

Special Council on Tax Reform and Fairness for Georgians

Wednesday, September 29, 2010 1:00 – 5:00 pm

Mercer University – Atlanta Campus

Council Members in Attendance:

Bradford Dickson – Tarpley and Underwood

Roy Fickling – Fickling & Company

A.D. Frazier – Affiance LLC

Gerry Harkins - 2010 Chair, National Federation of Independent Business

Dr. Jeffrey Humphreys – University of Georgia

D.E. “Skeeter” McCorkle – McCorkle Nurseries

Dr. Christine Ries – Georgia Tech

Dr. David Sjoquist – Georgia State University

Dr. Roger Tutterow – Mercer University

Meeting Minutes:

- **1:03pm Meeting called to order by AD Frazier**
 - Today’s meeting will take a different approach in that we will hear from those industries creating jobs and producing wealth in the state of Georgia.
 - Recognizes Dr. Richard Swindle of Mercer University to address the panel.

- **Senator Ralph Hudgens is recognized to address an issue**
 - The insurance premium tax inhibits the growth of insurance companies and the insurance industry in Georgia.
 - Policies written in Georgia are subject to (up to) 4.75% tax. This is the 3rd highest premium tax in the nation.
 - There are 103 domestic insurance companies in Georgia; To compare: Arizona has 327 companies and a tax of only 2%; Florida has 617 companies and a tax of only 1.75%
 - If a Georgia company writes a policy in another state with a lower tax rate, that Georgia company must pay a retaliation fee.

- **Presentation by John Krueger, SVP, Public Policy Georgia Chamber of Commerce**
 - Tax policy is only one factor that potential companies take into consideration when looking for a state in which to locate.
 - The Georgia Chamber supports changes to the tax code. This list can be found in Mr. Krueger’s presentation on our website.
 - Four important factors:
 - Competitiveness
 - Continuity and flexibility
 - Incentives for job creation and investment
 - Accountability
 - The Chamber does understand that elimination of a tax does carry a cost.
** Georgia Chamber Presentation can be found on our website**
<http://fiscalresearch.gsu.edu/taxcouncil/>

- **Presentation by Bryan Tolar, VP Public Affairs, Agribusiness Council**
 - Agriculture diversity provides jobs
 - In 2008, the Farm gate value (product just on the farm, not headed to processing) was \$11.9B
 - In 2008 there was \$182.5B in Manufacturing – 45% of that was agricultural product
 - In 2/3 of Georgia’s counties, agriculture is either number one or number two for jobs and economy
 - Council favors exemptions on all inputs for “goods producing” sectors because this scenario would be most desirable for sustainability, job creation, and economic development.
 - ** Agribusiness Council Presentation can be found on our website**
 - <http://fiscalresearch.gsu.edu/taxcouncil/>

- **Presentation by Roy Bowen, President, Georgia Traditional Manufacturers Association**
 - August of 2010 there were 336,400 manufacturing employees in Georgia
 - Endorses no taxation of business inputs
 - Georgia is non competitive due to the taxation of energy used in manufacturing
 - ** GTMA Presentation can be found on our website**
 - <http://fiscalresearch.gsu.edu/taxcouncil/>

- **Presentation by Gregory Pierce, Atlanta Convention and Visitor’s Bureau**
 - Hospitality industry provides Revenue, Employment, Growth
 - Georgia’s numbers
 - 4th largest Convention Center
 - 217,000 employed in the metro area
 - 34M people visit annually
 - 6th largest hotel market with more than 94,000 rooms
 - ** Hospitality Presentation can be found on our website**
 - <http://fiscalresearch.gsu.edu/taxcouncil/>

- **2:20 – Q & A among industry presenters and the council members**
 - How far would exempting energy used in manufacturing go to help competitive with those neighbors with better electricity rates?
 - We would be close to par
 - What percentage of agricultural inputs is not exempt?
 - No percentage available. System is just convoluted- some things are exempted while others are not.
 - Example: Purchase of a farm tractor is exempt, work/repairs on that tractor not exempt.
 - Why is exemption on energy so important?
 - That is the second largest cost of conversion
 - Wouldn’t consumers benefit more from credits in another aspect?
 - Consumers don’t count their credits. They count their money. They keep up with what they spend and if cost of production is up, then prices go up. Consumers don’t like that.
 - What can we do to expand agribusiness?

