

2010 Special Council on
Tax Reform and Fairness for Georgians

Recommendations

January 7, 2011

Submitted by:



A.D. Frazier, Chair

Affiance LLC

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On behalf of the Council Staff:

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We would like to thank Governor Sonny Perdue for his counsel as we have discussed and debated the important issues set forth before the Council. He provided key insight based on his experience as Governor, managing the state through two global recessions with massive swings in tax revenues. His willingness to participate in this thorough process is appreciated by each member of the Council.

January 7, 2011

Distinguished Colleagues,

Our charge was to examine the tax code of Georgia, review it for fairness, and then recommend a new structure that would be as growth-friendly and as job-friendly as we could make it. This system of tax reform, as recommended, adopts the best modern thinking advisors provided to us. We are satisfied that our proposal for the Georgia tax code would be highly competitive with other states for jobs and would provide additional stability to our state's revenue streams. We were not charged with making this set of recommendations "revenue-neutral" although we have included it in our thinking.

I personally travelled to every one of the 11 fact finding sessions we held around the state in the summer of 2010. I heard from, and spoke to, over 750 Georgia citizens including farmers, poultry producers, mayors, city council members, corporate tax directors, graduate students, carpet manufacturers, real estate developers, property owners, and many, many more folks concerned with the state's current form of taxation. I give kudos to the Georgia Farm Bureau who, through their members, was the most prepared and vocal at each of our meetings. Individual citizens who came to the sessions were articulate, heart-felt, and passionate about their opinions and beliefs. I personally regret that we were not able to more fully address local property owners' concerns, but it just wasn't in our scope to do so.

We've learned much about the state of Georgia's competitiveness in attracting businesses over the last six months. We know that while corporate tax rates and tax credits are important to businesses interested in locating here, other economic factors have greater weight in the decision. These factors include quality of life, a trainable workforce, infrastructure such as roads, bridges, and transportation, inventory taxation, energy taxation as an input to manufacturing and agriculture, and quality of public k-12 schools. Our recommendations address these factors to the extent we can.

Consistent with our Guiding Principles, you'll see a shift in emphasis from taxing income and investments to an emphasis in taxing consumption where a wide range of personal choices can be made. Income and investment are key ingredients to economic growth. Consistent with the principle of fairness and equity, we took a critical look at exemptions to the state's sales tax system and other tax preferences and have made recommendations to eliminate or sunset many of those. Another overarching concern for us was maintaining the state's triple AAA bond rating. Loss of this AAA rating could cost the state hundreds of millions of dollars in unnecessary interest expense.

When we started this journey in July of last year, I was not certain what the outcome would be. The Tax Council members, whom you appointed, are an incredibly dedicated group of citizens with whom I have been proud to serve. We were supported by the best talent available. Georgia is at a crossroads and we believe there is no better time to reshape tax policy in this great state than now. We ask that the Legislature give a fair hearing to our recommendations and consider them as an integrated set of policy recommendations as they deal with the challenging economic environment in Georgia.

Submitted with profound respect for the responsibilities of the Governor, the Lieutenant Governor, the Speaker, the Legislature, and the citizens of Georgia,



A.D. Frazier, Chair

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Executive Summary

The mission of the Special Council for Tax Reform and Fairness for Georgians was to conduct a thorough study of the state's current revenue structure and to make a report of its findings and recommendations for legislation no later than January 10, 2011. The initial findings of the Council led to the determination that its recommendations should lead to the betterment of Georgia with the goal of changing the philosophy of taxation from income to consumption, increasing stability of tax revenues, and enhancing the perception of fairness for all. Ultimately, the results of these recommendations are to ensure Georgia as a pro-growth, job-friendly state in line with the 21st century economy.

<i>Tax</i>	<i>Recommendation</i>
Personal Income Tax	Simplify and Minimize Adjustments; Reduction of 6% rate over time such that rate does not exceed 5% in January 2012, does not exceed 4.5% in January 2013, and does not exceed 4% in 2014.
Corporate Income Tax	Simplify Credits; Maintain Parity with Personal Income Tax Rate
Sales Tax Exemptions	Keep Government Exemptions and Keep Business and Agriculture Input Exemptions; Eliminate or Sunset Other Exemptions
Food for Home Consumption Exemption	Eliminate Exemption
Casual Sales of Motor Vehicles, Watercraft, Aircraft	Impose Sales Tax on Casual Sales
Select Personal and Household Services	Impose Sales Tax on Select Personal and Household Services
Energy Used in Manufacturing, Mining & Agriculture	Create New Exemptions
Cigarette Tax	Raise to \$0.68/pack, the Average of Surrounding States
Communications Services	Replace Existing Tax and Fee Structure with 7% Excise Tax on Communications Services
Motor Fuel Tax	Change Rate Structure to Cents per Gallon Rate; Index to Highway Construction
Insurance Premium Tax	Reduce to a Rate of ~1.75% Which is Revenue Neutral for the State

Background

The Special Council on Tax Reform and Fairness for Georgians (the “Council”) was established in accordance with House Bill 1405 and signed into law by Governor Sonny Perdue on June 1, 2010 (*See Appendix A for HB 1405*). The Council was charged with conducting a thorough study of the state's current tax revenue structure and making a report of its findings and recommendations to the Speaker of the House and the Lieutenant Governor by January 10, 2011.

The Council consists of 11 members: Bradford Dickson of Windham Brannon PC, Roy Fickling of Fickling & Company, Gerry Harkins, 2010 Georgia Chairperson of the National Federation of Independent Business, Dr. Jeffrey Humphreys of the University of Georgia, Skeetter McCorkle of McCorkle Nurseries, Governor Sonny Perdue, Dr. Christine Ries of the Georgia Institute of Technology, Suzanne Sitherwood, 2010 Chairperson of the Georgia Chamber of Commerce, Dr. David Sjoquist of Georgia State University, and Dr. Roger Tutterow of Mercer University. (*See Appendix B for Council member bios*).

The Council held 6 meetings (*see Appendix C for meeting agendas*) and 11 fact finding sessions across the state. The presentations at the Council meetings, the written comments received at the fact finding sessions, and materials received by the Council can be found on the Council’s website at <http://fiscalresearch.gsu.edu/taxcouncil/index.htm>.

The Council held its kickoff meeting on July 28, 2010, and members elected A.D. Frazier as Chairman of the Council. Speakers at the kickoff meeting were Lieutenant Governor Casey Cagle, Speaker of the House David Ralston, and House Ways and Means Chair Larry O’Neal (*see Appendix D for a copy of their remarks*). They provided context for the establishment of the Council and gave the following guidance:

House Speaker Ralston:

- take a leadership role in developing a tax policy
- ensure a structure that is job friendly and small business friendly for the growth of our state

Lieutenant Governor Cagle:

- enhance the state’s economic prosperity and create job growth
- a fair and equitable tax structure for our fellow citizens
- have minimal impact on the services we provide our state’s citizens

House Ways & Means Chair O’Neal:

- suggest reformation of our code that will make it more stable, balanced, and reliable from the revenue generation perspective
- fair, transparent, understandable, easy, and inexpensive for taxpayers to comply

In its first working session, the Council heard presentations from the four economist members of the Council on guiding principles, the current state of Georgia's tax code, recent changes in Georgia's economy and relevance to the tax system, and tax reform initiatives in other states. In subsequent meetings, The Council heard expert presentations from various tax policy institutions and individuals including Georgia Public Policy Foundation, Georgia Budget and Policy Institute, Council on State Taxation, Federation of Tax Administrators, and the Institute on Taxation and Economic Policy. The Georgia Municipal Association, Association County Commissioners of Georgia, and the Georgia Chamber of Commerce along with established and emerging industry representatives also provided information and opinions to the Council.

The Council held 11 public fact finding sessions throughout the state to offer citizens and interested parties an opportunity to be heard and offer input. These sessions were held in Atlanta, Augusta, Savannah, Valdosta, Macon, Rome, Gainesville, Columbus, Albany, Blue Ridge, and Dalton. Over 750 individuals attended these meetings and approximately 200 individuals presented their opinions. Chairman Frazier attended every session and was joined by various members of the Council in each city. Additionally, over 60 fact finding interviews were conducted with state representatives from the Department of Revenue, Department of Economic Development, Department of Treasury, and with stakeholders in the Legislature and private sectors.

Though the Council was charged with analyzing only the state revenue structure, local tax issues were raised at all fact finding meetings, specifically issues with the property tax system. The Council considers property tax to be a local tax matter outside the scope of the Council, therefore makes no recommendations for specific changes to the property tax system.

Current Tax & Revenue Environment

Based on government finance data from the U.S. Census Bureau, state plus local taxes per capita in Georgia in 2008 was \$3,468, which ranked Georgia 39th among U.S. states. In 2008, state government taxes per capita were \$1,863, which Georgia ranked 45rd, while local taxes per capita were \$1,605, ranking Georgia 24th.¹ As reported in a forthcoming report by the Georgia State University Fiscal Research Center, Georgia, in 2010, has moved down to 49th in revenue per capita at \$1,492, bested only by South Carolina which is at \$1,473 per revenue capita. This data suggests that, relative to other states, state taxes in Georgia are very low while local taxes are approximately average. The Institute on Taxation and Economic Policy estimated the distribution of tax burden by income level for all 50 states for 2007 and reported that Georgia has the 19th most regressive state and local tax system in the U.S.²

¹ For a more complete comparison of Georgia's tax level to other states, see Robert Buschman (2010). *Comparing Georgia's Fiscal Policies to Regional and National Peers*. FRC Report 201.

² As cited by Georgia Budget and Policy Institute in *Advancing Georgia's 1930 Tax System to the Modern Day*, 2010.

Taxes as a percentage of total personal income generally ranged between 5.8 percent and 6.0 percent between 1985 and 2001, but since have fallen to 5.6 percent. This suggests that taxes, relative to the state's economy, have not increased and since 2001 have been below the historic level relative to the state's economy.

Georgia's combined state and local tax system, property taxes, sales taxes, and income taxes each account for 29 percent to 30 percent of total local and state tax revenue.³ The 2007-2009 recession had a significant effect on state revenues. Between FY 2008 and FY 2010, total state revenues decreased by 18.3 percent as reported by the Governor's Office of Planning and Budget.

	FY 2006 Reported	FY 2007 Reported	FY 2008 Reported	FY 2009 Reported	FY 2010 Preliminary
Taxes: Revenue					
Income Tax - Individual	\$8,021,933,827	\$8,820,794,306	\$8,829,480,886	7,814,552,113	\$7,021,855,000
Income Tax - Corporate	862,730,327	1,019,117,939	941,966,726	694,718,310	684,761,000
Sales and Use Tax	5,711,915,442	5,915,521,040	5,796,653,340	5,306,490,689	4,864,691,463
Motor Fuel	821,159,527	939,034,563	994,790,336	884,091,188	854,359,788
Tobacco Taxes	241,503,374	243,276,111	239,691,526	230,271,910	226,810,000
Alcoholic Beverages Tax	157,818,125	181,560,133	167,397,928	169,668,539	167,801,000
Estate Tax	12,786,407	1,426,030	12,325	82,990	0
Property Tax	72,138,489	77,842,189	80,257,696	83,106,994	85,744,000
Taxes: Other					
Insurance Premium Tax	342,982,442	341,745,785	348,218,618	314,338,992	274,367,272
Motor Vehicle License Tax	255,994,021	289,931,262	296,648,374	283,405,915	282,515,540
Total Taxes	\$16,500,961,980	\$17,830,249,357	\$17,695,117,754	\$15,780,727,640	\$14,462,905,063

There are two published rankings of the competitiveness of state tax systems.⁴ The Tax Foundation considers the structure of the various taxes. On that measure, Georgia ranks as having the 25th most business friendly tax system. The Council on State Taxation (COST) calculates business taxes as a share of state gross domestic product. On that measure Georgia ranks 10th. Site Selection magazine recently ranked Georgia 6th in terms of a place to do business.⁵

³ Calculated from U.S. Bureau of Census data for FY 2008.

⁴ Kail Padgett (October 26, 2010). *2011 State Business Tax Climate Index* (Eighth Edition) Background Paper No. 60. Washington, DC: The Tax Foundation; Quantitative Economics and Statistics Practice (QUEST) of Ernst & Young LLP in conjunction with the Council On State Taxation (March 2010). *Total state and local business taxes State-by-state estimates for fiscal year 2009*.

⁵ Ariel Hart (November 1, 2010). "North Carolina bests Georgia business climate". *Atlanta Journal-Constitution*. Available at <http://www.ajc.com/news/georgia-politics-elections/north-carolina-bests-georgia-711043.html> (access November 1, 2010).

While Georgia continues to attract population, employment growth has slowed. Earnings per worker, adjusted for inflation, have actually declined over the past decade. This decline in earnings per worker reflects the observation that Georgia is replacing good paying jobs with lower paying jobs.⁶ It is unclear what might explain these trends, but there are several possible explanations. First, Georgia grew rapidly over the 1980s and 1990s, and it is hard to maintain historic growth rates. Second, Georgia has been hit hard during the past three recessions. For the latest recessions, the industries that were hit hard in the U.S. in terms of employment loss are industries that are particularly important to Georgia such as manufacturing, agriculture, information services, transportation and warehousing, and real estate jobs. Thus, Georgia's industrial structure explains the relatively large job loss in the recent recessions.⁷

Overall, Georgia's taxes are low, have not increased over the past 30 years as measured by taxes as a share of personal income, and are competitive. Research on business firm location finds that while taxes matter, other factors seem to play a larger role. Factors such as functioning transportation systems⁸, availability of water, and the quality of public education are more important components of the decision-making process. While Georgia is a low tax state with a relatively competitive business environment, the existing tax structure contains duplication, lacks clarity, imposes significant compliance costs on taxpayers and hasn't kept pace with the modern economy.

Guiding Principles & Concurrence

The Council began its work with the creation of Guiding Principles based on economic theories that would help in the evaluation and recommendation of a tax structure. These Guiding Principles, as finalized, are:

- I. **Growth Enhancing:** Tax policy should foster strong economic growth, job creation, and a rising standard of living for all Georgians. This will occur through a tax structure that encourages investment in human and physical capital and technological advances, and that enhances Georgia's competitive position in regard to job creation, the development of new businesses, and the relocation of existing businesses into the state and the retention and expansion of businesses that are currently operating here.

⁶ Sean Turner (2009). *Georgia Per Capita Income: Identifying the Factors Contributing to the Growing Income Gap with Other States*, FRC Report 204; John Matthews (2009). *An Analysis of the Relative Decline in the Employment Income in Georgia*, FRC Report # 2005.

⁷ Zackary Hawley (2010). *Why Was the 2007 and 2009 Employment Loss in Georgia So Large?* FRC Report 213.

⁸ Hymel finds that increased congestion in metropolitan areas reduces the employment growth rate. Kent Hymel (2008). "Does traffic congestion reduce employment growth?" *Journal of Urban Economics* 65: 127-135,

II. **Efficient:** Tax structures should minimize distortions of both household economic choices and of capital and labor allocations by business. This implies that tax structures and levels should minimize interference with private economic decisions and that marginal tax rates should be as low as possible.

III. **Stable:** The system of taxation should be stable such that changes in state revenue occur in line with changes in the general level of economic activity so that frequent changes in tax rates and severe changes in the delivery of government services are avoided.

IV. **Clear:** Tax structures should be simple, understandable, and predictable. Each tax or revenue structure should be as simple as possible to increase voluntary compliance while lowering compliance and administrative costs. The tax structure should be relatively stable and predictable to avoid disrupting business and individual tax planning and to reflect the full economic and competitive effects of past actions. The tax system should be simple and designed so that costs of compliance, collection and enforcement are as low as possible and enforcement is as complete as possible.

V. **Fair and Equitable:** Tax burdens should recognize the ability to pay or benefits received. Similarly situated taxpayers should pay approximately the same amount of tax.

VI. **Properly Developed:** The Tax Reform Council should conduct its business openly and should develop its recommendations based on an analysis of the issues and options.

VII. **An Avenue for Resolution:** The system of taxation should include an avenue for resolving tax disputes that is unbiased, transparent, cost-effective for all parties, and easily accessible.

Concurrence:

Economists generally agree that economic growth and development is best served by a tax system that:

1. creates as few distortions in economic decision-making as possible;
2. has broad tax bases and low tax rates;
3. has few exemptions and special provisions;
4. promotes equity through transfers, subsidies, and tax credits rather than by having tax rates increase with income, and that is through progressive tax rate structures;
5. taxes consumption rather than income in order to encourage saving and investment; and
6. keeps tax rates low since taxes reduce the quantity or level of activity of the thing that is taxed.

While the Council considered each tax separately, it reviewed each tax area as a part of a larger tax system. Issues of competitiveness, job-friendliness, and equity were considered from a tax system perspective not just from the perspective of individual taxes. The equity of the tax system depends on the mix of revenue streams and making one tax more regressive can be offset by increasing progressivity in another tax so that there is the desired level of equity in the whole system.

Tax changes differ in how well they conform to the tax principles; some taxes do better on one score than another. The flatter the income tax rate, the less the tax affects behaviors (better on efficiency grounds), but the less progressive it is (worse on equity grounds). Creating more equity or fairness will generally require more complexity in the tax structure. The Council recognizes these trade-offs and proposes a set of tax changes that it believes creates a tax structure that best conforms overall to the Guiding Principles.

Strategies & Guidance

In addition to Guiding Principles, the Council developed strategies that guided decisions and helped to further evaluate alternatives. First and foremost, the Council believes in creating a tax structure that incents job growth and investment in job creation. Secondly, there is a belief by the Council that a tax system should focus on taxing consumption rather than income. Third, the Council believes in expanding the tax base and lowering the tax rate.

Furthermore, the Council sought tax alternatives that were relatively stable and represented a structural, recurring revenue stream to protect Georgia's AAA bond rating. *Moody's Roadmap 2010: U.S. States Governments July 11, 2010* report concludes that states that received and used federal fiscal stimulus funds may not be currently structurally balanced (recurring revenues meeting or exceeding recurring expenditures). Moody's indicated that the structural imbalance is generally less than 10% for AAA rated states such as Georgia, yet those states with structural imbalances will find it difficult to replace the stimulus dollars with recurring revenues.

As a result, Moody's has indicated their expectation to flag structural imbalances as a trigger for potential rating down-grades. Additionally, states that have exhausted their reserves will be viewed less positively than those states that have reserves or plans for replenishment. Lack of plans to replenish reserves is more characteristic of AA and lower-rated states. Georgia is one of nine states with an AAA bond rating, and if down-graded, would result in bond interest fees of approximately 10-20 additional basis points which cost Georgia taxpayers millions each year in additional interest.

An important component of a tax reform is estimating the effect of changes in tax rates and provisions upon tax revenue collections. This is frequently addressed through development of revenue estimates based on economic modeling. When using revenue estimates, two points should be acknowledged.

First, the revenue effects of rate changes cannot be known with perfect certainty. Even if the channels through which tax changes effect household and business behavior are well-understood, estimating the magnitude of these effects is not trivial. This challenge may be compounded by the need to estimate revenue impacts many years into the future. Further, changes in the macroeconomic environment can change revenue collections. Likewise, changes in the tax regimes of other states, or changes at the federal level, can also impact Georgia tax collections. All these factors insure that the revenue effects of rate changes cannot be known with perfect certainty.

Second, revenue estimates may utilize different methodologies or different data sources. As such, it is not uncommon that two reputable analysts will estimate different revenue impacts from a reform proposal.

In making recommendations, the Council acknowledges the complexity of estimating revenue impacts as well as the state's mandate to maintain a balanced budget. This acknowledgment will manifest in several ways including the selection of more conservative estimates of revenue collections, the designation of different dates for various changes in tax rates and bases, and the "phasing in" of tax changes over time.

Analysis and Recommendations

Personal Income Tax

The current personal income tax in Georgia is a complex system with numerous brackets, exemptions, deductions, and credits. The individual income tax return (Form 500) is over six pages and requires lengthy instructions and rate schedules. Georgia's personal income tax system is described as both relatively progressive (effective tax rates increase with increases in income and changes to the tax base) and relatively flat (the tax brackets change with as little as \$750 to \$1,000 in income). The current tax brackets (both rates and income levels) have remained unchanged since 1937, one exception being the elimination of the 7 percent bracket in 1955. The current 6 percent top marginal tax rate is reached at taxable incomes of \$7,000 and \$10,000 for a single and joint return, respectively.

