sims (R-Douglas) outlined the need for consideration of the revenue that could be generated by the imposition of sales tax on food. Rep. Sims first introduced legislation to impose the sales tax on food in 2001, which at that time had a fiscal note of \$800 million. In 2007, he re-introduced that Bill but the fiscal note stated it would bring in approximately \$560 million. Rep. Sims stated it was not clear to him why that fiscal note dropped since Georgia's population had increased during that time; he believes that the exemption would bring close to \$1 billion. It was clear that Dr. Sjoquist did not feel the same about this amount (Dr. Sjoquist has been responsible for preparing the fiscal notes on legislation for the General Assembly). Rep. Sims stated that the exemption could be preserved for senior citizens and persons with disabilities (those on SSI for instance). He explained that they chose the age of 65, in an earlier version of the legislation, in order for folks to be able to present Medicare cards, along with their identification card, to get the exemption on purchases of food up to \$100 at the grocery stores. Florida, Alabama, and Tennessee require sales taxes on food. He also urged a collection of the tax at the "distribution level" so as to gain more compliance. Alcohol, tobacco and fuel should all be taxed in that manner (motor fuel is already captured in that manner with a tax at "the rack"). Such imposition at the distribution level would make it easier for the Department of Revenue to "police" and should create greater compliance.

Rep. Sims indicated his displeasure that the Council did not contain any representatives from South Georgia or that any fact finding session was to be held in his area. Chairman Frazier noted that he was willing to "take this show" to any part of the State.

Jeff Marken, a citizen from Marietta who is with the Strategic Portfolio Group and an active member of the Tea Party. He urged that the Council look at ways to cut the size of State government as mentioned by Mayor Reed. Right-sizing government and salaries are very important to him. He also wants to see the stripping of agencies of their authority to increase user fees. He asked that the Council look at SB 148 (passed this past Session). He also promoted the deregulation of businesses and elimination of regulations which create monopolies (such as Certificate of Need); rather he encouraged the Council to look at ways to promote free trade.

Scott Maxwell testified on behalf of the Georgia Public Health Association, focusing on the need to increase Georgia's tobacco tax. He noted that higher taxes meant less consumption and called out R.J. Reynolds' own comments in that regard. Moving the tobacco tax from \$.37 to \$1.37 would garner approximately \$350 million to the State. Mr. Maxwell stated that Georgia currently collects \$218 million on cigarette taxes annually while \$319 million is spent yearly by Georgia's Medicaid program on tobacco-related illnesses. Thus, Georgia is essentially giving a tax exemption to "big tobacco." If Georgia raises the tax by \$1.00, it will still be the 25th lowest tobacco tax in the country.

Normer Adams testified on behalf of the child caring institutions, child placing agencies and maternity homes and their currently permitted sales tax exemptions. Mr. Adams attempted to explain that one-third of the children placed were placed by parents into these private, nonprofit homes. Thus, the services provided to those children were not services paid for by the State. The entities do get paid by the State to care for children who are in the State's foster care system. Removal of the exemptions, and the rate cuts proposed by the Department of Human Services, would be disastrous with many providers expected to close their doors. Chairman Frazier noted that he had been a foster care parent to seven children.

Pat Puckett, with the Georgia Statewide Independent Living Council and 2020 Georgia, talked about the appreciation for a balanced approach to budgeting. However, she urged that there needs to be consideration of the "price of neglect" and impact of 33,000 Georgians who do not work because of the need to provide care to a loved one with a disability.

The Mayor Pro Tem of Smyrna discussed preserving the powers of local governments because the local governments are "closest to the people" and know what they want and need.

Danny Orrock, with Georgia Watch a consumers' advocacy group, testified about the Hospital Accountability Project that his group has undertaken in the last year. Mr. Orrock stated that while not-for-profit hospitals have enjoyed sales and property tax exemptions, there is not a clear known quantity of what the State foregoes in terms of money not paid by these facilities. He acknowledged that these hospitals perform many worthwhile services and that the federal government is now trying to capture more of the hospitals' community benefits in their tax filings (Form 990s). Mr. Orrock noted that the definition of community benefit seemed somewhat vague and that the current system appears to be an "incomplete picture." While not at the forum to advocate for or against any one revenue enhancement, Mr. Orrock urged the Council members to obtain more information to know what these costs are. Tax Council Chairman Frazier remarked that the Council was not charged with raising revenue but it was to look at fairness and see if the tax system was "pro-growth." Further, he indicated that the Council will review every exemption.

Pat Willis, with Georgia's Voices for Children, spoke in support of increasing Georgia's Tobacco Tax. She explained that Voices was supportive of revenue policies that would provide for essential supports for children. Tax credits for day care services and larger tax deductions for families per child are also important and helpful to families.

Future meetings:

The Council will hold meetings on September 8, September 29, November 3, and December 1 in Atlanta.

Fact finding sessions (public forums) will be held:

August 30 – Augusta at the Doubletree Hotel

August 31 – Savannah at the Coastal Georgia Center Auditorium

September 1 – Valdosta at the Wiregrass Georgia Technical College

September 2 – Macon at Macon State College

September 7 – Rome at Forum Civic Center

September 9 – Gainesville at Gainesville State College