The Special Council on Tax Awareness and Fairness for Georgians held its fifth and final meeting yesterday, December 1, 2010. The Council used the meeting to vote and finalize a generic outline of their principles, new sales tax exemptions policies, and job friendly pro growth policies. These approved policies will supplement the final report of detailed suggestions rumored to be available by December 12-14th. The final report is required by law to be available to legislators by January 10th – the day the 2011 legislative session starts.

I. Guiding Principles:

The Council revised and adopted the guiding principles, which were originally established in the first meeting by Council members. Each tax structure suggestion by the Council must reflect each of these principles:

1. Growth Enhancing – Does the tax provide growth in Georgia?
2. Efficient – Is the tax efficient?
3. Stable – Is the tax stable?
4. Clear – Is the tax simple, understandable, and predictable?
5. Fair & Equitable – Is the tax fair?
6. Properly Developed – Is the tax well thought out?
7. Concurrent
    a. Provide Dispute Resolution: The new tax structure needs to include a "tax court" that resolves tax disputes at a state level. It needs to be unbiased, transparent, and cost effective for all parties.

The Council believes a "tax court" is imperative to resolve tax disputes quickly and accurately. There was wide support for this recommendation throughout the state.

II. Sales Tax Exemptions:

The Council agrees that sales tax exemptions are extremely important and should have an extensive amount of time for review. Therefore, the Council will suggest that sales tax exemption legislation must be introduced in the first year of the two year legislative cycle and then will be held for a vote until the second year. However, if immediate passage is needed, the legislature can use a super majority (2/3 vote) to override the two year waiting period. The legislature already has a similar procedure in place with retirement legislation. The Council plans to work on language to better craft the legislative time limits so as to prevent fiscal problems if tax legislation is laid over.

The Council also approved the creation of a Council subcommittee which will review "some" tax exemptions and decide if their sunsets should be permanent or not. Chairman Frazier suggested the sunsets should have a five-year standard sunset as opposed to the existing two-year standard review by Ways and Means. The Subcommittee will consist of Roy Fickling, Dr. Roger Tutterow, and Dr. David Sjoquist.

III. Job Friendly Pro Growth Policy

The Council, by suggestion of Chairman Frazier, passed a new corporate income tax credit procedure. The Chairman's intention is to provide more flexibility for the Department of Economic Development (GDEcD), to create a more competitive state, and allow the legislature some oversight of the process. The Council will recommend that the GDEcD craft a projected annual budget to the General Assembly. It is then the responsibility of the General Assembly to appropriate an amount and cap to GDEcD, which will be separate from the general budget. In order to simplify the application process, the GDEcD can award money based on a company's ability to create (1) jobs or (2) investment. All credits will remain subject to the approval of the Governor.

The Council decided to cut the meeting early, rather than discussing the last agenda topic – Personal Income Tax.

We will continue to keep you advised as we hear updates. If you have any questions, please email or call us at 404-659-0001.