Georgia is heavily reliant on the personal income tax as it accounts for almost half of the total tax revenues. This structure puts the state at risk for lack of diversity in its tax revenue streams as evidenced by the one-year \$1.0 billion dollar variance between FY2008 and FY2009. In addition, income tax collections have become volatile over the past decade.

	FY 2006 Reported	FY 2007 Reported	FY 2008 Reported	FY 2009 Reported	FY 2010 Preliminary
Income Tax - Individual	\$8,021,933,827	\$8,820,794,306	\$8,829,480,886	7,814,552,113	\$7,021,855,000

The Council's Guiding Principles infer that the tax burden should be shifted from income tax to sales and use tax or consumption tax. Revenues generated as the sales and use tax base is broadened should be used to lower income tax rates. Two neighboring states, Tennessee and Florida, do not tax personal income. Testimony given at Council meetings indicates that cutting personal income tax rates would be the most advantageous change Georgia could make to attract high-technology companies and jobs. The income tax system should also be simplified by eliminating deductions and exemptions where possible and maintaining the same rate for all taxpayers. Issues of progressivity (the share of income paid by low income individuals relative to high income individuals) should be achieved with offsets that target low income groups rather than skew the entire tax structure. This flatter tax structure has the added advantage of dramatically reducing the taxpayers' costs of compliance as well as the Department of Revenue's cost of audit and collection.

As mentioned previously, the Council views the tax structure holistically and considers how each type of tax works together as a system. Personal income tax includes taxation of individuals as well as taxation of

pass-through business owners who have structured their businesses as S-corporations, partnerships or limited liability companies. As these types of businesses continue to grow in Georgia, the personal income tax code should be kept at parity with the income tax structure for C corporations.

a. Starting point of calculation

Calculation of Georgia income tax begins with federal Adjusted Gross Income. Georgia piggybacks on the federal personal income tax by adopting most but not all of the changes that Congress makes to the Internal Revenue Code each year. In each session the Georgia General Assembly passes a “conformity bill” and determines which of the federal law changes occurring during the most recent calendar year will be adopted. (This same process applies to the corporate income tax.)

Adopting federal conformity reduces the burden in filing a Georgia tax return for many individuals but it puts Georgia somewhat at the mercy of tax changes made by the federal government. Timing of the conformity legislation is also problematic as it is typically approved in April when a fourth of the year has elapsed before taxpayers know what rules will apply for the previous tax year. This negatively affects the ability of taxpayers to do tax planning.

To get to Georgia Adjusted Gross Income, there are 9 adjustments that must be added to federal AGI and 19 adjustments that are subtracted from federal AGI. These non-conforming adjustments add complexity to the income tax. Overall these adjustments reduce federal AGI by about 38 percent. This overall adjustment includes both Georgia residents and nonresidents filing Georgia returns, and the bulk the adjustments are taken by non-residents required to pay some Georgia income tax. A significant portion of these adjustments are for income earned by taxpayers owning S corporations, partnerships, limited liability companies and other entities which report business and investment income to the individual owners.

Another significant adjustment includes a subtraction for elderly and retirement income, including social security and Tier 1 Railroad Retirement benefits. This adjustment alone accounts for 72 percent of the total adjustments for Georgia residents. Current Georgia law provides for an increasing retirement income exclusion over the next 5 years with a 100 percent exclusion of retirement income by 2016. The Council was unable to prove that this exclusion has a positive economic impact. The Fiscal Research Center estimates, upon full implementation, a revenue loss of over \$270 million from this exclusion.

b. Exemptions and Deductions

The current personal exemption is \$2,700 for filers and \$3,000 for dependents (the federal personal exemption is \$3,650 for 2010). These amounts have been in place since 1995. A substantial effect of the existence of personal exemptions is an increase in the progressivity of the tax (*the tax rate increases in proportion to the taxable income*).

Presently, taxpayers electing to itemize non-business deductions on their federal returns are required to itemize on their Georgia returns. Itemized deductions narrow the tax base, create non-conformity adjustments, complicate filing, and create distortions in fairness and efficiency that are not addressed in federal law. In addition, current Georgia law allows income taxes paid to the state to be included as an itemized deduction. This is not a common practice in other states and does not appear to have economic justification.

The current standard deduction is \$2,300 for single filers and \$3,000 for married couples filing jointly. By comparison, the federal standard deduction is \$5,700 and \$11,400 for singles and married couples filing jointly. These Georgia standard deductions were established in 1981 and have remained unchanged since that time. They create a significant marriage penalty as well as a loss in real value due to inflation over time. The Council believes this disparate treatment for joint filers violates the Guiding Principles of a fair and efficient tax system.

c. Credits

Georgia has a low income tax credit that, until 2010, was refundable. The maximum credit is \$26 per person for households with a federal AGI of \$6,000 or less and it phases out at income of \$20,000. The credit increases the progressivity of the tax system. The credit was established in 1991 and the value has remained unchanged. The credit is not indexed for inflation, therefore its value decreases over time.

Georgia has 10 personal income tax credits that do not depend on income. These credits reward certain types of behavior. There is no known evidence as to the effect or effectiveness of these credits.

The Council recommends the following:

- ***Eliminate all adjustments to federal AGI so that Georgia AGI conforms to federal AGI with limited exceptions. Nonconformity exceptions to remain are: social security, interest and dividends from Georgia or Georgia municipal or subdivision obligations, adjustments related to federal credits, and adjustments affecting only tax years prior to 2012. Adjustments used to compute income from pass-through business entities are not to be affected by this provision.***
- ***Repeal the retirement income exclusion increases that are set to begin in 2012 and phase-out the current exclusion limit of \$35,000 over a period of time.***
- ***Replace the existing 6 tax brackets with a single flat tax rate not to exceed 4.0% effective January 2014. The current tax rate of 6.0% should be reduced progressively over the next three years in a manner such that the rate does not exceed 5.0% effective January 2012 and does not exceed 4.5% effective January 2013. By phasing in the rate reduction over time, the Legislature retains its ability to validate the effects of rate reductions on tax collections. In the event that economic conditions cause tax revenues to grow more slowly than anticipated, the Legislature may opt to defer the effective date of the rate reduction to 4%.***

- *Eliminate all Georgia itemized deductions, standard deductions and personal exemptions for taxpayers. Retain and modify personal exemption amount for dependents to \$2,000. Establish a personal credit that provides at least tax neutrality for low-income taxpayers. The personal credit is to mitigate the loss of deductions, exemptions, and credits. The credit phases out with increasing income and declines in future years as personal income tax rates fall. (See Appendix E for illustration of personal tax credit based on varying incomes and number of dependents)*
- *Sunset all other current personal income tax credits in 2014, including the current low income credit, except the following credits should remain: 1) credit for income taxes paid in other states, 2) federally-funded credit for energy and water efficient products, and 3) angel investor credit which contains a sunset in law. Credits earned prior to the sunset date should be grandfathered.*

The Fiscal Research Center estimates that reducing the personal income tax rate to a flat 5% would reduce tax revenues by \$650 million in FY 2012. Elimination of the retirement income exclusion should offset this revenue reduction by approximately \$272 million. (These forecasts are based on current law and current exemptions and deductions)

d. Non-resident/Part-year residents

Income of nonresidents and part-year residents is taxed differently than out-of-state income of Georgia residents. In particular, Georgia residents are taxed less favorably than non-residents under the existing structure requiring both the full inclusion of income derived outside of the state and a credit for taxes paid to other states on that same income. In contrast to other states, Georgia does not allow apportionment of pass-through income for Georgia residents. (Apportionment is the method by which income derived from multi-state activities is divided between the states) Although residents must include all of their pass-through income on their Georgia return, the state allows a credit for taxes paid in other states up to the amount that would be imposed by Georgia. If other states do not tax this income (such as Florida) the existing structure amounts to an indirect throwback rule for pass-through income. Georgia only allows a credit for taxes paid to other states up to an amount that would be due if the income were taxable in Georgia.

The Council recommends more study on the possibility of making the treatment of income from sources outside of Georgia for Georgia residents the same as that of taxable non-residents.

Corporate Income Tax

Georgia is regarded as having a business-friendly corporate income tax structure based on the relatively low rate and single sales factor apportionment. However, the revenue from the corporate income tax is very cyclical and has been declining relative to the size of the state's economy. There are many reasons for this decline, including the shift from C-corps to S-corps and LLCs, increased credits, and increased tax planning. The corporate income tax applies only to C-corps. The profits of S-corps, LLCs, and other pass through firms are taxed as personal income. Thus, firms pay different taxes depending on their organizational structure.

	FY 2006 Reported	FY 2007 Reported	FY 2008 Reported	FY 2009 Reported	FY 2010 Preliminary
Taxes: Revenue					
Income Tax - Corporate	862,730,327	1,019,117,939	941,966,726	694,718,310	684,761,000

Credits

Georgia has over 30 tax credits that can be claimed by businesses. Most, but not all of these credits, were designed for the purpose of promoting economic development and job growth. Other tax credits are aimed at advancing certain activities or industries. While the credits are usually referred to as corporate income tax credits, the credits can be taken by any non-corporate business.

There is little research that has evaluated the value of economic development tax credits in general and in Georgia in particular. Regarding job tax credits, the limited analysis that has been done suggests that only a small percentage of the jobs that receive a tax credit were created because of the credit. The most significant cost is the loss of tax revenue that results from the tax credits. The cost per job created because of the tax credit depends on the effectiveness of the credit in creating new jobs. If, for example, only one out of ten new jobs for which companies receive a tax credit can be truly attributed to the tax credit, then the state is subsidizing the other 9 jobs for the one job that is actually created by the credit.

The economic development credits include the following: Employer's Jobs Tax Credit, Quality Jobs Tax Credit, New Facilities Jobs Credit, New Manufacturing Facilities Property Credit, Manufacturer's Investment Tax Credit, Optional Investment Tax Credit, Investor's Credit, Port Activity Tax Credit, Alternate Port Activity Tax Credit, Film Tax Credit, Research Tax Credit, Seed-Capital Fund Credit, Tax Credit for Existing Business Enterprises undergoing qualified business expansion, and Cigarette Export Tax Credit.

The Film Tax credit has played a role in the substantially increasing number of film and television productions in Georgia; however, it is unclear if the revenues created by the additional productions actually exceed the cost of the state tax credits provided. With the exception of some permanent jobs and infrastructure that have been created in Georgia around this industry, generally the jobs involved in these productions last only as long as the filming. A fiscal note prepared in 2007 suggests that this particular

credit has a negative return. According to the Department of Economic Development, a new study of the return on investment of the Film Tax credit program is being undertaken now and should be completed early in 2011. Another example is the Low Income Housing credit. The Council has heard evidence that the Low Income Housing credit program has been effective at incenting the construction of affordable housing. However, the Council also heard evidence that when developers sell Low Income Housing credits that they receive about 30 cents on the dollar. Thus, for every \$1.00 the state pays out in credits, it gets only \$0.30 worth of housing development. Both of these credits have many advocates, however the Council has been unable to verify or refute the cost-benefit value, therefore, additional study may be warranted. Accordingly, the Council includes these two credits in the sunset recommendation.

In general, tax credits fail on most of the Guiding Principles adopted by the Council. Credits may distort behavior, for example, by encouraging firms to hire more workers than the market suggests is optimal. Credits may provide benefits to select firms and thus are unfair. Credits add complexity to the tax system. The Council heard evidence that the existing credits are complicated to apply for and to monitor; that generally they do not have much value to small and new firms; that the rules and regulations adopted to control the cost of the credits restrict the usefulness of the credits; that many of the credits are not used or used by a very small number of firms; and that some of the credits were designed for specific firms. A number of national tax policy think tanks, including the Tax Foundation, consider credits to be bad tax policy. Based solely on the Guiding Principles, it would be preferable to lower the tax rate for all firms rather than allow tax credits for selective firms.

Nevertheless, there may be reasons why it might be appropriate to provide tax credits, or other economic development financial incentives, such as the need to remain competitive with incentives offered by other states. If so, these need to be tested against the state's overall economic development strategic plan. Many other states offer incentives to specific businesses to entice them to relocate or expand in their state. Georgia seeks to be competitive, as well, when it comes to enticing businesses to relocate, expand, or incubate and may find itself competing with other states for businesses. To the extent that Georgia offers incentives to specific firms, these incentives or tax credits should be measured, tracked, and evaluated to determine if they yield a positive net return for the state. If tax credits are going to be used, the following are criteria that should be considered in selecting or designing tax credit programs:

- If the objective of tax credits is simply to reduce taxes, then the credits should be against tax liability.
- If the objective is to provide an incentive for a firm to create jobs, then the value of the credit to the firm should be independent of whether the firm has tax liability. This could be done by allowing the credits to be sold or making them refundable.
- Tax credits should be targeted to the appropriate objectives, and evaluated as to whether they achieve their proposed objective.

- Tax credits should yield a positive net return to the state.

The Council recommends the following:

- *Maintain parity of tax rates for corporations and individuals by taxing both at a rate no greater than 5% in January 2012, future reductions in corporate tax income tax rate should match the personal income tax rate. This change is estimated to reduce corporate income tax revenues by approximately \$100 million in 2012.*
- *Eliminate all current economic development tax credits in 2012.*
- *Create a fund, with an annual dollar cap set by the Legislature, to allow the Department of Economic Development to attract new and existing businesses considering locating or expanding in Georgia. The Department of Economic Development should be granted the authority to craft the rules and regulations for application. The fund would be used to convert the current system of economic development tax credits to two credits based upon 1) the number of jobs created or 2) the amount of capital investment. The Department of Economic Development should be granted the authority to craft the rules and regulations for these two new credits, and the credits should be made available to any company, large or small, existing or new to Georgia. These credits would be allocated by the Department of Economic Development (rather than be allowed by law).*
- *Sunset all other existing corporate tax credits in 2014. Credits earned prior to sunset date should be grandfathered.*

Sales and Use Tax

The current sales and use tax base has not kept pace with changes in the Georgia economy, in particular, with the growing importance of services and remote sales. In addition, the state has adopted numerous sales tax exemptions that have eroded the base. The objective of the recommended changes to the sales tax code is to expand the tax base to match the changes in Georgia's economy, reduce distortions, increase long-run growth and stability of revenues, and improve tax compliance.

	FY 2006 Reported	FY 2007 Reported	FY 2008 Reported	FY 2009 Reported	FY 2010 Preliminary
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Taxes: Revenue

Sales and Use Tax- General	5,711,915,442	5,915,521,040	5,796,653,340	5,306,490,689	4,864,691,463
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a. Current Exemptions

There are currently more than 110 sales tax exemptions in Georgia's tax code today. These exemptions can be classified into those for purchases by government and governmental agencies, by agriculture

businesses, by health providers and consumers of health products, by other industries and specific firms, by certain specified nonprofits, and by households.

Exemptions have the effect of reducing the sales tax base, which requires a higher tax rate to generate the same revenue. Limiting exemptions on final consumption transactions will enhance fairness and equity among taxpayers, enhance stability of sales tax revenues, and improve clarity and predictability. Exemptions that only apply to specific sales taxes, such as state and LOST, increase compliance costs and should be avoided.

The Council's recommendations regarding the current exemptions fall into the following categories (*See Appendix F*):

- 1) Exemptions recommended to be retained – do not eliminate or sunset
 - a. Government
 - b. Business inputs
 - c. Agricultural input exemptions – to be covered by new agricultural exemption policy (*See Appendix G*)
 - d. Manufacturing input exemptions - to be covered by new manufacturing exemption language (*See Appendix H*)
- 2) Eliminate June 30, 2011.
- 3) Sunset on or before June 30, 2014. These exemptions should be allowed to sunset with strong consideration to not allow reinstatement in some categories. At each sunset, the Legislature should examine the effect, viability, and return on cost of these exemptions.
 - a. Government Authorities
 - b. Healthcare
 - c. Education
 - d. Non Profit
 - e. Miscellaneous
- 4) Expired/Expiring. Allow to expire or to remain expired without consideration for reinstatement.

With regard to exemption from sales and use tax, the Council understands that there are public policy considerations beyond the economic principles which the Council employed in its review. In recommending that an exemption sunset, the Council is suggesting that the exemption be reviewed to see if the justification employed when the exemption was granted remains valid and whether the existing definitions and language in the exemption are still appropriate. The Council acknowledges and expects that many of the exemptions scheduled to sunset will be reviewed and evaluated particularly

among those recommended to sunset in June 30, 2014. The Council believes it is important that an affirmative vote by the Legislature be required on a periodic basis to ensure that the state is receiving the intended benefit of the exemption.

The Council recommends the above categorization of the current exemptions (with a list of all current exemptions by category provided in Appendix F).

1. Food for Home Consumption

The state of Georgia began exempting the sales tax on food for home consumption in 1996. The sales tax exemption for food removed one of the most significant portions of the sales tax base, thereby negatively impacting the stability of sales tax revenues. According to the Federation of Tax Administrators, as of January 1, 2010, at least 17 states impose state and/or local sales taxes on food, including Alabama, Tennessee, and Mississippi. Further, though South Carolina exempted food from sales tax in 2007, the December 2010 report of South Carolina's Tax Realignment Commission recommends that South Carolina re-impose sales tax on food.⁹

Sales tax on food may be viewed as inherently regressive, meaning that lower income families pay a higher proportion of their income on such taxes. However, in general, exempting certain goods and services for equity reasons is a very crude instrument for reducing the tax burden on low-income families because wealthy families will benefit more from the exemption than low-income families.

Businesses selling grocery items already collect local sales taxes on food and state and local sales taxes on non-food items, therefore such businesses should not be burdened by having to begin collecting the state sales tax on food. Removing this exemption will increase the stability of the sales tax base and eliminate the distortion between the taxation on eating out and eating at home. An estimate from the Georgia State University Fiscal Research Center indicates that an elimination of the exemption on food for home consumption will generate approximately \$472 million in additional sales tax revenues. Another estimate from the Georgia Public Policy Foundation suggests an additional \$649 million in tax revenues.

The Council recommends that the food for home consumption exemption be eliminated June 30, 2011, and that the exemption for food purchased with food stamps (Supplemental Nutrition Assistance Program) and WIC (Women, Infants, and Children) be retained.

⁹ *Final Report of the South Carolina Taxation Realignment Commission*, December 2010
<http://www.scstatehouse.gov/citizensinterestpage/TRAC/FinalDocuments/TRACFinalReport.pdf>

2. Government Exemptions & Business Inputs

There are several government sales tax exemptions currently in the tax code. These include sales to the federal government, to the State of Georgia, and to counties and municipalities. The theory behind exempting government purchases is that if such purchases are taxed, the cost would be passed on in the services provided to taxpayers, therefore creating inefficiencies. Furthermore, there are legal restrictions on taxing the federal government.

Many of Georgia's current sales tax exemptions constitute business inputs for agriculture, manufacturing, and mining. When sales tax is levied on inputs at each stage of production, and is therefore included in the price of the final product, tax pyramiding occurs. The tax on inputs is built into the price of the final product or service which is itself subject to a sales tax paid by the consumer. Taxing business inputs creates inefficiencies because of this pyramiding effect. The Council on State Taxation's (COST) Policy Position titled "Sales Taxation of Business Inputs" provides that sales taxes on business inputs violate several policy principles, many of which closely align with the Council's adopted Guiding Principles, including economic growth, equity, simplicity and efficiency. COST reports that, when a tax is imposed on an input, that the business must either pass on the increased costs to consumers or reduce their economic activity in order to remain competitive with other producers that are not burdened by such taxes.

Taxing inputs also may negatively impact the competitiveness of a business. For example, Georgia currently taxes sales of energy used in manufacturing, however surrounding states do not. Therefore, companies with significant energy costs are likely to locate or expand their operations in these bordering states in order to gain cost efficiencies in production.

Current business input exemptions are appropriate. If these were removed or eliminated, tax pyramiding would occur in these businesses' transactions which would negatively impact the competitiveness of our state in attracting and retaining these businesses. Therefore, retention of these input exemptions would be in alignment with the Council's Guiding Principles.

