

Comments of Bud Butcher, Coweta County Dairyman
to the
Special Council on Tax Reform & Fairness for Georgians
Fact Finding Session, Blue Room, Freight Depot
Atlanta, Georgia
August 26, 2010

My name is Bud Butcher, and I live in Coweta County, just outside Senoia, Georgia. My son and I operate a dairy, and we milk 300 Holstein cows twice a day, seven days a week. This dairy has been in operation since 1980.

I am a member of the Coweta County Farm Bureau, and I have served on the Board of Directors for that organization for more than 20 years. It is a voluntary, unpaid position, and our purpose is to be the voice of farmers in Coweta County. Our county organization is affiliated with the Georgia Farm Bureau which likewise represents Georgia farmers.

Thank you for holding this public hearing. You are charged with making recommendations to the Lieutenant Governor and Speaker of the House about whether Georgia's tax code should be restructured before the next General Assembly is called into session. It is a daunting task, and I appreciate your willingness to hear the views of citizens.

The basic reason for the existence of the tax code is to raise revenue for government to accomplish its task. The tax code also affects behavior of individuals and businesses. Governments often offer tax incentives for new business to come into an area in hopes the new business will create additional jobs and expand the tax base. There are examples where that approach has been successful.

The tax code can also have negative effects on businesses. I urge the council to make it a high priority to consider how tax changes might negatively impact existing businesses. Local businesses pay taxes, provide jobs, make purchases, and offer other contributions to the local and state economy. It is important that tax changes don't harm the individuals and businesses that are already here.

Agriculture is one of the industries you need to consider when studying the tax code. Most people don't realize the economic significance of agriculture to Georgia's economy. According to the University of Georgia Center for Agribusiness & Economic Development, the food and fiber sector of Georgia's economy accounts for more than 355,000 jobs and sales of more than \$65 billion. In two thirds of Georgia's counties, agriculture is either the largest or second largest economic sector.

Since the passage of House Bill 1405, there has been much speculation surrounding what recommendations this council might make, particularly as it pertains to sales tax exemptions. You are to be commended for looking at all the options, and sales taxes make up a considerable amount of state revenue.

The sales tax issue is why I am here today. The sales tax is a consumption tax, and I understand that. However, to make production inputs subject to sales tax can have a dramatic negative impact on our economy. My farm is a perfect example.

If the state tax code is changed to charge sales taxes on the inputs to my dairy, that expense will be significant enough to jeopardize our operation. Over the weekend, I studied my records for the last several years. Below are average annual numbers for my dairy since 2006 for items that are currently not subject to sales tax.

<u>Item</u>	<u>Average Cost</u>	<u>7% Sales Tax</u>
Feed	\$500,000/year	\$35,000/year
Equipment	\$ 73,000/year	\$ 5,110/year
Breeding/Vet Services	\$ 32,000/year	\$ 2,240/year
Fertilizer/Chemicals	\$ 23,000/year	\$ 1,610/year
Seed	\$ 20,000/year	\$ 1,400/year
TOTAL	\$648,000/year	\$45,360/year

As you can see, if the inputs on my farm are subjected to an additional sales tax, it will cost me \$45,360 in an average year. That number represents a cash expense for which there is absolutely no corresponding return; no increased efficiency; no added value. Additionally, the expense does not decrease over time. It will be a constant drain on the bottom line. To be absolutely honest, I do not know whether we can meet that obligation and remain a viable operation.

It is clear from this example that the State of Georgia stands to gain approximately \$50,000 per year in revenue from farmers like me. However, I think it is important to recognize there will be costs if I, and other farmers like me, decide we can no longer continue our work.

First, there are six families living off our dairy: my son and I and our four employees. We all spend our money locally with area merchants. We pay local taxes to help fund our schools, roads, and other infrastructure.

When people visit my farm, they are often surprised to see an actual working dairy so close to metropolitan Atlanta. In fact, development has gone up all around our property. It has slowed due to the recent economic crisis, but it hasn't stopped. People who move to Coweta County generally do so because they want some "greenspace" – some undeveloped land where they can see things growing. My farm provides that. If we decide to sell out, I am confident the farm won't be purchased by another farmer. It will go for development, and instead of growing crops and pasture, it will be covered with houses.

Our dairy also contributes significantly to other businesses. For example, we purchase feed from Crystal Farms Mills in Gainesville, Georgia. They are a fine company with about 40 employees. They operate about 18 tractor trailer trucks delivering feed all over the state. Annually, they produce about 220,000 tons of livestock feed and their annual sales are around \$50 million. The entire enterprise has a tremendous impact on Georgia's economy, but it is all based on people like me buying their feed.

Most of my fertilizer business is done with Southern States Cooperative in Griffin, Georgia. There are 8 employees at that location, but nationally, Southern States has over 1200 locations in 23 states. My farm impacts the local John Deere dealer in Barnesville and other equipment and parts dealers. All of these businesses are closely tied to farmers.

My point is that farming is a foundation industry with ripple effects all over the economy. If Georgia farmers become less competitive because of tax changes, the effects will be much greater than just how it impacts my dairy.

Thank you for taking the time to consider these remarks.

Sincerely,

Bud Butcher
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