February 3, 2011

Distinguished Colleagues,

In our January 7, 2011 report, the Special Council on Tax Reform and Fairness for Georgians presented to you a proposed revenue system that would provide the General Assembly with tools and options that would achieve revenue neutrality.

As we’ve discussed in our Council meetings and with you, it was always the Council’s goal to propose a revenue neutral tax system.

Allow me to clarify our intent. First, recommendations were made in each tax area based upon efficiency, stability, and equity considerations. Second, the personal income tax rate was then lowered to the point at which overall revenue neutrality was achieved. It was our intent to recommend the personal income tax rate as the balancing factor to achieve neutrality. By phasing in a rate reduction in 2012 that “does not exceed 5.0%”, in 2013 “does not exceed 4.5%”, and by 2014 “does not exceed 4%”, tax revenue collections should be approximately revenue neutral over that time period.

To ensure fiscal responsibility, the Council worded its personal income tax rate recommendation as a rate which “does not exceed” because the revenue forecasts for all tax areas are estimates. It is impossible to predict the exact amount of revenue that will be generated. Additionally, the pace and adoption of the recommendations will affect the flow of revenue to the state. If revenues come in faster than expected, then the personal income tax rate could go down faster. If revenues come in slower than expected, then the personal income tax rate would need to be calibrated accordingly.

To further solidify our intent, I convened the Tax Council on February 1 and called for a vote on this issue of revenue neutrality. We voted in unanimous agreement with the 8 members present on the call and from 2 members in writing to issue this amendment to the report restating and clarifying our intent of revenue neutrality as the goal in the recommendations.

If we can provide further clarification on this or any other recommendation, please let us know.

Sincerest Regards,

A.D. Frazier
Chair, Special Council on Tax Reform & Fairness for Georgians