Overall, the current business input exemptions for manufacturing and agriculture have served the state relatively well, because the list reflects the importance of exempting from tax the items that are used in the production of goods. However, piecemeal development of these exemptions has imposed significant costs on businesses as the exemption code is overly complicated, sometimes contradictory, and unclear. This is particularly true in the manufacturing sector which bore, until 2008, significant costs of audit and compliance to determine which parts of the production process were exempt. These costs are passed on in the form of lower employment and higher prices and result in Georgia companies bearing higher costs than their competitors in states with more modern, transparent and rational tax codes. To address these concerns, the Council believes that exemptions for inputs for agriculture are inconsistent and should be modified and simplified into

one clean exemption that enhances fairness and equity among agricultural producers, and that a certification process for agriculture producers to qualify for the exemptions should be enacted. *(See Appendix G for suggested agricultural exemption language).*

The manufacturing industry has worked with the Department of Revenue to develop rules and regulations that clarify the application of the code and have reduced uncertainty and compliance costs. To enhance this predictability and transparency, the Council recommends the Legislature consider placement of this language in statute. *(See Appendix H for suggested manufacturing exemption language).* The Council also believes that a new exemption for energy used in manufacturing and an expanded exemption for energy used in agriculture are necessary to the sustainability of these vital industries in our state.

The Council recommends that sales and use tax exemptions which constitute governmental exemptions and business inputs should remain in law and should not sunset. The Council further recommends that a new business input exemption should be created for energy used in manufacturing, mining, and agriculture.

3. Sales Tax Holidays

Georgia has offered sales tax holidays on school items, apparel, and energy and water efficient products. While the Georgia Retail Association testified to the Council that it supports sales tax holidays and provided a Florida study demonstrating some positive economic impacts from such holidays in Florida¹⁰, the Council has determined that there are strong arguments against them. Sales tax holidays appear to have no effect on consumption other than to change the timing of purchases and shift the mix of items to those that are exempt.

Though economic literature is somewhat limited, it does provide some evidence against sales tax holidays. Among the findings are that consumers tend to shift consumption in time to take advantage of these holidays rather than increasing consumption, that higher income households are more likely than lower income ones to shift consumption in time, and that retailers do not fully pass along the tax savings from the sales tax holiday to consumers, absorbing a portion into profits instead.¹¹ There is some evidence that holidays can induce consumers who would not otherwise buy a computer to purchase lower priced desktop models (Cole 2009a), but there is no empirical evidence to suggest that holidays provide a material boost to a state's economy or tax

¹⁰ *An Analysis of the Costs and Benefits of a Sales Tax Holiday in Florida*, The Washington Economics Group, October 20, 2009, <http://www.georgiaretail.org/documents/BacktoSchoolSalesTaxHolidayOct20.pdf>

¹¹ Harper, Richard K., Richard R. Hawkins, Gregory S. Martin, and Richard Sjolander (2003). "Price Effects around a Sales Tax Holiday: An Exploratory Study." *Public Budgeting & Finance* 23, no. 4: 108-113.
Marwell, Nathan and Leslie McGranahan (2010). "The Effect of Sales Tax Holidays on Household Consumption Patterns." Working Paper No. 2010-06. Federal Reserve Bank of Chicago

revenues either through add-on sales of non-exempt items or by making the state's retailers more competitive with those of neighboring states.

The Fiscal Research Center reviewed monthly sales tax collections over the period 1986 through 2010 and the data shows that Georgia's back-to-school holidays reduced state revenues by 8 to 10 percent of otherwise expected August sales tax revenues, or \$36 to \$47 million annually. Local governments, on average, would experience similar percentage losses.

The Council recommends that the Legislature not re-enact sales tax holiday legislation.

4. Other Current Exemptions

There are many current exemptions in Georgia law that do not constitute government purchases or business inputs. For example, the sales and use tax code currently contains numerous exemptions for various non-profit entities as well as healthcare and education purchases. The Council believes placing a sunset on these exemptions will allow for the Legislature to determine if renewal of these exemptions is consistent with modern goals for tax policy and with the modern economy.

Healthcare is consumption, which in principle should be subject to the sales tax. The fact that much of healthcare is paid through Medicaid and Medicare makes taxing it through the sales tax system very difficult. Furthermore, the public is thought to consider a tax on healthcare as being unfair. Because the output of healthcare is not taxed, the pyramiding justification for exempting the inputs of healthcare is not relevant. Thus, exemptions of purchases by healthcare providers should be considered for elimination. The exemption of the purchase by consumers of certain medical equipment runs counter to the principle that the tax base be as broad as possible which implies that all final goods and services should be taxed. Thus, a sunset should be placed on these exemptions so the Legislature may determine if there are sufficient grounds for maintaining the exemption.

Education is provided by government, non-profit, and for-profit entities. Georgia should treat all education providers the same way so as not to give one entity an unfair competitive advantage. Because tuition is not subject to sales taxes, there is no pyramiding justification for exempting purchases by education entities. So, a sunset should be placed on these exemptions. Many of the education exemptions are for sales of goods not directly related to classroom activities. A sunset should also be placed on these exemptions.

A common justification for exempting certain goods or services or certain providers is that some important public purpose is served. Principal among these are non-profits serving charitable

purposes, although charities are only a small fraction of all non-profits. Serving the public purpose provides a justification for exempting purchases by charitable non-profits from the sales tax. However, goods and services sold by non-profit organizations should be taxed in order not to give non-profits an unfair competitive advantage. For example, Georgia taxes for-profit theater, so Georgia should tax tickets to non-profit shows. While a sales tax exemption may promote a public purpose, a direct appropriation may be a preferred method for supporting the public purpose. The advantage of a direct appropriation is that it makes the level of the government's support more apparent and not dependent on the organization's purpose of taxable items. The recommendation to eliminate or reconsider the elimination of a sales/use tax exemption should not necessarily indicate that the state should not support an activity or organization. However, in many cases the cost to the state with said support can easily be overlooked or misjudged if hidden in the tax code.

The Council recommends that all non-government and non-business input exemptions sunset so that the Legislature may determine if economic or non-economic justifications exist for renewing these exemptions. (See appendix F for the list of exemptions to sunset)

5. Policy & Process for Future Exemptions

The selection of which transactions or businesses receive exemptions appears to have had inconsistent application. The Council believes that, going forward, the Legislature should adopt policies for enacting future exemptions that treat similar taxpayers the same way, which will enhance predictability and fairness. For example, the Legislature could make a policy determination as to whether 501(c)(3) organizations should be treated differently from 501(c)(6) or 501(c)(7) organizations relative to tax-free purchases.

Georgia law requires a fiscal note to be prepared for all legislation with a significant revenue impact and that such fiscal notes be prepared within five days. The Council believes that this five day time period is inadequate to determine the full impact of tax legislation on the state's economy. Further, the Council understands that tax legislation is often significantly changed in the final days of the legislation session. For these reasons the Council believes that the processes for enacting tax legislation should be revised to ensure that an appropriate amount of review and analysis is given to this legislation. The Council understands that fiscal legislation affecting the state's retirement system is required to be introduced the first year of a legislative term and lay-over until the second year before passage. The Council believes that such a process should be used for tax legislation and tax credits as well, as it constitutes legislation which essentially appropriates taxpayer funds without going through the annual appropriations process. These changes will enhance transparency, fairness, and maintain stability of the tax base.

The Council recommends the Legislature determine an appropriate policy for adopting new exemptions and tax credits in the future. Specifically, the Council recommends that the Legislature adopt a consistent standard for future enactments of exemptions for non-profits, so that all are treated consistently under the tax laws in Georgia. The Council also recommends that future tax exemption and tax credit legislation should be required to be filed in the first year of a legislative term, and that such legislation be required to layover until the next year in the term, and that such legislation contain a stated sunset date. If an exemption or credit warrants passage in the introductory year of a legislative term, the Council recommends that a 2/3 vote be required for passage.

b. Casual Sales

Georgia does not currently levy sales and use tax on casual sales of titled personal property including automobiles, boats, and airplanes. *(This exemption is contained in the Department of Revenue's rules and regulations and not in code)* This creates a distortion in the marketplace as it creates an unfair disadvantage to licensed new and used dealers who must collect sales tax on their buyer transactions. Approximately 44 states currently tax casual sales transactions of motor vehicles. The principles generally supporting casual sales exemptions do not apply to the casual sales of motor vehicles, watercraft, and aircraft because the tax can be levied without significant administrative burden. Georgia already requires payment of sales tax upon registration of motor vehicles if the sales tax was not paid at the time of purchase from a dealer. The Legislature could determine the best source of a valuation for these items upon which to assess sales and use tax, whether that may be the Department of Revenue valuation guides already in existence for property tax purposes or industry book valuations. According to the Fiscal Research Center, the annual revenue loss due to not taxing casual sales of titled personal property is approximately \$151 million. The Georgia Independent Association of Automobile Dealers estimates such revenue loss to be approximately \$290 million.

The Council recommends that sales and use tax be applied to casual sales of titled personal property, including motor vehicles, watercraft, and aircraft.

c. Personal Services

Georgia's sales tax currently applies primarily to the purchase and rental of tangible personal property. Services are generally excluded. However, services have increased as a share of the economy, so a smaller share of consumption is being taxed under the sales tax. The Federation of Tax Administrators identified 166 services that at least one state taxed; Georgia currently taxes only 36 of those services. With most services excluded from the sales tax base, Georgia's sales tax revenues have lagged relative to the overall economy. Not taxing many services means that the tax base has become increasingly narrow,

requiring a higher tax rate to obtain the same revenue, and providing an incentive to purchase services rather than tangible personal property.

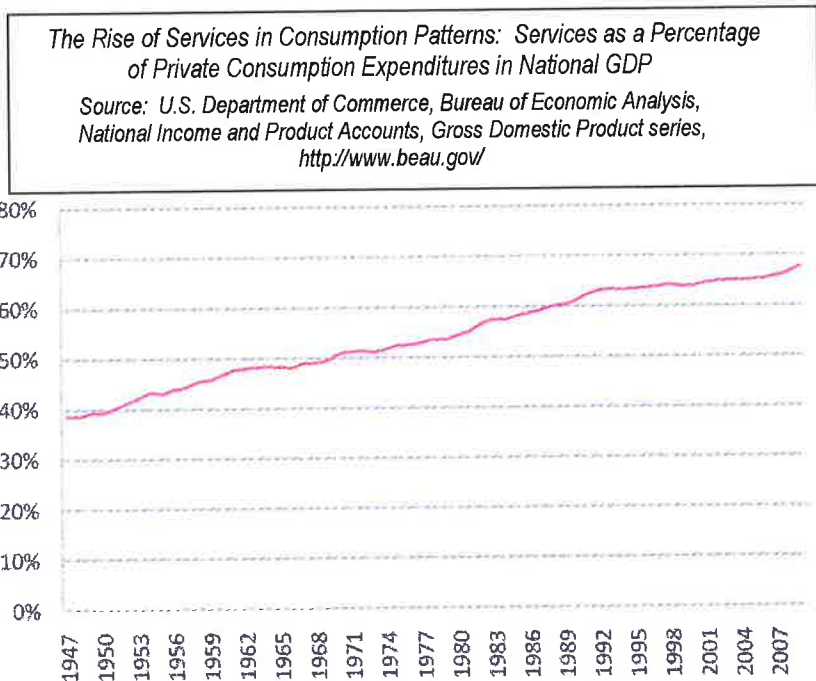
Exempting businesses in general from paying sales tax on services would conform to the principle of not taxing business-to-business purchases; however, this approach is likely to be more difficult administratively than avoiding taxing those services that are mainly taxed by businesses. Thus, in selecting services to be added to the sales tax, the Council avoided adding to the sales tax base those services mainly purchased by businesses but, rather, focused on those services purchased by consumers. Also in determining which services to tax,

consideration was given to the likelihood that if the sales tax is imposed on a service, producers may leave the state, that the service would be moved in-house, or that the purchases will be made out-of-state.

Georgia should not tax services for which the cost of ensuring compliance is high relative to the revenue that would be generated; such as babysitting services. The download of books, music, etc. from the Internet should be taxed. While compliance may be difficult, because books and CDs are taxed if purchased in stores, to be consistent Georgia should tax the electronic version. The Council focused on services that are tied to tangible personal property (such as repair services or services tied to a house) or to an individual (such as haircuts), services that have an easily definable situs, and services that are provided by vendors that already has a sales tax certificate.

These considerations led to the development of the list of services in Appendix I which the Council recommends adding to the sales tax base. Based on estimates from the Fiscal Research Center using data from the U.S. Department of Labor Consumer Expenditure Survey, these services are expected to generate an additional \$247 million in state sales tax revenues annually.

The Council recommends adding the services listed in Appendix I to the sales and use tax base.

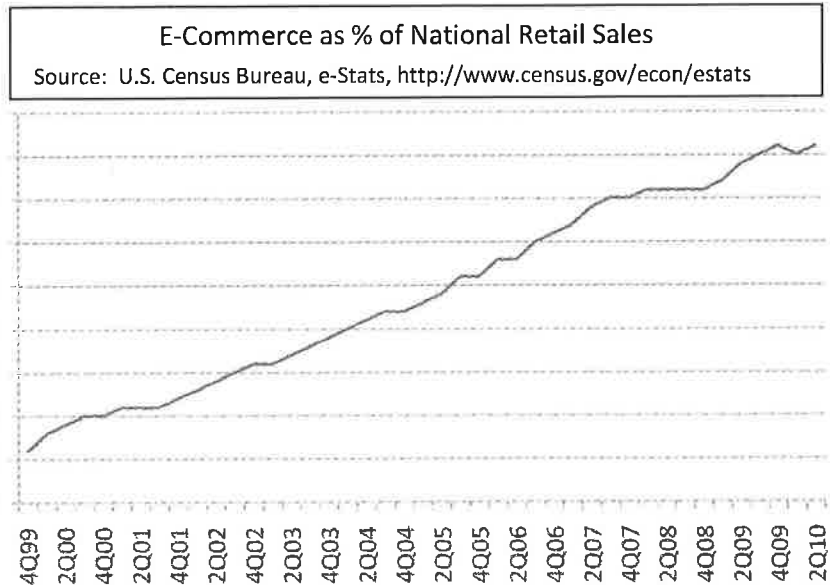


d. E-commerce Transactions

E-commerce transactions are an increasingly large segment of Georgia's economy. The state cannot require most remote vendors to collect sales tax on purchases made in Georgia as the result of a U.S. Supreme Court ruling in the *Quill* case. Physical presence, or nexus, of a vendor is a legal necessity for a state to be able to require an out of state retailer to collect sales or use tax. Collecting the use tax from buyers is not considered administratively feasible. The estimated revenue loss to Georgia from the inability to collect sales tax on e-commerce expected for 2012 is \$410 million.¹²

In order to facilitate collection of some of these revenues due the state, during the 2010 legislative session, Georgia passed legislation bringing the state into substantial compliance with the Streamlined Sales and Use Tax Agreement. The Streamlined Sales Tax project is an effort to promote uniformity in sales taxes across states, for example, by having common definitions of

products such as food, so as to simplify compliance by remote vendors. States that have joined Streamlined have found that remote vendors have voluntarily collected sales taxes. Georgia still has a few statutory provisions that are not in full compliance with the Streamlined Agreement; therefore Georgia is currently only eligible for associate membership. Other states have attempted to require remote vendors to collect sales taxes for their state by passing laws deeming that retailers that perform certain activities have nexus with the state. For example, New York enacted a law that effectively deems a retailer to have a physical presence within the state when it has independent "affiliate" Web sites in the state promoting sales on its behalf. New York's law has been dubbed the "Amazon" law because Amazon is the largest Internet retailer potentially affected by it. North Carolina and Rhode Island have enacted similar laws. Amazon is currently in litigation in the states that have enacted such laws. Other states have passed laws requiring remote vendors to report information about their customers. The state then contacts the buyer directly and requests payment of the use tax. These laws generally end up in litigation.



¹² Donald Bruce, William F. Fox, and LeAnn Luna (April 13, 2009). *State and Local Government Sales Tax Revenue Losses from Electronic Commerce*, Center for Business and Economic Research, The University of Tennessee. Available at <http://cber.utk.edu/ecomm/ecom0409.pdf>

The Council recommends that Georgia be brought into full compliance with the Streamlined Sales and Use Tax Agreement. Further, the Council recommends that measures be adopted to collect sales and use tax on remote purchases on a voluntary basis, such as using state resources and/or external recruiters, to entice the remote vendors to collect sales and use taxes for Georgia.

Cigarette Tax

Georgia has one of the lowest taxes on cigarettes in the nation. Smoking results in health care expenses borne by others. These expenses are either the payments that taxpayers make to cover part of the cost of health care expenses of smokers or because non-smokers suffer health care expenses caused by smokers, for example through second hand smoke.

FL: \$1.34/pack
TN: \$.62/pack
SC: \$.57/pack
NC: \$.45/pack
AL: \$.43/pack
GA: \$.37/pack

The state currently imposes an excise tax on cigarettes of \$0.37/pack. The national average is \$1.45/pack. Out of 50 states, Georgia had the 45th lowest rate as of February 1, 2010. [Tax Foundation, 2.1.10, *State Cigarette Excise Tax Rates*]. All surrounding states to Georgia tax below the national average. This revenue source is relatively inelastic and stable with little to no changes in consumer behavior influenced by price fluctuations. The Council is mindful of the importance of businesses in our border communities and therefore recommends keeping the rate competitive with neighboring states. Data provided to the Council shows that the rates on cigars and other tobacco products in Georgia are in line with, or higher than, most surrounding states.

The Council recommends that Georgia's cigarette tax be increased to the average of the surrounding states which is \$0.68/pack. This tax rate should be indexed for inflation in future years. The Fiscal Research Center estimates the state revenue impact for this increase is approximately \$120 - \$130 million.

Motor Fuel Tax

The maintenance and expansion of Georgia's highways and bridges are financed by fuel taxes, i.e., user taxes for which those who use (benefit from) the road system pay more in taxes. There are two taxes on gasoline which are dedicated for use on roads and bridges, a 7.5 cent per gallon tax and a 3 percent tax called the "prepaid state tax". The 7.5 cent tax was set in 1971. The 3 percent tax was carved out of the sales tax in 1989; the revenue replaced, about dollar for dollar, the General Fund revenue that was being appropriated to transportation. The 3% tax is converted to a cent per gallon rate every six months based on current retail gas prices. Because this component of the fuel tax is based on the price of gasoline, this causes significant fluctuations in the sole source of state revenues that are dedicated for transportation purposes.

Georgia's motor fuel tax on gas tax is presently at a total of \$0.151/gallon¹³ and the national average is \$0.223/gallon. On a per gallon basis, the combined fuel tax is the fourth lowest in the county. (This does not include local sales tax)

Revenue from these two taxes per vehicle mile traveled in inflation adjusted terms decreased over time until gas prices rose in the recent past, which increased the revenue from the 3 percent "prepaid state tax." Gas prices have moderated some, but vehicle miles traveled have also declined.

The Tax Council recommends converting the current 3% motor fuel tax on gasoline to a cents per gallon rate (no recommendation for change of the 1% state sales tax on gasoline) to be combined with the current 7.5 cents per gallon rate, and adjusting this total rate annually by the highway construction index.

Insurance Premium Tax

The insurance premium tax is a tax on premiums received on policies written in Georgia. Georgia is one of the few states with both a local and state insurance premium tax and the combined rate makes the total rate one of the highest in the country. For non-life insurance companies the combined tax rate is more than double the average U.S. insurance premium tax rate. Because Georgia-based insurance firms that write policies in other states pay the higher of the Georgia rate or the state's tax rate in which the policy is sold (amount over the other state's rate is the "retaliatory tax" component), there is a strong disincentive for locating an insurance business in Georgia.¹⁴ The state provides a tax abatement to any insurance firm that invests at least one-fourth of its portfolio in qualified Georgia assets. Only smaller firms can take advantage of this tax abatement since it would be imprudent for large firms to invest such a large percentage of its assets in Georgia. The state does not impose a premium tax on high deductible health insurance plans. While this was done to encourage the development of these plans, there is now a very large market for this product. Insurance companies can be required to make payments to cover unpaid claims of a bankrupt insurance company. Life insurance companies can deduct these payments against its premium tax but property-casualty firms cannot.

The Council received information that as a state's insurance premium tax rate is reduced, the amount of retaliatory taxes received by such state increases, which offsets the reduction in revenues from lowering the rate.

¹³ Georgia Department of Revenue Motor Fuel Tax Bulletin, Prepaid State Tax Rates Effective January 1, 2011. November 29, 2010. [https://etax.dor.ga.gov/salestax/bulletins/Prepaid Tax Rates for Motor Fuel.pdf](https://etax.dor.ga.gov/salestax/bulletins/Prepaid%20Tax%20Rates%20for%20Motor%20Fuel.pdf)

¹⁴ Grace, Martin. (2010). *The Georgia Premium Tax: Options for Reform*. Fiscal Research Center Brief 214.

