



State and Local Tax System: GMA Comments and Recommendations

Tax Reform Council
September 29, 2010



- Value of Georgia's Cities
- How local taxes interact with the state tax system
- What works and what doesn't work about the current state tax system
- GMA's recommendations for consideration



Value of Cities

- Georgia cities make up 7.76% of the state's land area;
 - Cities are home to over 41% of the state's citizens
 - 64% of jobs in Georgia are located within city limits
- *Sources: land area=2009 Census Tiger shapefiles; population = 2009 Census Estimates; jobs data = Census Bureau Local Employment Dynamics Data, 2008*



Value of Cities

Cities are home to:

- 57% of the commercial property in the state
- 46% of the industrial property in the state

- *Source: property values from 2008 Georgia Dept. of Revenue consolidated digest summary reports*



Value of Cities

- 55% of all tax exempt property in the state is located within cities

- When the state acts, immediate impact on cities
 - Mandates, budget cuts
 - Cities have to cover those, plus meet service demands = \$\$\$
 - Where does the money come from?

- *Source: property values from 2008 Georgia Dept. of Revenue consolidated digest summary reports*



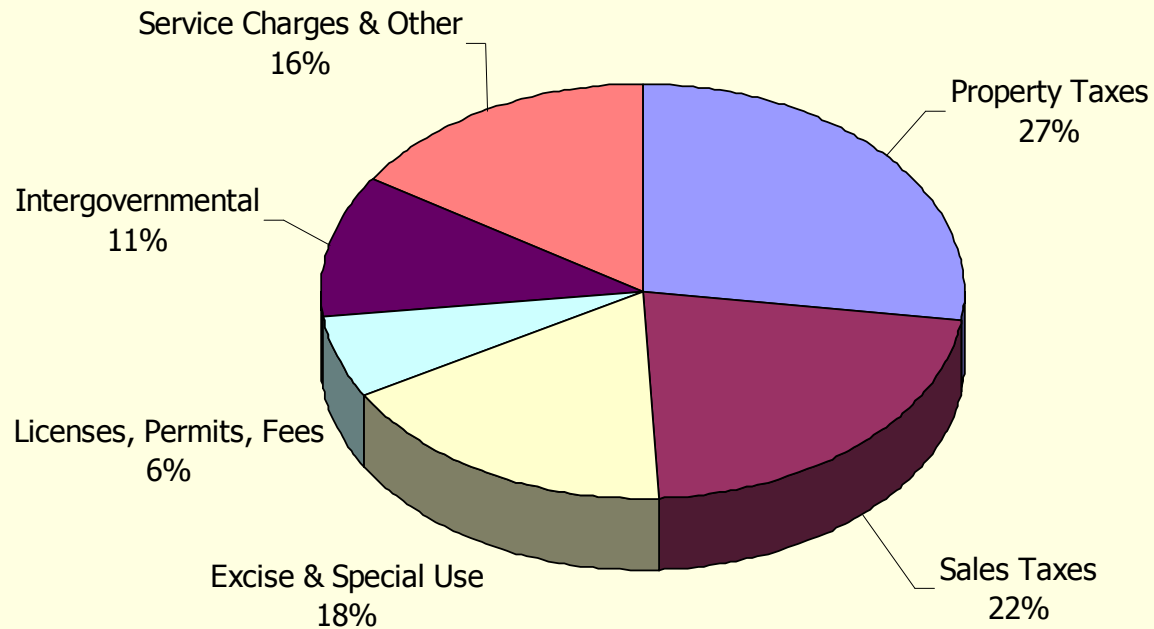
Revenue Sources

- Total municipal revenues, FYE 2008 = \$6.84 billion
 - General fund = \$3.21 billion
 - Enterprise funds = \$3.62 billion
- General Fund Revenues
 - Property taxes
 - Sales taxes
 - Excise and special use taxes
 - Licenses, permits, and fees
 - Intergovernmental
 - Service charges
 - Other



Revenue Sources

General Revenue Sources for Georgia Cities, FYE 2008



Source: DCA 2008 Local Government Finance Highlight Report, November 2009



Value of Cities

Cities are growing at a faster rate than the state's overall population

- Between 2000 and 2009, city population growth was 32% while the state's population growth was 20%
- Daytime population in cities increases by 34%

- *Sources: population data from 2009 Census bureau population estimates; daytime population data from Census 2000 data (most recent available)*



Telling the Story

- City of Decatur
 - No sales taxes
 - High property taxes & fees
 - Sells a quality of life

Recommendation:

- *All cities must have access to sales taxes*



Telling the Story

- Columbus Consolidated Government
 - Millage cap and cap on property assessment
 - 4% state sales tax + 1% ESPLOST + 2% LOST
 - 2nd LOST referendum passed by over 70%
 - 70% public safety; 30% roads and infrastructure

Recommendation:

- *All cities need authority to call for an extra sales tax penny for O&M and tax rollback*



Telling the Story

- City of Stockbridge
 - No property tax
 - Heavily reliant on sales taxes and fees
 - State sets limits on fees, charges for services, licenses

Recommendation:

- *To avoid levying property tax, cities need access to a variety of revenue sources*



GMA Recommendations

- *Recommendations:*

- *Extend full BEST for jobs for five years and include retail*
- *Authorize fractional up to a penny sales tax (tourism, arts, trails, etc.)*
 - *Creates jobs*
 - *Maximize existing infrastructure*



GMA Recommendations

Comments/ Recommendations:

- *Support existing businesses, keep jobs we already have*
 - *Incentives and tax breaks go to Greenfields, not existing business*
 - *Greater flexibility for TADs, PILOT, tax credits*
 - *Not State funding, just local authority and flexibility to support business*
- *GMA/ GCF Downtown Study with Fanning Leadership Institute*
 - *Downtowns are suffering, vacancies*
 - *More SBA assistance needed*



GMA Recommendations

Growth Demands:

- *Immediate impact on roads, fire, police, water, sewer, courts, health care*
- *Population growth impacts the state, creates new budgetary challenges*
 - *State is responsible for providing services, GMA does not fight the state's efforts to meet budget needs in the face of competing priorities (e.g., GEFA debt securitization)*
- *Likewise, cities need maximum flexibility to meet hard service demands – services cost real money*



Other Recommendations

- *Georgia Department of Revenue*
- *GMA policies support 1% to enhance DOR, equip with state of the art equipment and technology*
- *Compliance and collections are critical*
- *Simplify forms for sales tax reporting*
- *Improve turnaround (60 days -> 2 days) – avoid TANs*
- *Citizen Review Panel*



Other Recommendations

- *Franchise Fees*
- *Ad Valorem on Automobiles*
- *Inventory Tax*