



Q&A A.D. Frazier

Committee 'dealing with half the deck'

Panel takes up state, but not local, tax reform, fairness.

By James Salzer
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A.D. Frazier was at Young Harris College's graduation last May when he bumped into Georgia House Speaker David Ralston, who mentioned the state's new council to rewrite Georgia's tax system.

"I said, well, that's going to be a tough job," Frazier remembered.

"Later on his deputy called and asked if I would be willing to serve as one of the speaker's appointees, and I said 'of course.' I had no idea what it involved."

But the man who has served on everything from the state Board of Corrections to the board of the Atlanta Symphony Orchestra, who has run everything from the Chicago Stock Exchange to the finances of the Atlanta Committee for the Olympic Games, should have known what was coming next.

The new Special Council on Tax Reform and Fairness quickly voted him chairman, and now he's trying to keep up with his bank consulting business while meeting with state leaders, council members and anyone else who wants to have a say in the new state tax system the council hopes to create.

It is a massive undertaking. The council is charged with spending the next five months building a system that provides the revenue government needs to do its job but also gives businesses incentives to

create jobs. The council will consider whether the state should put a sales tax back on groceries and whether the state should charge a tax on services like haircuts.

It is supposed to figure out if cutting the income tax rate, or corporate taxes, would help create jobs.

And it will examine more than 100 special-interest tax breaks to determine if they help or hurt the state's economy.

Final recommendations go to the General Assembly for a vote when it convenes in January.

Frazier, who served as chief operating officer for the Olympics, has run major businesses since the Summer Games ended in 1996. He is a partner in Affiance, which helps community banks in Georgia. He and his wife, Clair, split their time between North Georgia and Atlanta when they are not on the road.

Frazier will see a lot of the road in the next few months. The 66-year-old has committed the council to travel across the state to get input.

The Atlanta Journal-Constitution caught up with Frazier to talk about the council's work and how the 1996 Olympics shaped him and Atlanta.

Q: Do you think the tax system needs to be updated?

A: There is no coherent set of principles that are guiding us. It was basically cobbled together over 50 years. The income tax rates were set in 1935. The sales tax has over 100 special exemptions. Those are the two big ones. But there is one thing that a lot of people don't know. We're up here dealing with sales tax, income tax, mo-



A.D. Frazier is chairman of the new Special Council on Tax Reform and Fairness and will oversee the rewriting of a new tax system in Georgia. Phil Skinner pskinner@ajc.com

tor fuels tax and if you take the [local] sales and the local property taxes together, they are at least three times what the state sales tax is. So we're talking about a set of tax issues where we're dealing with half the deck. If you look at us in comparison to other states, we're 44th in state income tax burden and 22nd in local tax burden.

Q: So will you be looking at property taxes?
A: No, it's not part of our job.

Q: During the Olympics, everybody wanted something out of the games. They wanted jobs, they wanted housing, they wanted to make money. How did that experience prepare you for what you are now going to be up against, which is 200 lobbyists wanting to preserve tax breaks or get new ones for their clients?

A: Legislators and lobbyists have been around forever, year after year. The Olympics was one time, and nobody knew what to expect. I think there was

a belief that the Olympics was a pot of gold and that we had all the money in the world and "I want to get my share." But nobody knew how. The Olympics turned out to be a financial success, astonishingly. We spread the dough around the best we could. At the end of the day, the knock-on effects were things we couldn't anticipate. The park turned out to be a huge impact. When people talk about dynamic impact of taxation, that's what they are talking about. What we've got to do is say, every time we look at this awesome power to tax, we've got to look at what ... will be the long-term impact.

Q: While politicians say tax policy, such as having no income tax, can attract businesses, I have talked to economists who say tax policy is more of a secondary issue. Do businesses come to Georgia, or leave, based on its tax system?

A: Anecdotally, we hear that businesses pick up

and leave to go to Tennessee and Florida. State corporate income taxes raise \$900 million [in a good year]. How much of an issue is that? I don't know. Florida has no state income [tax]. I was down there several years and I can tell you they make it up in other ways. It's easy to demagogue by saying Florida has no income tax and therefore we're at a disadvantage. I am going to say, show me the evidence. Ditto Tennessee. So, what we may find ourselves doing to get at the root causal factors is debunk some myths.

Q: Both the House speaker and lieutenant governor say they want a plan that is revenue neutral, a plan that doesn't raise taxes. Does that play into the equation when you are trying to decide what to tax, and what not to tax?

A: If they say that to me, then I'll have heard it. But I haven't heard it. We will be no stranger to the Legislature. If it's impor-

tant to the people who drafted this legislation and stand behind it that our work be revenue neutral, then that's important. I'm dealing with revenue. The Legislature in its wisdom can deal with expenses. What is revenue neutral? Let's say you lower the tax rate and expand the [sales tax] base. That's not revenue neutral. It's fair, maybe. But somebody is paying who didn't pay before.

Q: The council will work on a plan for five months and then give it to a new governor and General Assembly in 2011 to vote on. Is it frustrating to know it could all just be voted down?

A: Personally, it gives me great satisfaction to have a say. And because I feel that way, I am going to make sure anybody else who wants to have a say has a say. The only thing worse than a set of recommendations somebody else is going to decide on is a set of recommendations that nobody understands and doesn't know about. I am not expecting to hand this over to the Legislature like a turkey roasted at Thanksgiving. It might be a turkey, it might be roasted. But we will be talking to the Legislature all along. At the end of the day I will have an opinion on tax policy in Georgia on if or whether things should be changed and why they should be changed.

I think the Legislature formed this commission because certain issues were just too difficult to deal with politically through the normal give and take of legislative debate, ... If they vote it down, they vote it down.

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