The Council recommends that the total insurance premium tax rate for both life and property-casualty insurance be reduced to a rate of 1.75% which is believed to be revenue neutral for the State based on decreases in direct revenues offset by increases in retaliatory taxes. This will accomplish the objective of making Georgia competitive in attracting and retaining insurance companies. The Council believes the Legislature is the appropriate body to determine the portion of the state and local premium taxes which make up the 1.75% . It is assumed that if the reduction comes from local governments, the revenues that local governments currently receive from the premium tax is expected to be offset or increased from revenues generated by the broadened sales tax base and the communications services tax base.

Communications Services Tax

Georgia's current tax structure on communications taxes provides preferential treatment to some providers based solely on the type of infrastructure they use to deliver the product. For example, phone service provided over the Internet (VoIP) is not taxed while landline service is taxable. The tax structure is antiquated and should be updated to achieve tax parity and tax equity across a broad base of communications platforms. Additionally, some communications providers such as cable and telephone companies pay local franchise fees while other providers do not. Further, the businesses providing communications services that are currently taxable in Georgia are required to pay state and local sales and use taxes on much of their capital equipment inputs, resulting in tax pyramiding.

According to an Issue Analysis on Communications Tax Reform provided to the Council by the Georgia Public Policy Foundation¹⁵, several other states have identified the need to modernize their communications services taxes in order to have such taxes apply fairly to all communications service providers. North Carolina imposes a single sales tax of 8 percent on video and communications services as a part of their tax reform package and eliminated local franchise fees. Their sales tax is collected by the provider and remitted to the state, who then allocates a portion of the tax collected back to local governments. North Carolina also provides an equipment exemption from the sales tax for equipment used to provide communications services to avoid tax pyramiding. Virginia revised their communications tax policy in 2007 and created a general communications tax and eliminated local and state sales taxes and fees. Other states (DE, KY, MA, OH, TN, UT) have reviewed and revised their tax policy in the last ten years to ensure marketplace equity across all of their communications providers.

The Council recommends repealing the current sales and use taxes and franchise fees on video and telecommunications services and instituting a 7% excise tax on all "communication services" (not to include Internet access services which states are prohibited from taxing by the Internet Tax Freedom Act). To prevent tax pyramiding, the Council further recommends an exemption from the

¹⁵ Tresh, Eric, *Communications Tax Reform: Keeping Up With Emerging Technologies to Incent Investment and Promote Customer Choice*, Georgia Public Policy Foundation Issue Analysis, November 5, 2010

sales and use tax for property and services used by communications service providers for the purpose of providing communications services. This change in the taxation of communications services is expected to generate approximately \$166 million in state revenues according to an industry study.

Other Recommendations

- 1. Establish a tax court, independent of the Department of Revenue, to hear tax appeals and provide dispute resolution that is fair, equitable, simple, and transparent.**

Georgia currently lacks an efficient, cost-effective appeals process without bias. Georgia tax law has grown increasingly complex over time, resulting in the need for adjudicators with sufficient tax knowledge.¹⁶ The Council heard from numerous expert sources that an independent appeals forum would enhance Georgia's position as a business-friendly state.

The introduction of a tax court would enhance transparency in tax administration through increased publication of tax decisions as compared to unpublished decisions by the Office of State Administrative Hearings and county Superior Courts. The publication of tax court decisions would provide taxpayers with better guidance, leading to increased taxpayer compliance while also reducing taxpayers' ever-increasing costs of tax compliance.

- 2. Establish a Commission to study local property taxation policy.**
- 3. Consider allowing local governments and school boards the option of using special purpose local sales and use taxes that are currently dedicated to capital projects, leftover from completed capital projects, or from capital projects never initiated due to a change in the nature or need of the project, for maintenance and operations upon voter approval, if property taxes and/or inventory taxes are reduced in a corresponding amount.**

As the Council traveled around the State to hear from citizens about their concerns regarding taxation, it was made apparent to the Council that the property tax is the tax viewed by citizens as the most egregious, unfair tax in the State. The Council does not believe it is charged with addressing local taxation; therefore specific recommendations on property taxes are not included in this report. However, the Council believes the Legislature should study the ad valorem tax and consider allowing local governments more flexibility in the use of their local sales tax, as long as property taxes are reduced accordingly. In particular, the Council understands the ad valorem tax

¹⁶ *Georgia Tax Court Position Paper*, Tax Section of the Georgia Society of CPAs, November 3, 2009

on inventory to be the most anti-business tax in Georgia, and encourages the Legislature to provide a mechanism for elimination of this tax. The Council would also include in any review of property taxes a systematic evaluation of the assessment procedures so that they are consistently applied throughout the 159 Georgia counties.

4. Review the organization, practices, and processes of the Department of Revenue to better serve the businesses and citizens of Georgia.

There is widespread discontent held by taxpayers relating to the difficulty of communicating and working with the Department of Revenue. The Georgia Society of CPAs included several options for improving the practices of the Department in a document submitted to the Council¹⁷, and the Council believes several of these ideas have merit.

Specifically, the Council believes any advice memoranda prepared by the Department relating to clarifications of Georgia tax law should be available to the public. Similarly, administrative judge rulings should be published. These will provide useful guidance to taxpayers, may reduce the incidence of tax disputes, and may obviate the need for many appeals. Furthermore, this would eliminate any advantage of the Department in litigation, enhancing fairness and mitigating the appearance of bias.

- 5. Establish better alignment of the Department of Revenue with local governments relative to timely reimbursements, transparency and accounting of payments, and pursuit of identifying abuse and uncollected sales tax revenues.**
- 6. Review the state's tax revenue structure every 4 – 8 years immediately following the gubernatorial election cycle.**
- 7. Establish look-back analyses for effectiveness of credits and exemptions decisions.**
- 8. Seek to rebuild reserves to protect the state's AAA bond rating.**

¹⁷ *Comments to the Special Council on Tax Reform and Fairness for Georgians*, The Georgia Society of CPAs

Appendices

Appendix A – HB 1405

Appendix B – Council Member Biographies

Appendix C – Meeting Agendas

Appendix D – Legislator Remarks at Kickoff Meeting, July 28, 2010

Appendix E - PIT Tax Credit Chart Recommendations

Appendix F – Recommendations on Current Exemptions

Appendix G – Recommendations on Agriculture Exemption Language

Appendix H – Recommendations on Manufacturing Exemption Language

Appendix I - Services to be Added to the Sales Base

Appendix A – HB 1405

House Bill 1405 (AS PASSED HOUSE AND SENATE)

By: Representatives O'Neal of the 146th, Ralston of the 7th, Keen of the 179th, Jones of the 46th, Bryant of the 160th, and others

A BILL TO BE ENTITLED
AN ACT

1 To amend Title 28 of the Official Code of Georgia Annotated, relating to the General
2 Assembly, so as to create the 2010 Special Council on Tax Reform and Fairness for
3 Georgians and the Special Joint Committee on Georgia Revenue Structure; to state legislative
4 findings and intent; to make provisions relative to legislative procedure for consideration of
5 legislation recommended by the council and the special joint committee; to provide for
6 related matters; to provide for automatic repeal; to provide an effective date; to repeal
7 conflicting laws; and for other purposes.

8 BE IT ENACTED BY THE GENERAL ASSEMBLY OF GEORGIA:

9 SECTION 1.

10 Title 28 of the Official Code of Georgia Annotated, relating to the General Assembly, is
11 amended by adding a new chapter to read as follows:

12 "CHAPTER 12

13 28-12-1.

14 (a) The General Assembly finds and determines that:

15 (1) It has been many years since there has been any systematic study of the State of

16 Georgia's revenue structure, and there exists a need for such study today;

17 (2) Such study and the formulation of recommendations for tax structure changes which
18 may be recommended as a result can be best carried out through the council established
19 by this chapter; and

20 (3) Enactment of the recommendations from such process, if deemed appropriate at the
21 2011 session of the General Assembly, may be best carried out through a deliberative and
22 specific legislative process.

23 (b) It is the intention of the General Assembly that:

24 (1) The 2010 Special Council on Tax Reform and Fairness for Georgians created in Code
25 Section 28-12-2 shall during 2010 conduct a thorough study of the state's current revenue

26 structure and make a report of its findings and recommendations for legislation to the
27 Speaker of the House and the Lieutenant Governor no later than January 10, 2011;

28 (2) The Special Joint Committee on Georgia Revenue Structure created in Code Section
29 28-12-3 shall during the 2011 legislative session cause to be introduced in the House of
30 Representatives one or more bills or resolutions incorporating without significant changes
31 the recommendations of the council, and such legislation shall, after its introduction, be
32 referred directly and only to the special joint committee;

33 (3) If the special joint committee recommends that one or more bills or resolutions
34 referred to it do pass or do pass by committee substitute, the measure or measures
35 recommended by the special joint committee shall then be in order for consideration only
36 by the House of Representatives at any time fixed by the Speaker of the House. Any such
37 bill or resolution shall be reported directly to the floor of the House and shall receive an
38 up or down vote as reported from the special joint committee without amendment;

39 (4) If one or more bills or resolutions referred by the special joint committee are passed
40 by the House of Representatives, the measure or measures shall then be in order for
41 consideration only by the Senate at any time fixed by the President of the Senate. Any
42 such bill or resolution shall be reported directly to the floor of the Senate and shall
43 receive an up or down vote as reported from the House without amendment;

44 (5) Any bills or resolutions considered as provided for in this Code section shall be read
45 three times on three separate days in each house and shall be considered in compliance
46 with all other requirements of the Constitution;

47 (6) The rules of the Senate and the House of Representatives for the 2011 legislative
48 session may, as adopted or as amended, contain such provisions as may be necessary or
49 appropriate to comply with the legislative process specified by this Code section.

50 28-12-2.

51 (a) There is created the 2010 Special Council on Tax Reform and Fairness for Georgians
52 which shall consist of 11 members as follows:

53 (1) Four economists: Dr. David Sjoquist of Georgia State University, Dr. Jeffrey
54 Humphreys of the University of Georgia, Dr. Roger Tutterow of Mercer University, and
55 Dr. Christine Ries of Georgia Tech;

56 (2) Governor Sonny Perdue;

57 (3) The 2010 chairperson of the Georgia Chamber of Commerce and the 2010 Georgia
58 chairperson of the National Federation of Independent Business; and

59 (4) Two members appointed by the Lieutenant Governor and two members appointed
60 by the Speaker of the House.

61 (b) Any member of the council unable to serve shall be replaced at the discretion of the
 62 Speaker of the House and the Lieutenant Governor;

63 (c) All departments and agencies of the state, including the Department of Revenue, shall,
 64 upon request of the council or the Governor, provide requested services, information, and
 65 staff support for the council, notwithstanding any other law to the contrary.

66 (d) Members of the council shall receive no compensation for their services, except that
 67 any members who are state officers or employees may be reimbursed for expenses incurred
 68 in the performance of their duties by the agency or department in which they serve as an
 69 officer or employee.

70 28-12-3.

71 (a) There is created the Special Joint Committee on Georgia Revenue Structure which
 72 shall consist of 12 members as follows:

73 (1) The President Pro Tempore of the Senate and the Speaker Pro Tempore of the House
 74 of Representatives;

75 (2) The majority leader of the Senate and the majority leader of the House of
 76 Representatives;

77 (3) The minority leader of the Senate and the minority leader of the House of
 78 Representatives;

79 (4) The chairpersons of the Senate Finance Committee and the House Committee on
 80 Ways and Means;

81 (5) Two members of the Senate to be appointed by the President of the Senate, one from
 82 the majority party and one from the minority party; and

83 (6) Two members of the House of Representatives to be appointed by the Speaker of the
 84 House, one from the majority party and one from the minority party.

85 (b) The chairpersons of the Senate Finance Committee and the House Committee on Ways
 86 and Means shall serve as co-chairpersons of the special joint committee.

87 28-12-4.

88 This chapter shall stand repealed by operation of law on July 1, 2012."

89 **SECTION 2.**

90 This Act shall become effective upon its approval by the Governor or upon its becoming law
 91 without such approval.

92 **SECTION 3.**

93 All laws and parts of laws in conflict with this Act are repealed.

Appendix B – Council Member Biographies

GOVERNOR SONNY PERDUE

Sonny Perdue was sworn in as Georgia's 81st Governor on January 13, 2003. Governor Perdue immediately went to work reforming the state budget, setting priorities, and cutting wasteful spending. During Perdue's first term, Georgia created over 200,000 new jobs and posted the highest graduation rate and SAT scores in state history.

As Georgia's Governor, Perdue has led the state based on his life experiences prior to entering public service. Sonny was born on December 20, 1946, in Perry, Georgia, to a lifelong farmer and a classroom teacher. He earned a doctorate in veterinary medicine in 1971 from the University of Georgia. Following his service as a Captain in the United States Air Force, Perdue became a successful small business owner, concentrating in agribusiness and transportation.

He ran for the Georgia State Senate in 1990 and spent the next 11 years representing his Middle Georgia district in the General Assembly. Perdue left the State Senate in 2001 to begin his successful campaign for Governor, which focused on restoring public trust in state government and empowering all Georgians.

Perdue campaigned for Governor on a platform of restoring public trust in state government and empowering all Georgians by eliminating undue interference by government bureaucracies. He has dedicated his administration to attracting new businesses and jobs to Georgia, improving the quality of programs that touch the lives of children, and fighting for a comprehensive ethics reform package.

For all of his success in business and public service, Governor Perdue is proudest to serve as devoted husband, loving father, and grandfather. Sonny and his wife Mary have four children and eleven grandchildren. Additionally, Sonny and Mary have served as foster parents for eight newborns awaiting adoption. The Perdues attend the First Baptist Church of Woodstock, where they have taught a Sunday school class for young couples emphasizing the importance of faith in building a strong and lasting marriage.

DR. DAVID L. SJOQUIST

David L. Sjoquist is a Professor of Economics, and Director of Domestic Programs and Director of the Fiscal Research Program for the Andrew Young School of Policy Studies, at Georgia State University. The Fiscal Research Program provides analysis of fiscal and economic development issues to state and local governments. In 2003 he was appointed to the Dan E. Sweat Distinguished Chair in Educational and Community Policy. He received the Georgia State University Alumni Distinguished Professor Award in 1999.

Dr. Sjoquist is a specialist in the field of public finance, particularly state and local public finance, and has an extensive research interests in urban economics, especially local economic development and central city poverty. He has 40 plus years of experience in higher education and has published over 100 academic papers, authored or edited 6 books and produced over 135 reports. He serves on the Board of Editors of the National Tax Journal.

He has served on numerous civic board and committee and is currently on the Board of the Atlanta Regional Commission. Dr. Sjoquist received his B.A. degree in economics from the University of St. Thomas (formerly College of St. Thomas) in St. Paul, Minnesota. He holds an M.A. and Ph.D. in economics from the University of Minnesota.

Dr. Sjoquist is married and has one adult married daughter and one grandchild.

A.D. FRAZIER

A.D. Frazier has had a wide range of experiences as a commercial banker, board member, advisor, lawyer and hands-on chief executive. After a 40-year professional career in executive management of for-profit, not-for-profit and government entities, he is now a Partner in Affiance, LLC, a Georgia based bank consulting firm.

Twenty-five years of his professional career has been spent in financial services, where he was EVP for commercial banking at a large mid-western bank and EVP of a large Atlanta bank holding company. Additionally he was President and CEO of an Atlanta-based, institutional asset management company. A.D. has also served as Chairman, CEO or COO of a number of companies in a variety of other industries.

His career has included extensive involvement with corporate and consumer lending, mergers, acquisitions and divestitures, strategic planning, corporate governance, human resource management, and marketing. A.D. is currently on the boards of directors of Apache Corp. and MHM Services, Inc. Prior corporate board memberships include Danka Business Systems, PLC, (Chairman and CEO), AMVESCAP PLC, The Chicago Stock Exchange (Chairman and CEO), Gold Kist, Inc (Chairman), Gevity, Inc., Caremark Rx, Inc., Rock Tenn Corp., and R.J. Reynolds Tobacco Co., among others. Recently, he and his business partners launched an entrepreneurial venture, "BOTH", to provide a complete suite of back-office services for people who work independently. "BOTH" is an acronym for "back of the house".

From 1991-1996 A.D. was Senior Executive Vice President and Chief Operating Officer of the Atlanta Committee for the Olympic Games and a member of the ACOG Board of Directors, responsible for overall operation of the games, successfully balancing the budget at the end.

He has served on a number of not-for-profit boards including, among others, The National Council on the Humanities (Presidential Appointee), The Atlanta Symphony Orchestra Board (Chairman), Georgia Public Television Commission (First Chairman), Georgia Board of Corrections, Evanston Hospital Corporation (Chairman of Finance Committee) (Evanston, IL), Neighborhood Housing Services of Atlanta (First Chairman) and NHS of Chicago. He also served in the Carter Administration (Office of Management and Budget). A.D. has received numerous professional and civic awards, some of which include The Olympic Order in Gold (only COO to receive the IOC's highest service award), Georgia Trend Magazine's 100 Most Influential Georgians,(1995-1996) and Honorary Doctor of Business Administration (Piedmont College).

A.D. received an AB and JD from The University of North Carolina at Chapel Hill and he completed the Harvard Business School's Advanced Management Program. He is a member of the North Carolina Bar. He served for six years as an officer in the US Army Reserve. He and his wife, Clair are residents of Mineral Bluff, GA and own WACF-FM in Young Harris, GA.

DR. JEFFREY HUMPHREYS

Dr. Humphreys is the Director of the Selig Center for Economic Growth at the University of Georgia's Terry College of Business. The Selig Center is an endowed economic forecasting & market research center. Dr. Humphreys is a member of the Governor's Council of Economic Advisors for the State of Georgia and is a monthly columnist for Georgia Trend Magazine. He also serves on the 2010 Special Council on Tax Reform and Fairness for Georgians created by House Bill 1405.

Dr. Humphreys has published over 250 applied and academic studies regarding market research, economic forecasting, transportation, and economic development. In Georgia, Dr. Humphreys is best known for his detailed economic forecasts, but nationally he is best known for his detailed estimates of the spending power of African-Americans, Latinos, and Asian-Americans.

In 2003, the editors of American Demographics selected Dr. Humphreys as a "Demographic Diamond" – one of the 25 market researchers who have made the most significant contributions to the understanding of consumer trends for business leaders over the last 25 years.

The Georgia Economic Outlook, which is prepared and written by Dr. Humphreys, has twice received the Association for University Business and Economic Research's Award for Excellence.

Dr. Humphreys received his B.A. and Ph.D. (Economics) from the University of Georgia. He is a member of Phi Beta Kappa and Phi Kappa Phi.

GERRY HARKINS

Harkins is a graduate of the Georgia Institute of Technology 1969. He worked in textiles until 1980 when he joined Southern Pan and Shoring. In 1987 he sold the company and started Southern Pan Services, a commercial construction subcontractor, with various partners. He is also partner of LBG Properties, B&G Properties, and Rager Equity Partners, real estate partnerships and he is currently serving as Managing Partner of Partnerships.

Harkins served as Chairman of Georgia's Delegation to the 1995 White House Conference on Small Business. He is presently serving as Chairman of the National Federation of Independent Business' Save America's Free Enterprise Trust for Georgia. and as the National Vice Chairman of the NFIB Leadership Trust. He is a member of the NFIB Education Foundation and winner of its Outstanding Small Business Volunteer of 1997 and 2003 and he is the Chair of NFIB Leadership Council for Georgia.

He has been a member of the IRS Commissioner's Advisory Group for the past two years and is currently serving as Chairman. For the past nine years, Harkins has been a member of the IRS District Director's Liaison Committee. He has served as a member of the Workers Comp Advisory Board since 2000. From 1996-1997, Harkins was also a member of the National Commission on Restructuring the Internal Revenue Service.

He has previously served as the Finance Chairman for the Henry County Republican Party, Chairman of Ralph Reed for Lt. Governor for Henry County, and Chairman of the Board for the Henry Quality Growth Council.

Harkins is married with four children and resides in McDonough, Georgia where he attends St. Joseph's Episcopal Church.

DR. CHRISTINE RIES

Christine P. Ries is Professor in the School of Economics at Georgia Tech. She received a PhD in International Business Economics from The University of Chicago (1977) and came to Georgia Tech as Professor and Chair of the School of Economics in 1997. She has previously taught at The Harvard Business School, The Fuqua School of Business at Duke, the Peter F. Drucker Graduate Management Center at Claremont, and at Stanford University.