- Farm production will keep growing naturally; we need to expand the processing/production system here to keep goods and jobs here.
 - Unify and simplify exemptions.
 - Create growth opportunities for existing businesses. This requires cutting down on taxation of inputs.
 - Enhance markets overseas.
- **Presentation by Lamar Norton, Director of Governmental Affairs, Georgia Municipal Association**
 - Local control is ultimate.
 - Cities take up 7.76% of the land area in Georgia.
 - Cities house 41% of the state's citizens.
 - 64% of jobs are inside city limits
 - State actions immediately impact cities.
 - Recommendations
 - All cities must have access to sales taxes
 - All cities need authority to all for an extra sales tax penny for maintenance and operations.
 - To avoid levying property tax cities need access to a variety of revenue sources.
 - Extend full BEST for jobs for five years and include retail.
 - Authorize fractional (up to a penny) sales tax (tourism, arts, trails, etc).
 - Support existing business, keep existing jobs
 - GMA/GCF is doing a Downtown Study with the Fanning Leadership Institute- finding that downtown areas are suffering from vacancies.
 - Growth demands immediately impact roads, fire, police, water, sewer, courts, health care.
 - Franchise fees
 - 35 years with Georgia Power – 4% of gross revenues in city limits
 - AGL – demand day charge
 - Bellsouth/ATT – 3% inside city limits
 - Cable – 5% federal rate that cities and counties share
 - Ad Valorem on Autos – elimination would result in a decrease of \$52 million for cities over a five year period.
 - ** GMA Presentation can be found on our website**
 - <http://fiscalresearch.gsu.edu/taxcouncil/>

3:15-3:25 – BREAK

- **Presentation by Clint Mueller – Legislative Director, Association of County Commissioners**
 - Presented remarks concerning county tax revenues in Georgia.
 - Georgia ranks second only to Texas in the number of counties, and our counties are the local arm of state government, such as through the court system.
 - Most Georgians live in unincorporated areas (not within municipal city limits).
 - While counties get the largest share (38 percent) of their revenue from property taxes, the property tax system is not easy for many citizens to understand.
 - Sales tax collections account for 22 percent of county revenue, with virtually all of the state's counties featuring a local option sales tax.

- He noted that special local option sales taxes have been critical to provide the infrastructure for growth, with such proposals enjoying a 97 percent passage rate since 2004.
 - He also highlighted other county revenue sources such as telecommunications and utility taxes.
 - Mr. Mueller also was critical of fees that end up being “taxes”---he stated that fees should go for their purpose in state law or otherwise they are taxes---and that the full costs of capital projects needs to be disclosed (i.e., the ongoing operating costs that result from completion of a capital project).
 - Important bills passed this session were SB 346 and HB 1093
 - His group hopes the regional transportation tax ballot measure passes.
- **4:00 – Panel Discussion: Emerging Industries in Georgia: Tino Mantella – Technology Association of Georgia , Carter Burton – Omni Surgical, Carol Henderson – Innovation and Technology Office of the Georgia Department of Economic Development, Danny Groves – Intermap**
 - Chairman A.D. Frazier asked panelist about the importance of the state’s tax code (compared with other factors) in a company’s decision to locate in Georgia. Mr. Burton noted that Texas does not have a state income tax, which he said was a “big deal”; however, the other three panelists did not concur that taxes were the most important factor.
 - Mr. Mantella said that taxes were in the middle of the pack here, but also cited the important of Hartsfield-Jackson Airport and cluster of financial technology companies already here (companies liking to operate in areas with other such successes).
 - In terms of promoting jobs in Georgia, HOPE and improvements to the K-12 system were cited, along with changing the income tax.
 - None of the panelists cited the state sales tax as a burden in locating a business here.
 - Asked by Council Chairman Frazier as to how Georgia stacks up with regard to jobs against Alabama, South Carolina and Tennessee, Mr. Mantella stated that Georgia competes with Tennessee in health care, but none suggested that Alabama or South Carolina were top competitors with Georgia.
 - Panelists suggested various tax changes that could be sought, such as with refundable tax credits and specialized ones.
 - Chairman Frazier noted it appeared that while taxes are an important factor in a business locating in the state, taxes do not stand out as the single most important factor in such business decisions.

Meeting adjourned at 5:05 pm.