

Dalton-Whitfield Chamber of Commerce
Tax Reform Council presentation
October 27, 2010

Opening Statement

Mr. Chairman, and members of the Tax Reform Council, good afternoon and welcome to Dalton. I am Brian Anderson, and have the privilege of being the President of the Dalton-Whitfield Chamber of Commerce. We are truly grateful for your service to our state and to this process. Tax policy is not glamorous yet extremely important. Thank you for giving our community the opportunity to provide input concerning improvements to the Georgia Tax Code.

As a former County Commissioner, I learned that good tax policy should be transparent, fair, understandable, and easy to administer. The process you are undertaking should focus on recommending changes that are based on those guiding principles. Understanding that the mandate given this council is not revenue generation, desired outcomes should be a more efficient and effective tax code that also improves our state's competitiveness.

As the voice of business, my comments will focus on those elements of the code that are critical to the continued success of our existing businesses and those that will consider investing in our state. It would also seem logical that this council would analyze the tax code of those we compete with and benchmark against those enjoying economic development success such as Alabama and Tennessee.

As I understand the challenge given this council that you were not to review or study the property tax process for Georgia, I would suggest that a review of the tax code may not be complete without considering the impact and inter-relatedness of the property tax process and other tax issues within our state.

I will recap business tax code issues as concisely as possible:

1. Single-factor apportionment
 - Georgia adopted single-factor apportionment in 2008
 - Most neighboring states use a three-factor formula
 - Benefits Georgia businesses that do operate in multi-state markets
 - Support retaining as part of Georgia's corporate income tax system

2. Bonus Depreciation
 - Federal tax law has adopted special "bonus" depreciation measures, that allow for more rapid expensing of equipment purchases, several times over the course of the last ten years

- These accelerated expensing measures promote capital investment, particularly in manufacturing.
 - Georgia has not adopted any of these bonus measures, requiring an “addback” of deductions to income for Georgia income tax purposes.
 - Support conforming to Federal tax law bonus depreciation provisions at a minimum yet in today’s economy a more aggressive depreciation level would attract capital investment, lead to job creation, and not cost the state any current revenue.
 - Given that many companies have built substantial cash reserves during this period of economic uncertainty, these same companies will be re-investing in capital projects and our tax code should be modified to take advantage of those investments.
3. Sales tax on energy and other business inputs (including services).
- Georgia currently collects sales tax on energy, while neighboring states do not
 - Information obtained from our three utility providers indicate approximately \$10 million in sales taxes directly tied to energy used in the manufacturing process are collected in Whitfield County alone (Dalton Utilities - \$6,000,000, Georgia Power - \$3,500,000, and NGEMC - \$850,000).
 - This is a competitive disadvantage vs other states.
 - Support general exclusion from sales tax of all “business inputs,” i.e. materials and services purchased by businesses. If all business inputs from raw materials to business services are taxed, the final product could become uncompetitive.
4. Sales tax collection system
- Currently sales tax collected at POS, remitted to state for accounting and distribution to local jurisdictions
 - Some have recommended remitting tax collected directly to local government authorities (i.e. 159 counties plus applicable municipalities), which would require reporting protocols for each jurisdiction
 - Oppose any collection system that would increase reporting burden by expanding the number of jurisdictional reports
 - However, we recognize that the current centralized system is not working efficiently and encourage the state to implement protocols that are more efficient and transparent in distributing taxes to local jurisdictions

Closing

Thank you again for being here today and listening to the recommendations from our community. We wish you well as you complete your work.