She is a specialist in global financial economics, corporate financial management, and organizational economics and governance. Her articles include publications in The Journal of International Business Studies, The Harvard Business Review, Euromoney, and The Financial Analysts' Journal, among others. Her books address the strategies and policies of international corporations, the politics and economics of emerging markets and the interface between corporate strategy and government policy. She is the author of over 20 widely used case studies that have been published by the Harvard Business School and reprinted elsewhere.

Dr. Reis has served on the Executive and Editorial Boards of The Academy of International Business and on the editorial boards and as referee of several major professional and academic journals. She has served as consultant and advisor to many U.S. and foreign corporations, financial institutions, universities, and governments. These include IBM, Citicorp, Morgan Guarantee Trust, Chase Manhattan Bank, Barclays Bank, Lucky Goldstar Corp., and others. She has experience on corporate boards of advisors and her experience on not-for-profit boards is extensive. She has recently served as Trustee and Chair of Education Committee for The Atlanta International School.

Dr. Ries has delivered speeches and public lectures around the globe and is the recipient of several teaching awards. In addition to teaching courses in international finance, corporate financial policy and strategy, corporate/government interface, and markets and organizations she has created innovative courses including The Global Economy, Network Economics and Economic and Financial Modeling.

SUZANNE SITHERWOOD

Suzanne Sitherwood, was named president of Atlanta Gas Light in November 2004. Her primary responsibility is the executive oversight of Atlanta Gas Light, plus two other utilities in AGL Resources' Southern region.

A graduate of Southern College of Technology with a bachelor's degree in industrial engineering technology, Ms. Sitherwood also holds a master's degree in business administration from Brenau University.

Ms. Sitherwood is the 2010 chair, an officer and board member of the Georgia Chamber of Commerce and is past chair of the chamber's Environment & Energy Committee and general co-chair of its GA Initiative. She serves on the Governor's Energy Policy Council and the Metropolitan North Georgia Water Planning District Governing Board. She also serves on the board of the Council for Quality Growth, Georgia Historical Society and the Partnership for Domestic Violence (PADV) and she is a member of the Buckhead Coalition and The Carter Center Board of Councilors and is the business community co-chair for the Atlanta Regional Council 50 Forward Program.

Ms. Sitherwood believes strongly in giving back to the community and is involved in many volunteer activities such as the Habitat for Humanity, March of Dimes, Relay for Life, United Way and other organizations. She is a member of the Alexis de Tocqueville Society of United Way.

ROY FICKLING

Fickling is the owner and president of Fickling & Company, Inc., a Macon, Georgia-based regional real estate development, brokerage, management and consulting firm, since 1993, and an officer/director of several closely held investment and operating companies including Riverside Automotive, Inc. and Riverside Ford, Inc.

He serves as a director of two publically traded companies: Oxigene Inc. (NASDAQ:OXGN), a clinical stage biopharmaceutical company based in Waltham, MA and Piedmont Community Bank Group, Inc. (OTC:PBCN) based in Gray, GA. Fickling was a founding director of Rivoli Bank & Trust of Macon and of Beech Street, U.K., Ltd. of London, England, an international healthcare administration firm. He was a major shareholder and advisor to Beech Street Corporation, the largest private PPO network, prior to its acquisition by Concentra, Inc. in 2005.

Fickling currently serves on the Georgia Ports Authority and the Georgia Rail Passenger Authority and previously on the Georgia Technology Authority. Fickling currently serves on several civic boards including the Macon/Bibb County Chamber of Commerce, Macon Economic Development Commission, Education First, Shield Club, WRALC Museum of Aviation, and the Georgia Aviation Hall of Fame (Board of Electors). In the past, Fickling served on the board of the Macon Downtown Rotary Club, the Commission on Macon/Atlanta Rail, Macon Economic Development Commission, Wesleyan College (Vice Chairman and Chairman of the Finance Committee), Tubman African American Museum, City Club of Macon, Mid Summer Macon, Cherry Blossom Festival, United Way of Central Georgia, Mercer University Executive Forum (steering committee), and the American Heart Association of Macon.

Fickling has received several awards for his civic involvement including WRLAC 116th Air Wing Honorary Commander, Keep Macon/Bibb Beautiful Leadership Award, Macon Economic Development Commission Champion of the Year (twice), Macon Arts Alliance Cultural Leadership Award, Keep Macon/Bibb Beautiful Man of the Year Award, and Macon Magazine Young Leader of the Year.

Fickling holds a B.A. in Business Administration (Banking & Finance) from the University of Georgia.

D.E. "SKEETER" McCORKLE

McCorkle is the President and CEO of McCorkle Nurseries, Inc, a company which pioneered the concept of "re-wholesale" and has over 1800 customers in the Southeastern and Mid-Atlantic states. He is the past President of the Southern Nursery Association and past Chairman of the Georgia Green Industry Association. He is an active Farm Bureau participant and has served on the Horticulture Advisory Committee. He serves on the board of the Guido Evangelistic Association and is a former board member of The Covenant Group of Insurance Companies. He is a graduate of Augusta State University.

BRADFORD DICKSON

Bradford C. Dickson has overall responsibility for the tax practice at Tarpley & Underwood, P.C., an Atlanta based top 25 certified public accounting firm. Brad's 30 years of professional experience include all aspects of business and individual tax planning and compliance for clients of various sizes and industries including start-ups and Fortune 1000 engaged in business services, credit, technology, manufacturing, distribution, construction, engineering, mortgage brokering, professional services, retail, food services, and international.

Brad represents CPAs throughout the state as an at-large member of the Georgia Society of CPAs' Leadership Council and as the recent past chair of the Taxation Section. Brad chairs the Taxation Section's Legislative Committee and is a member of the Georgia Department of Revenue Advisory Committee, a membership of tax professionals advising the Department on matters of tax administration and policy affecting taxpayers and practitioners. He is a past recipient of the GSCPA's Distinguished Member and Distinguished Section Chair awards. He has successfully initiated and authored Georgia legislation affecting the taxation of multi-state S corporations, LLCs, and on standards for tax return preparers. Brad is an active member of the Tax Division of the AICPA and a member of the Technical Resource Panel for International and the task force on Foreign Bank Account reporting.

Brad's other leadership positions include the Finnish American Chamber of Commerce; the Atlanta International Tax Study Group; Tau Alpha Chi (a national tax fraternity); the Entrepreneurship Institute; the Export Advisory Resources Group for the Georgia Department of Industry, Trade and Tourism; the Japan American Society of Georgia; and the International Fiscal Association. He has spoken and written for various professional and commercial organizations on numerous tax issues and has testified to the Georgia General Assembly on proposed legislation.

Prior to joining Tarpley & Underwood, P.C., Brad was employed for a combined ten years with KPMG LLP and Andersen LLP. He joined Tarpley & Underwood in 1993 and became a shareholder in 1995.

Brad received his Masters in Business Administration and Bachelor of Arts degrees from Emory University and his Masters in Taxation from Georgia State University. Brad is an Atlanta native, a member of St. Philips Cathedral, and lives with his family in Sandy Springs.

DR. ROGER TUTTEROW

Roger Tutterow is Professor of Economics at Mercer University. He previously served as Dean of the Mercer's Stetson School of Business.

His analysis of the economic, business and political environments have been featured in a variety of media including Wall Street Journal, Financial Times, USA Today, Atlanta Journal & Constitution, Arizona Republic, Florida Times-Union, Kansas City Star, Los Angeles Times, New York Times, Orlando Sentinel, Palm Beach Post, Wichita Eagle and on CNN, CNBC, NBC, Bloomberg Television, NPR's "Marketplace" and "All Things Considered", CNN-Radio as well as by regional electronic and print media.

In addition to his work in academia, Dr. Tutterow has served as a consultant on financial economics and statistical modeling for corporate clients ranging from Fortune 500 companies to closely-held businesses. He also serves as Chief Economic Advisor for the Henssler Financial Group. He has provided expert testimony on economic, financial and statistical matters in state & federal court, before the Georgia General Assembly and before the Georgia Public Service Commission. Dr. Tutterow has given several hundred speeches to professional and civic groups on various topics in the economic, business and political arenas.

He was selected as one of "Georgia's Most Influential" by James magazine and by Georgia Trend magazine as one of the "forty under 40" rising stars in business, government and academia. In 2003, Georgia Governor Sonny Perdue appointed Dr. Tutterow to serve on the Governor's Council of Economic Advisors. In addition, Dr. Tutterow serves as a member of on the Georgia Child Support Commission, on the Board of Trustees of Berry College, the Board of Directors of Vinings Bank, the Southern Region Board of Directors for the American Red Cross Blood Services and the Board of Directors for Consumer Credit Counseling Service of Atlanta.

A Georgia native, Dr. Tutterow holds a B.S. in Decision Science from Berry College and a M.A. and Ph.D. in Economics from Georgia State University. Prior to joining Mercer University, Dr. Tutterow held faculty and administrative appointments at West Virginia University, Georgia State University and Kennesaw State University. He has also served as a visiting professor at the University of the West Indies in Trinidad and at the Institute for Industrial Policy Studies in Seoul, South Korea.

Appendix C – Meeting Agendas

AGENDA

Special Council on Tax Reform and Fairness for Georgians

July 28, 2010

1:00 p.m. – 4:00 p.m.

Venue: Floyd Room 20th Floor, Sloppy Floyd Building, 1 Martin Luther King Jr. Dr., SW, Atlanta, 30334

Meeting called by the Offices of the Speaker of the House and the Lieutenant Governor

Council Members:

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

Governor Sonny Perdue

Dr. Christine Ries – Georgia Tech

Suzanne Sitherwood -2010 Chair, Georgia Chamber of Commerce

Dr. David Sjoquist – Georgia State University

Dr. Roger Tutterow – Mercer University

1:00 – 1:45 p.m.

Welcome & Introductions

- Representative Larry O'Neal, Chair - House Ways & Means Committee
- House Speaker David Ralston
- Lieutenant Governor Casey Cagle
- Governor Sonny Perdue
 - Self-Introductions of Council Members
 - Election of Council Chair

1:45 – 3:00 p.m.

Presentation

- Dr. David Sjoquist, Professor of Economics, Georgia State University
- Question & Answer session

3:00 – 3:45 p.m.

Council Work Plan & Administrative Arrangements

- Review work plan strategy & schedule of meetings
- Chair One-on-One meetings with Tax Council Members & Key Stakeholders (next two weeks)
- Action items from today's meeting
- Next Steps

3:45 – 4:00 p.m.

Wrap-up & Adjourn

AGENDA

Special Council on Tax Reform and Fairness for Georgians

August 25, 2010

1:00 p.m. – 5:00 p.m.

Venue: Blue Room of the Georgia Railroad Freight Depot located at 65 Martin Luther King, Jr., Drive, Atlanta, Georgia 30334

Council Members:

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

Governor Sonny Perdue

Dr. Christine Ries – Georgia Tech

Suzanne Sitherwood -2010 Chair, Georgia Chamber of Commerce

Dr. David Sjoquist – Georgia State University

Dr. Roger Tutterow – Mercer University

1:00 – 1:30 p.m.

Welcome & Introduction

- Chair – A.D. Frazier
- Progress Since Kickoff Meeting
- Today's Meeting Objective & Presentations

1:30 – 2:15 p.m.

Presentation: Dr. Jeff Humphreys, University of Georgia

- Draft Guiding Principles for the Tax Council's Consideration
- Q&A with Tax Council

2:15 – 3:00 p.m.

Presentation: Dr. David Sjoquist, Georgia State University

- Georgia's Tax Code Today
- Q&A with Tax Council

3:00 – 3:30 p.m.

Mayor Kasim Reed

3:30 – 4:15 p.m.

Presentation: Dr. Roger Tutterow, Mercer University

- Changes in Georgia's Economy and Relevance to the Tax System
- Q&A with Tax Council

4:15 – 5:00 p.m.

Presentation: Dr. Christine Ries, Georgia Tech

- Tax Reform in Other States
- Q&A with Tax Council

5:00 p.m.

Next Steps & Adjourn

- 8.26 Fact Finding Session, 4-7 pm, Blue Room of the Georgia Railroad Freight Depot
 - Schedule for 8.26 – 9.9
 - Next Tax Council meeting 9.8 & Proposed Agenda
 - Review Action Items from Today's Meeting
-

AGENDA

Special Council on Tax Reform and Fairness for Georgians

September 8, 2010

1:00 p.m. – 5:00 p.m.

Venue: Cecil B. Day Hall, Mercer University's Graduate and Professional Campus, 3001 Mercer University Drive, Atlanta, Georgia 30341

Council Members:

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

Governor Sonny Perdue
Dr. Christine Ries – Georgia Tech
Suzanne Sitherwood -2010 Chair, Georgia Chamber of Commerce
Dr. David Sjoquist – Georgia State University
Dr. Roger Tutterow – Mercer University

1:00 – 1:15 p.m.

Welcome & Introduction

- Chair – A.D. Frazier
- Today's Meeting Objectives

1:15 – 2:00 p.m.

Presentation: Matt Gardner, Institute on Taxation and Economic Policy

- Tax Lessons from Neighboring States and Others
- Q&A with Tax Council

2:00 – 3:00 p.m.

Presentation: Alan Essig, Georgia Budget & Policy Institute and Kelly McCutchen, Georgia Public Policy Foundation

- A Fair and Equitable Tax System for a Progressive State
- Q&A with Tax Council

3:00 – 4:00 p.m.

Presentation: Jim Eads, Federation of Tax Administrators

- State Business Taxes & Sales Taxes on Services
- Q&A with Tax Council

4:00 – 5:00 p.m.

Panel Discussion: Joseph Crosby, COST; Mike Petrik, Tax Policy Committee of the Georgia Chamber of Commerce; John Masters, Georgia Society of CPAs; Nick Masino, Gwinnett Chamber of Commerce

- Discussion: What Tax System Would Ensure Georgia as a Pro-Growth State?

5:00 p.m.

Next Steps & Adjourn

- September 9 Fact Finding Session at Gainesville State College
 - Next Tax Council meeting – September 29
-

AGENDA

Special Council on Tax Reform and Fairness for Georgians

September 29, 2010

1:00 p.m. – 5:00 p.m.

Venue: Cecil B. Day Hall, Mercer University's Graduate and Professional Campus, 3001 Mercer University Drive, Atlanta, Georgia 30341

Council Members:

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. "Skeetter" McCorkle – McCorkle Nurseries

Governor Sonny Perdue

Dr. Christine Ries – Georgia Tech

Suzanne Sitherwood -2010 Chair, Georgia Chamber of Commerce

Dr. David Sjoquist – Georgia State University

Dr. Roger Tutterow – Mercer University

1:00 – 1:15 p.m.

Welcome & Introduction

- Chair – A.D. Frazier
- Today's Meeting Objectives

1:15 – 2:45 p.m.

Presentations: Top 3 Industries in Georgia: Agribusiness, Manufacturing, and Tourism

- [John Krueger](#) - SVP, Public Policy Georgia Chamber of Commerce
- [Bryan Tolar](#) - VP, Public Affairs, Agribusiness Council
- [Roy Bowen](#) - President, Georgia Traditional Manufacturers Association
- [Gregory Pierce](#) – CFO, Atlanta Convention & Visitors Bureau
- 30 minute Q&A with Tax Council

2:45 – 3:15 p.m.

Presentation: How City Taxes Work

- [Lamar Norton](#) – Director of Governmental Affairs, Georgia Municipal Association
- Q&A with Tax Council

3:15 – 3:25 p.m.

Break

3:25 – 3:55 p.m.

Presentation: How County Taxes Work

- [Clint Mueller](#) - Legislative Director, Association of County Commissioners
- Q&A with Tax Council

3:55 – 5:00 p.m.

Panel Discussion: Emerging Industries in Georgia

- [Tino Mantella](#) - Technology Association of Georgia
- [Carter Burton](#) – Omni Surgical
- [Carol Henderson](#) - Innovation & Technology Office of the Georgia Department of Economic Development
- [Danny Groves](#) - Internap

5:00 p.m.

Next Steps & Adjourn

AGENDA

Special Council on Tax Reform and Fairness for Georgians

December 1, 2010

1:00 p.m. – 5:00 p.m.

Venue: Cecil B. Day Hall, Mercer University's Graduate and Professional Campus, 3001 Mercer University Drive, Atlanta, Georgia 30341

Council Members:

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. "Skeetter" McCorkle – McCorkle Nurseries

Governor Sonny Perdue

Dr. Christine Ries – Georgia Tech

Suzanne Sitherwood -2010 Chair, Georgia Chamber of Commerce

Dr. David Sjoquist – Georgia State University

Dr. Roger Tutterow – Mercer University

1:00 – 1:15 p.m.

Welcome & Introduction

- Chair – A.D. Frazier
- Today's Meeting Objectives

1:15 – 2:15 p.m.

Discussion: Revise & Adopt Guiding Principles

2:15 – 3:15 p.m.

Discussion: Sales Tax Exemptions Policy

- Layover, sunset
- Best practices going forward

2:15 – 3:15 p.m.

Discussion: Job-friendly Pro-growth Policy

- Corporate Income Tax
- How to incent job-friendly growth

3:15 – 3:30 p.m.

Break

3:30 – 4:30 p.m.

Discussion: Personal Income Tax

- Conform to federal AGI? Some other method?
- Standard deductions versus exemptions
- Design and organization

4:30 - 5:00 p.m.

Next Steps & Adjourn

Appendix D – Legislator Remarks at Kickoff Meeting, July 28, 2010

LT. GOVERNOR CASEY CAGLE'S COMMENTS TO TAX COUNCIL

Thank you Mr. Speaker. I appreciated the opportunity to work with you, Chairman O'Neal and others in the House in constructing this legislation. I'd like to also thank the members of the Senate—Pro Tem Williams, Chairman Chance, Majority Leader Rogers, and Caucus Chair Bill Cowsert—who helped push through this legislation and who will (continue to help) by working with you over these next months to ensure that your recommendations will be able to pass through the General Assembly next winter.

To the council members, I want to thank each and every one of you for agreeing to be a part of this distinguished council. You have no easy task ahead of you. This task will take:

- a fair amount of time and commitment to the process
- careful and thoughtful deliberation
- most importantly, a continued commitment to make our state a better place to live and create jobs

Over the remainder of the summer and into the fall, you will hear from many different and diverse constituencies. They may be some of the multi-billion dollar companies we are fortunate enough to have in Georgia, they may be small mom and pop storeowners, or it could be a general contractor who is trying to stay afloat during these challenging economic times. While each of these folks will have different parts of the tax code they may want to speak to you about, you will hear a common message from each of them; jobs, jobs, jobs.

We are proud of the work we have accomplished over the years to make Georgia a shining light, but, as we deliberated over the formation of this council, we knew we could do more so that our citizens could prosper in an environment that welcomed job creation. We knew we had to make changes to our tax code as it is

- arcane
- outdated; and
- in need of being better streamlined and more fair for our state's citizens

However when you move forward on this challenge, I hope you listen and take into consideration other external factors affecting our state. Factors such as, the potential impact tax code changes may have to our outstanding AAA bond rating, which the General Assembly, along with the Governor, has so diligently worked to protect and which has saved our tax payers millions and millions in carrying costs. Factors such as the effects of changing things “mid-stream” for individuals, farmers or companies who have set up shop in Georgia under one set of rules only to have those rules to changed on them overnight—this could cost our state jobs and confidence.

Again, you have a very challenging but welcomed adventure ahead of you. I encourage you bring your own assets to the table, ask us for any help in ascertaining state assets which could help you in your efforts but most of all when you deliberate over your final recommendations, ask yourself

- (1) is this a fair and equitable tax structure for our fellow citizens
- (2) will it enhance the state’s economic prosperity and create job growth; and
- (3) will it have minimal impact on the services we provide our state’s citizens.

Governor, I appreciate your time and willingness to serve on this committee and turn it now over to you.

Welcoming Remarks

Special Council on Tax Reform and Fairness for Georgians

Wednesday, July 28, 2010

Good afternoon, my name is Larry O'Neal and I am delighted to welcome you to this inaugural meeting of the citizen's Tax Council created by HB 1405. First and foremost I want to thank all of you sincerely for your willingness to serve. Each and every one of you brings a unique benefit to this committee, and you should know that each of you has been selected to serve due to your superlative reputation in your respected fields of endeavor. All of you in your own way are

extraordinarily well qualified for the mission of this council.

We realize that the mission of this council is incredibly ambitious. We are, in effect, asking you in a very short time to do something no one else to my knowledge has ever been able to do before. We are asking you to examine the entire tax code of Georgia, all 19 separate platforms of it, and suggest reformation of our code that will make it more stable, balanced, and reliable from the revenue generation perspective. Fair, transparent, understandable, easy and inexpensive to comply with from the taxpayers' perspective, and more importantly how we can make Georgia the most business friendly tax

environment for job creation and job sustainment of any state in the country.

Our tax code has been cobbled together over many years one legislative session at the time. Even though we are very closely aligned with the federal tax code with corporate and personal income tax matters, we have over time created many state specific tax preferences in the form of income tax credits most of which either once or currently target economic development initiatives, conservation initiatives, or public housing initiatives. We ask you to examine all of our tax credits from the perspective of effectiveness today and in the future to assure our citizens are getting the benefits these credits were designed to produce.

Over 1/3 of our revenues each year are generated from sales and use taxes, yet over the years one legislative session after another we have promulgated into law at last count 119 specific exemptions from Georgia sales and use tax liability. We are asking you to examine each of these exemptions from the standpoint of fairness, compliance, and revenue generation stability. Many think that a tax code through specific exemptions that picks winners and losers among competitive businesses is fundamentally flawed for the long term, and not flat enough for the ordinary citizen to understand. To my knowledge, we currently do not have quantifiable criteria for evaluating either the cost or impact of sales and use tax exemptions. In simple terms do

we get the best bang for our buck and how can we tell. One of your challenges is to help establish quantitative methodology that can be consistently applied to evaluate statically and dynamically every exemption both currently and prospectively. I am not aware that any other state has ever been successful in developing an acceptable and reliable effectiveness test formula. Exemptions, tax credits and all tax preferences at all levels of government actually could be considered preferred appropriations essentially concealed year after year from the sunshine of the appropriation process. I hope you will help us shine some light on these very complex issues with your deliberations of this council.

Furthermore, we are also asking you to examine the tax code in its entirety from the standpoint of fair and equitable enforcement. I am a firm believer that tax cheats cheat all honest taxpayers. We need all the help we can get with uniform, equitable and expeditious enforcement of our tax code.

We charge you as well with an analysis of taxpayers costs of compliance with our tax code. Compliance cost especially to business interest is an embedded regressive cost assessed on inputs rather than outputs. I could go on and on with my own personal wish list, but I fear that you all might get up and leave. Yes, as I said we know the mission of this council is very ambitious but I also have great confidence that this council will

substantially exceed even the most ambitious expectations.

I pledge to assist you in anyway you desire but I also pledge to fiercely defend your independence. You are designed to be self guided and not political. I am confident that under your own governance you will collaboratively achieve great things for Georgia.

Again, thank you sincerely for your willingness to serve. Now it is my distinct honor to introduce to you a man that I am proud beyond words to express it to call Mr. Speaker. Ladies and gentlemen of the council, my good friend, Georgia's good friend, a great American, the Honorable David Ralston, Speaker of the House.

Appendix E - PIT Tax Credit Chart Recommendations

APPENDIX E
Single Filer - No Dependents

Adjusted Gross Income	CURRENT TAX		PROPOSED REFORM										
	See Tax Table	New Tax - Reformed Code	Personal Income Tax Credit (Including Low-Income Credit)				New Tax After Credit						
			5%	4.50%	4%	5%	4.50%	4%	5%	4.50%	4%		
1,000	-	50	45	40	100	95	90	10	10	10	10	10	10
2,000	-	100	90	80	150	140	130	43	43	43	43	43	43
3,000	-	150	135	120	200	185	170	83	83	83	83	83	83
4,000	-	200	180	160	250	230	210	130	130	130	130	130	130
5,000	-	250	225	200	300	275	250	180	180	180	180	180	180
6,000	13	300	270	240	338	308	278	240	240	240	240	240	240
7,000	33	350	315	280	368	333	298	260	260	260	260	260	260
8,000	60	400	360	320	390	350	310	280	280	280	280	280	280
9,000	93	450	405	360	408	363	318	318	318	318	318	318	318
10,000	133	500	450	400	418	368	318	318	318	318	318	318	318
11,000	180	550	495	440	420	365	310	310	310	310	310	310	310
12,000	230	600	540	480	420	360	300	300	300	300	300	300	300
13,000	290	650	585	520	410	345	280	280	280	280	280	280	280
14,000	350	700	630	560	400	330	260	260	260	260	260	260	260
15,000	410	750	675	600	390	315	240	240	240	240	240	240	240
16,000	470	800	720	640	380	300	220	220	220	220	220	220	220
17,000	530	850	765	680	370	285	200	200	200	200	200	200	200
18,000	590	900	810	720	360	270	180	180	180	180	180	180	180
19,000	650	950	855	760	350	255	160	160	160	160	160	160	160
20,000	710	1,000	900	800	340	240	140	140	140	140	140	140	140
21,000	770	1,050	945	840	330	225	120	120	120	120	120	120	120
22,000	830	1,100	990	880	320	210	100	100	100	100	100	100	100
23,000	890	1,150	1,035	920	310	195	80	80	80	80	80	80	80
24,000	950	1,200	1,080	960	300	180	60	60	60	60	60	60	60
25,000	1,010	1,250	1,125	1,000	290	165	-	-	-	-	-	-	-
26,000	1,070	1,300	1,170	1,040	280	150	-	-	-	-	-	-	-
27,000	1,130	1,350	1,215	1,080	270	135	-	-	-	-	-	-	-
28,000	1,190	1,400	1,260	1,120	260	120	-	-	-	-	-	-	-
29,000	1,250	1,450	1,305	1,160	250	105	-	-	-	-	-	-	-
30,000	1,310	1,500	1,350	1,200	240	90	-	-	-	-	-	-	-
31,000	1,370	1,550	1,395	1,240	230	75	-	-	-	-	-	-	-
32,000	1,430	1,600	1,440	1,280	220	60	-	-	-	-	-	-	-
33,000	1,490	1,650	1,485	1,320	210	-	-	-	-	-	-	-	-
34,000	1,550	1,700	1,530	1,360	200	-	-	-	-	-	-	-	-
35,000	1,610	1,750	1,575	1,400	190	-	-	-	-	-	-	-	-
36,000	1,670	1,800	1,620	1,440	180	-	-	-	-	-	-	-	-
37,000	1,730	1,850	1,665	1,480	170	-	-	-	-	-	-	-	-
38,000	1,790	1,900	1,710	1,520	160	-	-	-	-	-	-	-	-
39,000	1,850	1,950	1,755	1,560	150	-	-	-	-	-	-	-	-
40,000	1,910	2,000	1,800	1,600	140	-	-	-	-	-	-	-	-
41,000	1,970	2,050	1,845	1,640	130	-	-	-	-	-	-	-	-
42,000	2,030	2,100	1,890	1,680	120	-	-	-	-	-	-	-	-
43,000	2,090	2,150	1,935	1,720	110	-	-	-	-	-	-	-	-
44,000	2,150	2,200	1,980	1,760	100	-	-	-	-	-	-	-	-
45,000	2,210	2,250	2,025	1,800	90	-	-	-	-	-	-	-	-
46,000	2,270	2,300	2,070	1,840	80	-	-	-	-	-	-	-	-
47,000	2,330	2,350	2,115	1,880	70	-	-	-	-	-	-	-	-
48,000	2,390	2,400	2,160	1,920	60	-	-	-	-	-	-	-	-
49,000	2,450	2,450	2,205	1,960	-	-	-	-	-	-	-	-	-
50,000	2,510	2,500	2,250	2,000	-	-	-	-	-	-	-	-	-

Reformed Tax Code
\$2,000 deduction for dependents
 No standard or itemized deduction
 No exemption for taxpayer
 Additional **\$50** per family to offset sales tax on groceries.

Current Tax Code	
Single	2,700
Married	5,400
Head of Household	2,700
Exemption Standard Deduction	2,300
	3,000
	\$ 3,000 Dependent Exemption

Married Filing Jointly - No Dependents

Adjusted Gross Income	CURRENT TAX		PROPOSED REFORM											
	See Tax Table	New Tax - Reformed Code	Personal Income Tax Credit (Including Low-Income Credit)											
			5%	4.50%	4%	5%	4.50%	4%	5%	4.50%	4%			
1,000	-	50	45	40	100	95	90	-	-	-	-	-	-	-
2,000	-	100	90	80	150	140	130	-	-	-	-	-	-	-
3,000	-	150	135	120	200	185	170	-	-	-	-	-	-	-
4,000	-	200	180	160	250	230	210	-	-	-	-	-	-	-
5,000	-	250	225	200	300	275	250	-	-	-	-	-	-	-
6,000	-	300	270	240	350	320	290	-	-	-	-	-	-	-
7,000	-	350	315	280	400	365	330	-	-	-	-	-	-	-
8,000	-	400	360	320	450	410	370	-	-	-	-	-	-	-
9,000	6	450	405	360	494	449	404	-	-	-	-	-	-	-
10,000	22	500	450	400	528	478	428	-	-	-	-	-	-	-
11,000	42	550	495	440	558	503	448	-	-	-	-	-	-	-
12,000	68	600	540	480	582	522	462	-	-	-	-	-	-	-
13,000	98	650	585	520	602	537	472	-	-	-	-	-	-	-
14,000	134	700	630	560	616	546	476	-	-	-	-	-	-	-
15,000	174	750	675	600	626	551	476	-	-	-	-	-	-	-
16,000	220	800	720	640	630	550	470	-	-	-	-	-	-	-
17,000	270	850	765	680	630	545	460	-	-	-	-	-	-	-
18,000	320	900	810	720	624	529	434	-	-	-	-	-	-	-
19,000	376	950	855	760	624	529	434	-	-	-	-	-	-	-
20,000	436	1,000	900	800	614	514	414	-	-	-	-	-	-	-
21,000	496	1,050	945	840	594	484	374	-	-	-	-	-	-	-
22,000	556	1,100	990	880	584	469	354	-	-	-	-	-	-	-
23,000	616	1,150	1,035	920	584	469	354	-	-	-	-	-	-	-
24,000	676	1,200	1,080	960	564	439	314	-	-	-	-	-	-	-
25,000	736	1,250	1,125	1,000	554	424	294	-	-	-	-	-	-	-
26,000	796	1,300	1,170	1,040	544	409	274	-	-	-	-	-	-	-
27,000	856	1,350	1,215	1,080	534	394	254	-	-	-	-	-	-	-
28,000	916	1,400	1,260	1,120	524	379	234	-	-	-	-	-	-	-
29,000	976	1,450	1,305	1,160	514	364	214	-	-	-	-	-	-	-
30,000	1,036	1,500	1,350	1,200	504	349	194	-	-	-	-	-	-	-
31,000	1,096	1,550	1,395	1,240	504	349	194	-	-	-	-	-	-	-
32,000	1,156	1,600	1,440	1,280	484	334	174	-	-	-	-	-	-	-
33,000	1,216	1,650	1,485	1,320	474	319	154	-	-	-	-	-	-	-
34,000	1,276	1,700	1,530	1,360	464	304	134	-	-	-	-	-	-	-
35,000	1,336	1,750	1,575	1,400	454	289	114	-	-	-	-	-	-	-
36,000	1,396	1,800	1,620	1,440	444	274	94	-	-	-	-	-	-	-
37,000	1,456	1,850	1,665	1,480	434	259	74	-	-	-	-	-	-	-
38,000	1,516	1,900	1,710	1,520	424	244	54	-	-	-	-	-	-	-
39,000	1,576	1,950	1,755	1,560	414	229	-	-	-	-	-	-	-	-
40,000	1,636	2,000	1,800	1,600	404	214	-	-	-	-	-	-	-	-
41,000	1,696	2,050	1,845	1,640	394	199	-	-	-	-	-	-	-	-
42,000	1,756	2,100	1,890	1,680	384	184	-	-	-	-	-	-	-	-
43,000	1,816	2,150	1,935	1,720	374	169	-	-	-	-	-	-	-	-
44,000	1,876	2,200	1,980	1,760	364	154	-	-	-	-	-	-	-	-
45,000	1,936	2,250	2,025	1,800	354	139	-	-	-	-	-	-	-	-
46,000	1,996	2,300	2,070	1,840	344	124	-	-	-	-	-	-	-	-
47,000	2,056	2,350	2,115	1,880	334	109	-	-	-	-	-	-	-	-
48,000	2,116	2,400	2,160	1,920	324	94	-	-	-	-	-	-	-	-
49,000	2,176	2,450	2,205	1,960	314	79	-	-	-	-	-	-	-	-
50,000	2,236	2,500	2,250	2,000	304	64	-	-	-	-	-	-	-	-

Reformed Tax Code	
\$2,000 - deduction for dependents	
No standard or itemized deduction	
No exemption for taxpayer	
Additional \$50 - per family to offset sales tax on groceries.	
Current Tax Code	
Exemption	Single 2,700 Married 5,400 Head of Household 2,700
Standard Deduction	2,300 3,000 2,300
	\$ 3,000 Dependent Exemption

Married Filing Separately - No Dependents

ADJUSTED Gross Income	Taxable Income	See Tax Table	CURRENT TAX										PROPOSED REFORM									
			New Tax - Reformed Code					Personal Income Tax Credit (Including Low-Income Credit)					New Tax After Credit									
			5%	4.50%	4%	5%	4.50%	4%	95	100	140	130	90	5%	4.50%	4%	5%	4.50%	4%			
1,000	(3,500)	-	50	45	40	100	95	100	140	130	90	-	-	-	5	5	5	5	5	5		
2,000	(2,500)	-	100	90	80	150	140	150	180	170	130	-	-	-	15	15	15	15	15	15		
3,000	(1,500)	-	150	135	120	200	185	200	230	210	170	-	-	-	25	25	25	25	25	25		
4,000	(500)	-	200	180	160	250	230	250	280	260	210	-	-	-	35	35	35	35	35	35		
5,000	500	5	250	225	200	295	270	295	320	295	245	-	-	-	45	45	45	45	45	45		
6,000	1,500	25	300	270	240	325	295	325	350	325	265	-	-	-	55	55	55	55	55	55		
7,000	2,500	55	350	315	280	345	310	345	370	345	275	-	-	-	65	65	65	65	65	65		
8,000	3,500	95	400	360	320	355	315	355	380	355	285	-	-	-	75	75	75	75	75	75		
9,000	4,500	145	450	405	360	355	310	355	380	355	285	-	-	-	85	85	85	85	85	85		
10,000	5,500	200	500	450	400	350	300	350	380	350	285	-	-	-	95	95	95	95	95	95		
11,000	6,500	260	550	495	440	340	285	340	370	340	270	-	-	-	105	105	105	105	105	105		
12,000	7,500	320	600	540	480	330	270	330	360	330	260	-	-	-	115	115	115	115	115	115		
13,000	8,500	380	650	585	520	320	255	320	350	320	250	-	-	-	125	125	125	125	125	125		
14,000	9,500	440	700	630	560	310	240	310	340	310	240	-	-	-	135	135	135	135	135	135		
15,000	10,500	500	750	675	600	300	225	300	330	300	230	-	-	-	145	145	145	145	145	145		
16,000	11,500	560	800	720	640	290	210	290	320	290	220	-	-	-	155	155	155	155	155	155		
17,000	12,500	620	850	765	680	280	195	280	310	280	210	-	-	-	165	165	165	165	165	165		
18,000	13,500	680	900	810	720	270	180	270	300	270	200	-	-	-	175	175	175	175	175	175		
19,000	14,500	740	950	855	760	260	165	260	290	260	190	-	-	-	185	185	185	185	185	185		
20,000	15,500	800	1,000	900	800	250	150	250	280	250	180	-	-	-	195	195	195	195	195	195		
21,000	16,500	860	1,050	945	840	240	135	240	270	240	170	-	-	-	205	205	205	205	205	205		
22,000	17,500	920	1,100	990	880	230	120	230	260	230	160	-	-	-	215	215	215	215	215	215		
23,000	18,500	980	1,150	1,035	920	220	105	220	250	220	150	-	-	-	225	225	225	225	225	225		
24,000	19,500	1,040	1,200	1,080	960	210	90	210	240	210	140	-	-	-	235	235	235	235	235	235		
25,000	20,500	1,100	1,250	1,125	1,000	200	75	200	230	200	130	-	-	-	245	245	245	245	245	245		
26,000	21,500	1,160	1,300	1,170	1,040	190	60	190	220	190	120	-	-	-	255	255	255	255	255	255		
27,000	22,500	1,220	1,350	1,215	1,080	180	-	180	210	180	110	-	-	-	265	265	265	265	265	265		
28,000	23,500	1,280	1,400	1,260	1,120	170	-	170	200	170	100	-	-	-	275	275	275	275	275	275		
29,000	24,500	1,340	1,450	1,305	1,160	160	-	160	190	160	90	-	-	-	285	285	285	285	285	285		
30,000	25,500	1,400	1,500	1,350	1,200	150	-	150	180	150	80	-	-	-	295	295	295	295	295	295		
31,000	26,500	1,460	1,550	1,395	1,240	140	-	140	170	140	70	-	-	-	305	305	305	305	305	305		
32,000	27,500	1,520	1,600	1,440	1,280	130	-	130	160	130	60	-	-	-	315	315	315	315	315	315		
33,000	28,500	1,580	1,650	1,485	1,320	120	-	120	150	120	50	-	-	-	325	325	325	325	325	325		
34,000	29,500	1,640	1,700	1,530	1,360	110	-	110	140	110	40	-	-	-	335	335	335	335	335	335		
35,000	30,500	1,700	1,750	1,575	1,400	100	-	100	130	100	30	-	-	-	345	345	345	345	345	345		
36,000	31,500	1,760	1,800	1,620	1,440	90	-	90	120	90	20	-	-	-	355	355	355	355	355	355		
37,000	32,500	1,820	1,850	1,665	1,480	80	-	80	110	80	10	-	-	-	365	365	365	365	365	365		
38,000	33,500	1,880	1,900	1,710	1,520	70	-	70	100	70	0	-	-	-	375	375	375	375	375	375		
39,000	34,500	1,940	1,950	1,755	1,560	60	-	60	90	60	0	-	-	-	385	385	385	385	385	385		
40,000	35,500	2,000	2,000	1,800	1,600	50	-	50	80	50	0	-	-	-	395	395	395	395	395	395		
41,000	36,500	2,060	2,050	1,845	1,640	40	-	40	70	40	0	-	-	-	405	405	405	405	405	405		
42,000	37,500	2,120	2,100	1,890	1,680	30	-	30	60	30	0	-	-	-	415	415	415	415	415	415		
43,000	38,500	2,180	2,150	1,935	1,720	20	-	20	50	20	0	-	-	-	425	425	425	425	425	425		
44,000	39,500	2,240	2,200	1,980	1,760	10	-	10	40	10	0	-	-	-	435	435	435	435	435	435		
45,000	40,500	2,300	2,250	2,025	1,800	0	-	0	30	0	0	-	-	-	445	445	445	445	445	445		
46,000	41,500	2,360	2,300	2,070	1,840	0	-	0	20	0	0	-	-	-	455	455	455	455	455	455		
47,000	42,500	2,420	2,350	2,115	1,880	0	-	0	10	0	0	-	-	-	465	465	465	465	465	465		
48,000	43,500	2,480	2,400	2,160	1,920	0	-	0	0	0	0	-	-	-	475	475	475	475	475	475		
49,000	44,500	2,540	2,450	2,205	1,960	0	-	0	0	0	0	-	-	-	485	485	485	485	485	485		
50,000	45,500	2,600	2,500	2,250	2,000	0	-	0	0	0	0	-	-	-	495	495	495	495	495	495		

Reformed Tax Code	\$2,000	deduction for dependents
	No standard or itemized deduction	
	No exemption for taxpayer	
	Additional: \$50	per family to offset sales tax on groceries.

Current Tax Code	Single	Married	Married, Filing Separate
Exemption	2,700	5,400	3,000
Standard Deduction	2,300	3,000	1,500
	\$	3,000	Dependent Exemption

Head of Household - Two (2) Dependents

Adjusted Gross Income	CURRENT TAX		PROPOSED REFORM											
	See Tax Table	New Tax - Reformed Code	Personal Income Tax Credit (Including Low-Income Credit)				New Tax After Credit							
			5%	4.50%	4%	5%	4.50%	4%	5%	4.50%	4%			
1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5,000	-	50	45	40	100	95	90	90	-	-	-	-	-	-
6,000	-	100	90	80	150	140	130	130	-	-	-	-	-	-
7,000	-	150	135	120	200	185	170	170	-	-	-	-	-	-
8,000	-	200	180	160	250	230	210	210	-	-	-	-	-	-
9,000	-	250	225	200	300	275	250	250	-	-	-	-	-	-
10,000	-	300	270	240	350	320	290	290	-	-	-	-	-	-
11,000	-	350	315	280	400	365	330	330	-	-	-	-	-	-
12,000	-	400	360	320	440	400	360	360	-	-	-	-	-	-
13,000	10	450	405	360	470	425	380	380	-	-	-	-	-	-
14,000	30	500	450	400	500	450	400	400	-	-	-	-	-	-
15,000	50	550	495	440	520	465	410	410	30	30	30	30	30	30
16,000	80	600	540	480	540	480	420	420	60	60	60	60	60	60
17,000	110	650	585	520	550	485	420	420	100	100	100	100	100	100
18,000	150	700	630	560	560	490	420	420	140	140	140	140	140	140
19,000	190	750	675	600	560	485	410	410	180	180	180	180	180	180
20,000	240	800	720	640	560	480	400	400	240	240	240	240	240	240
21,000	290	850	765	680	560	475	390	390	290	290	290	290	290	290
22,000	340	900	810	720	550	460	370	370	350	350	350	350	350	350
23,000	400	950	855	760	540	445	350	350	410	410	410	410	410	410
24,000	460	1,000	900	800	530	430	330	330	470	470	470	470	470	470
25,000	520	1,050	945	840	520	415	310	310	530	530	530	530	530	530
26,000	580	1,100	990	880	510	400	290	290	590	590	590	590	590	590
27,000	640	1,150	1,035	920	500	385	270	270	650	650	650	650	650	650
28,000	700	1,200	1,080	960	490	370	250	250	710	710	710	710	710	710
29,000	760	1,250	1,125	1,000	480	355	230	230	770	770	770	770	770	770
30,000	820	1,300	1,170	1,040	470	340	210	210	830	830	830	830	830	830
31,000	880	1,350	1,215	1,080	460	325	190	190	890	890	890	890	890	890
32,000	940	1,400	1,260	1,120	450	310	170	170	950	950	950	950	950	950
33,000	1,000	1,450	1,305	1,160	440	295	150	150	1,010	1,010	1,010	1,010	1,010	1,010
34,000	1,060	1,500	1,350	1,200	430	280	130	130	1,070	1,070	1,070	1,070	1,070	1,070
35,000	1,120	1,550	1,395	1,240	420	265	110	110	1,130	1,130	1,130	1,130	1,130	1,130
36,000	1,180	1,600	1,440	1,280	410	250	90	90	1,190	1,190	1,190	1,190	1,190	1,190
37,000	1,240	1,650	1,485	1,320	400	235	70	70	1,250	1,250	1,250	1,250	1,250	1,250
38,000	1,300	1,700	1,530	1,360	390	220	-	-	1,310	1,310	1,310	1,310	1,310	1,310
39,000	1,360	1,750	1,575	1,400	380	205	-	-	1,370	1,370	1,370	1,370	1,370	1,370
40,000	1,420	1,800	1,620	1,440	370	190	-	-	1,430	1,430	1,430	1,430	1,430	1,430
41,000	1,480	1,850	1,665	1,480	360	175	-	-	1,490	1,490	1,490	1,490	1,490	1,490
42,000	1,540	1,900	1,710	1,520	350	160	-	-	1,550	1,550	1,550	1,550	1,550	1,550
43,000	1,600	1,950	1,755	1,560	340	145	-	-	1,610	1,610	1,610	1,610	1,610	1,610
44,000	1,660	2,000	1,800	1,600	330	130	-	-	1,670	1,670	1,670	1,670	1,670	1,670
45,000	1,720	2,050	1,845	1,640	320	115	-	-	1,730	1,730	1,730	1,730	1,730	1,730
46,000	1,780	2,100	1,890	1,680	310	100	-	-	1,790	1,790	1,790	1,790	1,790	1,790
47,000	1,840	2,150	1,935	1,720	300	85	-	-	1,850	1,850	1,850	1,850	1,850	1,850
48,000	1,900	2,200	1,980	1,760	290	70	-	-	1,910	1,910	1,910	1,910	1,910	1,910
49,000	1,960	2,250	2,025	1,800	280	55	-	-	1,970	1,970	1,970	1,970	1,970	1,970
50,000	2,020	2,300	2,070	1,840	270	-	-	-	2,030	2,030	2,030	2,030	2,030	2,030

Reformed Tax Code
\$2,000 deduction for dependents
 No standard or itemized deduction
 No exemption for taxpayer
 Additional **\$50** per family to offset sales tax on groceries.

Current Tax Code		
Exemption	Single	Head of Household
Standard Deduction	2,700	2,700
	2,300	2,300
	\$ 3,000	Dependent Exemption

Married Filing Jointly - Two (2) Dependents

Adjusted Gross Income	CURRENT TAX		PROPOSED REFORM										
	See Tax Table	New Tax - Reformed Code					Personal Income Tax Credit (Including Low-Income Credit)					New Tax After Credit	
		5%	4.50%	4%	5%	4.50%	4%	5%	4.50%	4%	5%	4.50%	4%
1,000	-	-	-	-	-	-	-	-	-	-	-	-	-
2,000	-	-	-	-	-	-	-	-	-	-	-	-	-
3,000	-	-	-	-	-	-	-	-	-	-	-	-	-
4,000	-	-	-	-	-	-	-	-	-	-	-	-	-
5,000	-	50	45	40	100	95	90	-	-	-	-	-	-
6,000	-	100	90	80	150	140	130	-	-	-	-	-	-
7,000	-	150	135	120	200	185	170	-	-	-	-	-	-
8,000	-	200	180	160	250	230	210	-	-	-	-	-	-
9,000	-	250	225	200	300	275	250	-	-	-	-	-	-
10,000	-	300	270	240	350	320	290	-	-	-	-	-	-
11,000	-	350	315	280	400	365	330	-	-	-	-	-	-
12,000	-	400	360	320	450	410	370	-	-	-	-	-	-
13,000	-	450	405	360	500	455	410	-	-	-	-	-	-
14,000	-	500	450	400	550	500	450	-	-	-	-	-	-
15,000	6	550	495	440	594	539	484	-	-	-	-	-	-
16,000	22	600	540	480	628	568	508	-	-	-	-	-	-
17,000	42	650	585	520	658	593	528	-	-	-	-	-	-
18,000	68	700	630	560	682	612	542	18	18	18	18	18	18
19,000	98	750	675	600	702	627	552	48	48	48	48	48	48
20,000	134	800	720	640	716	636	556	84	84	84	84	84	84
21,000	174	850	765	680	726	641	556	124	124	124	124	124	124
22,000	220	900	810	720	730	640	550	170	170	170	170	170	170
23,000	270	950	855	760	730	635	540	220	220	220	220	220	220
24,000	320	1,000	900	800	730	630	530	270	270	270	270	270	270
25,000	376	1,050	945	840	724	619	514	326	326	326	326	326	326
26,000	436	1,100	990	880	714	604	494	386	386	386	386	386	386
27,000	496	1,150	1,035	920	704	589	474	446	446	446	446	446	446
28,000	556	1,200	1,080	960	694	574	454	506	506	506	506	506	506
29,000	616	1,250	1,125	1,000	684	559	434	566	566	566	566	566	566
30,000	676	1,300	1,170	1,040	674	544	414	626	626	626	626	626	626
31,000	736	1,350	1,215	1,080	664	529	394	686	686	686	686	686	686
32,000	796	1,400	1,260	1,120	654	514	374	746	746	746	746	746	746
33,000	856	1,450	1,305	1,160	644	499	354	806	806	806	806	806	806
34,000	916	1,500	1,350	1,200	634	484	334	866	866	866	866	866	866
35,000	976	1,550	1,395	1,240	624	469	314	926	926	926	926	926	926
36,000	1,036	1,600	1,440	1,280	614	454	294	986	986	986	986	986	986
37,000	1,096	1,650	1,485	1,320	604	439	274	1,046	1,046	1,046	1,046	1,046	1,046
38,000	1,156	1,700	1,530	1,360	594	424	254	1,106	1,106	1,106	1,106	1,106	1,106
39,000	1,216	1,750	1,575	1,400	584	409	234	1,166	1,166	1,166	1,166	1,166	1,166
40,000	1,276	1,800	1,620	1,440	574	394	214	1,226	1,226	1,226	1,226	1,226	1,226
41,000	1,336	1,850	1,665	1,480	564	379	194	1,286	1,286	1,286	1,286	1,286	1,286
42,000	1,396	1,900	1,710	1,520	554	364	174	1,346	1,346	1,346	1,346	1,346	1,346
43,000	1,456	1,950	1,755	1,560	544	349	154	1,406	1,406	1,406	1,406	1,406	1,406
44,000	1,516	2,000	1,800	1,600	534	334	134	1,466	1,466	1,466	1,466	1,466	1,466
45,000	1,576	2,050	1,845	1,640	524	319	114	1,526	1,526	1,526	1,526	1,526	1,526
46,000	1,636	2,100	1,890	1,680	514	304	94	1,586	1,586	1,586	1,586	1,586	1,586
47,000	1,696	2,150	1,935	1,720	504	289	74	1,646	1,646	1,646	1,646	1,646	1,646
48,000	1,756	2,200	1,980	1,760	494	274	54	1,706	1,706	1,706	1,706	1,706	1,706
49,000	1,816	2,250	2,025	1,800	484	259	-	1,766	1,766	1,766	1,766	1,766	1,766
50,000	1,876	2,300	2,070	1,840	474	244	-	1,826	1,826	1,826	1,826	1,826	1,826

Reformed Tax Code
\$2,000 deduction for dependents
 No standard or itemized deduction
 No exemption for taxpayer
 Additional **\$50** per family to offset sales tax on groceries.

Current Tax Code	Single	Married	Head of Household
Exemption Standard Deduction	2,700	5,400	2,700
	2,300	3,000	2,300
	\$ 3,000 Dependent Exemption		

Appendix F – Recommendations on Current Exemptions

APPENDIX F
GEORGIA SALES AND USE TAX EXEMPTIONS

EXEMPTIONS

Rationale

Category 1 - Keep: Government Exemptions

(1) Sales to Federal Government, State of Georgia, or any county or municipality in Georgia or any agency of such governments, when directly paid to the seller with appropriated funds.	Government
(2) Tangible personal property furnished by the Federal Government or any county or municipality used by a contractor in the installation, repair, or extension of any public water, gas, or sewage system. This exemption does not apply to materials used to service a particular property.	Government
(3) Federal retailer's excise tax if separately itemized to the consumer and Georgia motor fuel tax imposed on the sale of motor fuel.	Federal
(6.3) Sales to any agricultural commission created by the Department of Agriculture pursuant to Chapter 8 of Title 2 of the Georgia Code.	Government
(40) Sale of major components or repair parts installed in military aircraft, vehicles, or missiles.	Government
(53) Transactions where food stamps or WIC coupons are used as the method of payment.	Government

Category 1 - Keep: Business Inputs

(17) Sales of fuel or consumable supplies used by ships engaged in inter-coastal or foreign commerce.	Input - competing ports offer same exemption
(22) Professional, insurance, or personal service transactions which involve sales as inconsequential elements for which no separate charge is made.	Input - professional service
(39.1) Cargo containers and related chassis used for storage or shipping by persons engaged in international shipment of tangible personal property.	Input - competing ports offer same exemption
(34.1) Machinery and Equipment used to handle, move, or store tangible personal property in a new or expanded distribution or warehouse facility where the total purchase or expansion is \$5 million or more. To be eligible for this exemption, the distribution or warehouse facility may not have retail sales equal to or greater than 15 percent of the facility's total revenues. Application process is through Form ST-WD1.	Input
(34.2) Machinery and equipment used directly to remanufacture aircraft engines or aircraft engine parts or components used in a remanufacturing facility that overhauls aircraft engines or aircraft engine components. Application process is through Form ST-AR1.	Input
(45) The sale or use of paper stock when used to print catalogs for distribution outside	Input

GEORGIA SALES AND USE TAX EXEMPTIONS

EXEMPTIONS

Rationale

Georgia.		
(48) Sales of crab bait to licensed commercial fishermen.	Input	
(61) Advertising inserts that are used in newspapers for resale.	Input/advertising service	
(62) Sod grass sold in the original state of production by the sod producer, employee of the sod producer, or a family member of the sod producer. <i>Note: This exemption does not apply to sales from a nursery or other places where plants are sold.</i>		
(65) Sales of dyed diesel fuel used exclusively for operation of vessels or boats by licensed commercial fisherman. Application is through letter application accompanied by a copy of a DNR Commercial Fisherman's License.	Input	
(68) Sales of certain computer equipment when the total qualifying purchases by a High Technology Company in a calendar year exceed \$15 million. A High Technology Company must be classified under North American Industry Classification System code 334413, 334611, 51121, 51331, 51333, 51334, 51421, 52232, 54133, 54171, 54172, 513321, 513322, 514191, 541511, 541512, 511513, or 511519. Application process is through Form ST-CE1.	Input	
(70) Sales of natural gas used directly in the manufacture of electricity (4% State rate only). Application process is through letter.	Input	
(83) Sale of biomass materials used to produce electricity or steam or used to produce electricity and steam intended for sale. Biomass materials include agricultural crops, plants, trees, wood, wood wastes and residues, sawmill waste, sawdust, wood chips, bark chips, forest thinning, harvesting or clearing residues, wood waste from pallets or other wood demolition debris; peanut shells, pecan shells, cotton plants, corn stalks, plant matter including aquatic plants, grasses, stalks, vegetation; and residues including hulls, shells, or cellulose containing fiber. <i>Fossil fuels are specifically excluded.</i>	Input	
(86) From July 1, 2007 through June 30, 2011, the sale or use of engines, parts, equipment and other tangible personal property used in the maintenance or repair of certain aircraft. The exemption extends to items that are installed on all aircraft that are not registered in this state.	Expires 2011 - Remove sunset 2011 session Competitive issue - mobility of property repaired	
Category 1 - Agricultural Inputs: To be covered by new agriculture exemption language		
(25) Sale of seed, fertilizer, fungicide, and certain other agricultural chemicals to farmers, and feed for livestock, fish, or poultry purchased by persons engaged in animal husbandry.	Input	
(26) Sale of machinery used exclusively for irrigation of crops to persons primarily engaged in producing farm crops for sale.	Input	
(27) Sale of sugar for use as food to honey bee producers. Application process is through	Input	2

GEORGIA SALES AND USE TAX EXEMPTIONS

EXEMPTIONS

Rationale

letter application.	
(28) Sale of cattle, hogs, sheep, horses, poultry, or bees when sold for breeding purposes.	Input
(29) Sale of certain types of Agricultural Machinery:	Input
Machinery and Equipment for use on a farm in production of poultry and eggs for sale;	
Machinery and Equipment for use in the hatching and breeding of poultry and the breeding of livestock;	
Machinery and Equipment for use on a farm in the production, processing, and storage of fluid milk for sale;	
Machinery and Equipment for use on a farm in the production of livestock;	
Machinery and Equipment for use on a farm to harvest farm crops for use as feed for poultry and livestock;	
Machinery used directly in tilling soil or in animal husbandry on a new or existing farm;	
Rubber-tired tractors and attachments for tractors sold to persons engaged primarily in producing farm crops for sale and which are used exclusively in tilling, planting, cultivating, and harvesting;	
Equipment used to process onions for sale; and	
Pecan sprayers, pecan shakers, and other equipment used to harvest pecans when sold to persons growing, harvesting, and producing pecans for sale.	
NOTE: "Farm crops" are crops planted and harvested over a 12-month period. This does not include orchards, vineyards, or other types of commodities, which are not planted and harvested over a 12-month period. Harvesting ends with the cutting of the crop and does not extend beyond that point.	
(29.1) Off-road equipment and related attachments used exclusively in site preparation, planting, cultivating, or harvesting of timber by persons primarily engaged in growing or harvesting timber.	Input
(49) Liquefied gases and other fuels used in poultry or pullet houses or structures.	Input
(49.1) From July 1, 2008 to June 30, 2010 State sales and use tax exemption for liquefied petroleum gas or other fuel used in a structure where swine are raised.. NOTE: This exemption does not apply to local sales and use tax.	Input
(64) Sales of electricity or fuels used exclusively for the operation of an irrigation system on a farm for crop irrigation.	Input
(77) Liquefied gases and other fuels used in structures where plants, floral products, seedlings, and nursery stock are grown for sale. NOTE: Must be separately metered or otherwise documented.	Input
(79) Ice used to chill poultry or vegetables during processing or shipment.	Input

GEORGIA SALES AND USE TAX EXEMPTIONS

EXEMPTIONS

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Category 1 - Manufacturing Inputs: To be covered by new manufacturing exemption language

(34) Machinery which is necessary and integral to the manufacture of tangible personal property. Qualifying machinery or equipment must be purchased for a new manufacturing facility, as replacement machinery in an existing manufacturing facility, or for the upgrade or expansion of an existing manufacturing facility. New facility - Machinery or equipment to be installed at a new facility requires application for the exemption (Form ST-M1).	Input
(34.3) The sale or use of repair or replacement parts, machinery clothing, molds, dies, waxes or tooling for machinery which is necessary and integral to the manufacture of tangible personal property in a presently existing manufacturing plant.	Input
(35) Industrial Materials & Packaging:	Input
1. Materials used for further processing, manufacture, or conversion into components of a finished product.	
2. Materials coated upon or impregnated into a product being manufactured for sale.	
3. Non-reusable materials used to package products for sale or shipment.	
NOTE: Industrial materials do not include any materials used to heat, light, power, or refrigerate.	
(37) Machinery and equipment used in combating air and water pollution and any industrial material used in a burning or recycling process which would otherwise contribute to pollution. Application process is through Form ST-M7.	Input
(70.1) From July 1, 2008 to December 31, 2010, a partial exemption for certain sales of natural or artificial gas, fuel oil, propane, petroleum coke and coal used directly or indirectly in the manufacture or processing of tangible personal property primarily for resale, and a portion of the fuel cost recovery component of retail electric rates used in manufacturing tangible personal property for resale, subject to conditions and limitations.	Input

Category 1 - Keep, Miscellaneous

(18) Charges for transportation of tangible personal property made in connection with interstate or intrastate transportation.	Commerce Clause
(19) All tangible personal property purchased outside this state by a nonresident when the property is brought into Georgia upon the nonresident becoming a resident of Georgia. NOTE: This exemption does not apply to tangible personal property used in a business, profession, or trade.	No sale
(21) Sales, transfers or exchanges of tangible personal property resulting from a business reorganization when the owners, partners, or stockholders maintain the same proportionate interest or share in the newly formed business.	Not taxable transaction
(24) Rental of videotape or film to persons charging admission to view the tape or film.	4

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EXEMPTIONS

Rationale

(31) Sale of tangible personal property manufactured or assembled in Georgia for export when delivery is taken outside of Georgia.	Consider amending language to address DOR concern no definition of "assembled"
(32) Aircraft, watercraft, motor vehicles, and other transportation equipment manufactured or assembled in this State for exclusive use outside Georgia when the purchaser takes possession in Georgia with the sole purpose of removing the property from Georgia.	Consider amending language to address DOR concern no definition of "assembled"
(33) COMMON OR COMMON AND CONTRACT CARRIERS: Aircraft, watercraft, railroad locomotives and rolling stock, motor vehicles used principally to cross the state line to transport persons or cargo when purchased by common or common and contract carriers holding the same authority granted by the United States government. This exemption also extends to replacement of integral parts of the qualifying craft, equipment, or vehicle.	Commerce Clause Amend language to address DOR concerns
(42) Leases of tangible personal property when the lessor and lessee are under 100 percent common ownership. The lessor must have paid applicable sales tax on the leased property at the time of purchase.	Avoid double taxation
(66) Sales of gold, silver, or platinum bullion.	
(67) Sales of coins or currency.	

Category 2 - Eliminate June 30, 2011

(57) Sales of eligible food, for off-premises consumption, as defined under the Federal Food Stamp Act, are exempt from State Tax. Generally, the exemption applies to staple food products such as meat, poultry, baby food, candy, gum, vegetables, spices, and similar products.	
(73) Sales of certain production equipment to film producers and film production companies used to produce films for nationwide distribution. Application process is through Form ST-PE1 and copy of Certification from the Georgia Film Industry Office.	

Category 3 - Add sunset

GOVERNMENT AUTHORITIES - Sunset June 30, 2011

(4) Sales of transportation furnished by a county or municipal public transit system or public transit authorities.	
(5) Sales of transportation furnished by an approved and authorized Urban Transit System.	
(6) Sales to any Hospital Authority created by Georgia Law.	
(6.1) Sales to any Housing Authority created by Georgia Law.	
(6.2) Sales to local government authorities created on or after January 1, 1980, for the principal purpose of constructing, owning, or operating a coliseum and related facilities.	
(20) Water delivered through water mains, lines, or pipes.	

HEALTHCARE - Sunset June 30, 2012

(7) Sales of tangible personal property and services used specifically in the treatment function by an approved nursing home, inpatient hospice, general hospital or mental hospital when qualifying as nonprofit by the Internal Revenue Service. Application process is	5
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GEORGIA SALES AND USE TAX EXEMPTIONS

EXEMPTIONS

Rationale

through Form ST-NHI.

(7.1) Sales of tangible personal property and services to a nonprofit organization whose primary function is to provide services to the mentally retarded when qualifying as nonprofit by the Internal Revenue Service. Application process is through letter application.

(47) Sales of drugs dispensed by prescription, prescription glasses, contact lenses, contact lens samples, and sales or use of controlled substances or dangerous drugs dispensable by prescription without charge to physicians, hospitals, etc by pharmaceutical manufacturers or distributors, and the use of drugs, new animal drugs, and medical devices distributed without charge solely for the purposes of a clinical trial approved by the FDA or an institutional review board.

(50) Sales of blood measuring devices, monitoring equipment, or insulin delivery systems used exclusively by diabetics; insulin, insulin syringes, and blood glucose monitoring strips.

(51) Sales of oxygen when prescribed by a licensed physician.

(54) Sale or use of any durable medical equipment or prosthetic device prescribed by a physician.

EDUCATION - Sunset June 30, 2013

(8) Sales of tangible personal property and services to the University System of Georgia and its educational units.

(9) Sales of tangible personal property and services used exclusively in the educational function of an approved private college or university located in Georgia whose credits are accepted by the University System of Georgia. Application process is through letter application.

(10) Sales of tangible personal property and services used exclusively in the educational function of an approved private elementary or secondary school when qualifying as a nonprofit by the Internal Revenue Service. Application process is through letter application.

(12) School lunches sold and served to pupils and employees of public schools.

(13) School lunches sold and served to pupils and employees of approved private elementary or secondary schools.

(38) Sale of tangible personal property and fees and charges for services by the Rock Eagle 4-H Center. Application process is through letter application.

(39) Sales by a public or private school with grades Kindergarten through 12 of tangible personal property, concessions, and tickets for admission to school functions when the net proceeds benefit the school or its students.

NON PROFIT - Sunset June 30, 2014

(7.2) Sales to Georgia Society of the Daughters of American Revolution when qualifying as nonprofit by the Internal Revenue Service. Application process is through letter application.

(11) Sales of tangible personal property and services to any cultural institute which qualifies as a nonprofit by the Internal Revenue Service; provides at least 50% of its programs through universities and other institutions of higher learning in Georgia; operates with foreign government funds; and is an instrumentality, agency, department or branch of a foreign government operating in Georgia. Application process is through a letter application.

GEORGIA SALES AND USE TAX EXEMPTIONS

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<p>(15) Specific fundraising sales by any religious institution lasting no more than 30 days in a calendar year. The proceeds may not benefit any private person and can only be used for relief to the aged, church youth activities, religious instruction, or construction or repair of church buildings. NOTE: Purchases made by churches are subject to Georgia sales and use tax.</p>	
<p>(15.1) Sales of pipe organs or steeple bells to any church qualifying as nonprofit by the Internal Revenue Service.</p>	
<p>(41) Sale of tangible personal property and services to a nonprofit child-caring institute, child-placing agency, or maternity home. Also, certain sales from specific fundraising activities (30 day limitation per calendar year). Application process is through Form ST-CHI.</p>	
<p>(46) Sales of tangible personal property or taxable services to nonprofit Blood Banks. Application process is through letter application.</p>	
<p>(56) Sales by any qualified nonprofit parent teacher organization. Application is through letter application.</p>	
<p>(59) Sales of eligible food and beverages for on or off-premises consumption by any Girl or Boy Scout Council in connection with fundraising activities. Application process is by letter application. NOTE: Purchases made for use by a Girl or Boy Scout Council are subject to sales and use tax.</p>	
<p>(71) Sales to or by an organization whose primary purpose is to raise funds for books, materials, and programs for public libraries when qualifying as nonprofit by the Internal Revenue Service. Application process is by letter application.</p>	
<p>MISCELLANEOUS - Sunset June 30, 2014</p>	
<p>(23) Services of a repairman when a separate charge is made to the customer.</p>	<p>Repair Services - Align sunset date with implementation of taxation of repair services Expiring 2011 - Extend sunset to 2014 in 2011 session</p>
<p>(33.1) From July 1, 2009 through June 30, 2011, the first 1.8% of the 4% state sales tax and the 1% Special Purpose Local Option Sales Tax on the sale or use of jet fuel sold to, or used by a qualifying airline at a qualifying airport with 750,000 or more takeoffs and landings in a calendar year (Hartsfield-Jackson Airport).</p>	
<p>(36) Machinery and equipment used in a facility for the primary purpose of reducing or eliminating air and water pollution. Application process is through Form ST-M7.</p>	
<p>(36.1) Machinery and equipment used for water conservation and incorporated into a qualified water conservation facility. Application process is through Form ST-M7.</p>	
<p>(44) Sales of motor vehicles to nonresident purchasers when vehicles are immediately removed from Georgia and titled in another state.</p>	<p>Exemption may result in loss of tax revenue, further study needed to determine competitive effects</p>
<p>(55) Sale of Georgia lottery tickets.</p>	
<p>(60) Sales of machinery and equipment used to improve air quality in a clean room of Class 100,000 or less when incorporated into a telecommunications manufacturing facility.</p>	
<p>(63) Funeral merchandise when paid with funds from the Georgia Crime Victims Emergency Fund.</p>	
<p>(69) Sales of machinery and equipment and material incorporated and used in a clean room</p>	<p align="right">7</p>

GEORGIA SALES AND USE TAX EXEMPTIONS

EXEMPTIONS

Rationale

of Class 100 or less when used directly in the manufacture of tangible personal property.	
(81) The purchase of food and non-alcoholic beverages provided at no charge aboard a qualified airline.	
Expired/Expiring	
(7.05) From July 1, 2008 through June 30, 2010, sales of tangible personal property to a nonprofit health center established under the authority of and receiving funds pursuant to the U.S. Public Health Service Act if such clinic obtains an exemption determination letter from the commissioner.	Expired
(7.3) From July 1, 2008 to June 30, 2010, sales of tangible property and services to a nonprofit volunteer health clinic primarily treating patients with incomes 200% below the (34.4) Sales of tangible personal property to, or used in or for the construction of, a new alternative fuel facility primarily dedicated to the production and processing of ethanol, biodiesel, butanol, or their by-products when such fuels are derived from biomass materials such as agricultural products, animal fats, or the wastes of such products or fats. Any entity seeking the exemption must conduct at least a majority of its business with nonaffiliated entities. <i>This exemption is enacted for five-years (July 1, 2007 - June 30, 2012), but will only apply to purchases up to the point an approved facility begins production and processing of alternative fuel.</i>	Expired
(57.1) From July 1, 2008 - June 30, 2010 exemption from the 4% State sales and use tax for the sale of food and beverages (as defined under the Federal Food Stamp Act) to a "qualified food bank" for on-premises or off-premises consumption. A "qualified food bank" must be nonprofit under IRC § 501(c)(3) and operated primarily for providing hunger relief to low income persons. Application process is by letter application.	Expired
(57.2) From July 1, 2007 through June 30, 2011 a use tax exemption for persons donating prepared food and beverages to a qualified nonprofit agency to be used for hunger relief purposes. "Qualified nonprofit agency" is defined as any exempt IRC 501(c)(3) organization that provides hunger relief. As a condition of the exemption, the donor must obtain a letter of determination from the "qualified nonprofit agency" that receives and uses the donated items	Expiring 2011
(57.3) From July 1, 2007 through June 30, 2011, a use tax exemption for prepared food and beverages that are donated following a natural disaster and used for disaster relief purposes.	Expiring 2011
(58) Graduated exemption for the sale or use of overhead materials used in government contracts that contain certain title passage clauses. Repealed effective January 1, 2011.	Expiring 2011
(74) Sales of digital broadcast equipment to commercial radio or television stations, networks and cable distributors. This exemption expired on November 1, 2004 for television, cable broadcasters and November 1, 2008 for radio broadcasters. Application Process is through Form ST-BE1.	Expired
(75) Sales Tax Holiday - From 12:01 AM on July 30, 2009 to Midnight on August 2, 2009: Clothing \$100 or less per item, Computer Equipment and Accessories - Single purchase \$1,500 or less - School Supplies including children's books - \$20 or less per item.	Expired - Do not renew
(76) Sales of tangible personal property to a nonprofit aquarium, including materials used to	Expired

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construct the aquarium. Application process is by letter application. <i>Note: Exemption expired on January 1, 2007.</i>	
(78) Materials used to construct a new symphony hall costing in excess of \$200 million that is owned or operated by a nonprofit organization. Application process is by letter application. <i>Exemption ceases September 1, 2011.</i>	Expiring 2011
(80) Materials used to construct an eligible corporate attraction that is dedicated to the history and products of a corporation which costs at least \$50 million and has 60,000 square feet of space, including parking and landscaping. Application process is by letter application. <i>Exemption expired December 31, 2007.</i>	Expired
(82) Sales Tax Holiday from October 1 - 4, 2009: sales and use tax exemption for the purchase of certain noncommercial home or personal use energy efficient products (specifically, any dishwasher, clothes washer, air conditioner, ceiling fan, fluorescent light bulb, dehumidifier, programmable thermostat, window, door, or refrigerator) with a sales price of \$1,500 or less per item. To qualify, the product purchased must have been designated by the U. S. Environmental Protection Agency and the U. S. Department of Energy as meeting or exceeding the requirements of each agency's <i>Energy Star</i> program. This exemption does not extend to any purchases for trade, business, or resale.	Expired - Do not renew
(84) Sales of tangible personal property used in direct connection with the construction or improvement of the National Infantry Museum and Heritage Park facility in Georgia. Application process is by letter application. <i>Exemption expired June 30, 2008.</i>	Expired
(85) -Sales of tangible personal property and services sold to a "qualified job training organization". To qualify, the organization must be located in Georgia, exempt from income tax under IRC Section 501(c)(3), specialize in the retail sale of donated goods, provide training and employment to disabled individuals, and use the majority of its revenue for job training, placement programs, and other community services. Application process is by letter application. <i>NOTE: This exemption does not apply to local sales and use tax. Repealed effective July 2, 2010</i>	Expired
(87) From July 1, 2009 until June 30, 2011, sales of tangible personal property used to renovate or expand a zoological institution.	Expires 2011
(88) From July 1, 1009 until July 30, 2015, sales of tangible personal property to, or used in the construction of, a civil rights museum that is owned by an exempt entity and has more than 70,000 square feet of space and includes facilities such as special event space and retail space.	Expiring 2015
(89) From July 1, 2009 until June 30, 2011, the sale or use of an airplane flight simulation training device approved by the FAA under Appendices A and B, 14 C.F.R. Part 60.	Expiring 2011

Appendix G – Recommendations on Agriculture Exemption Language

APPENDIX G
PROPOSED AGRICULTURE EXEMPTION LANGUAGE
To replace O.C.G.A. § 48-8-3(25)-(29), (29.1),(49),(49.1),(64),(77),(79)

48-8-3. Exemptions

The sales and use taxes levied or imposed by this article shall not apply to:

Sales to, or use by, a qualified agriculture producer of agricultural production inputs, energy used in agriculture, and agricultural machinery and equipment.

48-8-2. Definitions

“Agricultural operations” or “agricultural products” means raising, growing, harvesting, or storing of crops; feeding, breeding, or managing livestock, equine, or poultry; producing or storing feed for use in the production of livestock, including, but not limited to, cattle, calves, swine, hogs, goats, sheep, equine, and rabbits, or for use in the production of poultry, including, but not limited to, chickens, hens, ratites, and turkeys; producing plants, trees, Christmas trees, fowl, equine, or animals; or the production of aquacultural, horticultural, viticultural, silvicultural, grass sod, dairy, livestock, poultry, eggs, and apiarian products. Agricultural products are considered grown in this state if such products are grown, produced, or processed in this state, whether or not such products are composed of constituent products grown or produced outside this state.

“Agricultural production inputs” means seed; seedlings; plants grown from seed, cuttings or liners; fertilizers; insecticides; livestock and poultry feeds, drugs, and instruments used for the administration of such drugs; fencing products and materials used to produce agricultural products; fungicides; rodenticides; herbicides; defoliant; soil fumigants; plant growth regulating chemicals; desiccants including, but not limited to, shavings and sawdust from wood, peanut hulls, fuller’s earth, straw, and hay; feed for animals including, but not limited to, livestock, fish, equine, hogs, or poultry; sugar used as food for honeybees kept for the commercial production of honey, beeswax, and honeybees; cattle, hogs, sheep, equine, poultry, or bees when sold for breeding purposes; ice or other refrigerants used in the processing for market or the chilling of agricultural products in storage rooms, compartments, or delivery trucks; materials, containers, crates, boxes, labels,

sacks, bags or bottles used for packaging agricultural products when the product is either sold in the containers, sacks, bags or bottles directly to the consumer or when such use is incidental to the sale of the product for resale; containers, plastic, canvas, and other fabrics used in the care and raising of agricultural products or canvas used in covering feed bins, silos, greenhouses and other similar storage structures.

“Agricultural machinery and equipment” means machinery and equipment used in the production of agricultural products, including, but not limited to, machinery and equipment used: in the production of poultry and eggs for sale, including, but not limited to, equipment used in the cleaning or maintenance of poultry houses and the surrounding premises; in hatching and breeding of poultry and the breeding of livestock and equine; in production, processing, and storage of fluid milk for sale; in drying, ripening, cooking, further processing, or storage of agricultural products including, but not limited to, orchard crops; in production of livestock and equine for sale; by a producer of poultry, eggs, fluid milk, equine, or livestock for sale; for the purpose of harvesting agricultural products to be used on the farm by that producer as feed for poultry, equine or livestock; directly in tilling the soil or in animal husbandry when the machinery is incorporated for the first time or as additional machinery for the first time into a new or an existing farm unit engaged in tilling the soil or in animal husbandry in this state; directly in tilling the soil or in animal husbandry when the machinery is bought to replace machinery in an existing farm unit already engaged in tilling the soil or in animal husbandry in this state; and machinery and equipment used exclusively for irrigation of agricultural products including, but not limited to, fruit, vegetable, and nut crops.

“Agricultural machinery and equipment” also means farm tractors and attachments to the tractors; off-road vehicles used primarily in the production of nursery and horticultural crops; self-propelled fertilizer or chemical application equipment sold to persons engaged primarily in producing agricultural products for sale and which are used exclusively in tilling, planting, cultivating, and harvesting agricultural products, including, but not limited to, growing, harvesting or processing onions, peaches, blackberries, blueberries, or other orchard crops, nursery and other horticultural crops; devices and containers used in the transport and shipment of agricultural products; pecan sprayers, pecan shakers, and other equipment used in harvesting pecans sold to persons engaged in the growing, harvesting, and production of pecans; and off-road equipment and related attachments which are sold to or used by persons engaged primarily

in the growing or harvesting of timber and which are used exclusively in site preparation, planting, cultivating, or harvesting timber. Equipment used in harvesting shall include all off-road equipment and related attachments used in every forestry procedure starting with the severing of a tree from the ground until and including the point at which the tree or its parts in any form has been loaded in the field in or on a truck or other vehicle for transport to the place of use. Such off-road equipment shall include, but not be limited to, skidders, feller bunchers, debarkers, delimiters, chip harvestors, tub-grinders, woods cutters, chippers of all types, loaders of all types, dozers, and motor graders and the related attachments; grain bins and attachments to grain bins; any repair, replacement, or component parts installed on agricultural machinery and equipment; trailers used to transport agriculture products; all terrain vehicles and multi passenger rough terrain vehicles; and any other off-road vehicles used directly and principally in the production of agricultural or horticultural products.

“Energy used in agriculture” means fuels used for agricultural purposes, including, but not limited to: off-road diesel, propane, butane, electricity, natural gas, wood, wood products, or wood byproducts; liquefied petroleum gas or other fuel used in structures in which broilers, pullets, or other poultry are raised, in which swine are raised, in which dairy animals are raised or milked or where dairy products are stored on a farm, and in which plants, seedlings, nursery stock, or floral products are raised primarily for the purposes of making sales of such plants, seedlings, nursery stock, or floral products for resale; electricity or other fuel for the operation of an irrigation system which is used on a farm exclusively for the irrigation of agricultural products; and electricity or other fuel used in the drying, cooking, or further processing of raw agricultural products, including, but not limited to, food processing of raw agricultural products.

“Qualified Agriculture Producer” includes producers of agricultural products that meet one of the following criteria:

- The person or entity is the owner or lessee of agricultural land or other real property from which two thousand five hundred (\$2,500) or more of agricultural products were produced and sold during the year, including payments from government sources.
- The person or entity is in the business of providing for-hire custom agricultural services including, but not limited to, plowing, planting, harvesting, growing, animal husbandry or the maintenance of livestock, raising or substantially modifying agricultural products or for the

maintenance of agricultural land from which two thousand five hundred (\$2,500) or more of such services were provided during the year.

- The person or entity is the owner of land that qualifies for taxation under the qualifications of bona fide conservation use property as defined in Code Section 48-5-7.4 or qualifies for taxation under the provisions of the Forestland Protection Act defined in Code Section 48-5-7.7.
- The person or entity is in the business of producing long term agricultural products from which there might not be annual income, including, but not limited to, timber, pulpwood, orchard crops, pecans, horticultural and/or other multi-year agricultural or farm products. Applicant must demonstrate sufficient volumes of such long term agricultural products will be produced which have the capacity to generate at least two thousand five hundred dollars (\$2,500.00) in sales annually in the future.
- The person or entity must establish, to the satisfaction of the Commissioner of Agriculture, that the person or entity is actively engaged in the production of agricultural products, and has or will have created sufficient volumes to generate at least two thousand five hundred dollars (\$2,500.00) in sales annually.

The Commissioner of Agriculture, at his or her discretion, may use one or both of the following criteria as a tool to determine eligibility:

- Business activity on IRS schedule F (Profit or Loss from Farming) and/or,
- Farm rental activity on IRS form 4835 (Farm Rental Income and Expenses) or schedule E (Supplemental Income and Loss).

Qualified applicants will be issued an Agricultural Sales and Use Tax Exemption Certificate which contains an exemption number. To facilitate the use of the exemption certificate, a wallet-sized card containing that same information will also be issued.

The Commissioner of Agriculture is authorized to promulgate rules and regulations governing the issuance of agricultural exemption certificates and the administration of this program. The Commissioner is authorized to establish an oversight board and direct staff and is authorized to charge annual fees of not less than \$5.00 nor more than \$20.00 per year in accordance with Code Section 2-1-5.

Fees to Administer “Qualified Agriculture Producer” Program

O.C.G.A. 2-1-5. Annual license fee for grain dealers, commercial feed dealers, and grain warehousemen, and qualified agriculture producers; retention of funds.

(A) An individual conducting business as a grain dealer, commercial feed dealer, and grain warehouseman shall pay an annual license fee in an amount of not less than \$1,500.00 nor more than \$3,000.00. Any fees collected pursuant to this Code section shall be retained pursuant to the provisions of Code Section 45-12-92.1.

(B) A qualified agriculture producer, as defined in O.C.G.A. 48-8-2, shall pay an annual license fee in an amount of not less than \$5.00 nor more than \$20.00. Any fees collected pursuant to this code section shall be retained pursuant to the provisions of Code Section 45-12-92.1.

Appendix H – Recommendations on Manufacturing Exemption Language

APPENDIX H
PROPOSED MANUFACTURING EXEMPTION LANGUAGE
(To replace O.C.G.A. § 48-8-3(34), (34.3), (35), (37),(70),(70.1),(90))

Exempt the sale, use, storage, or consumption of machinery or equipment which is necessary and integral to the manufacture of tangible personal property, and the sale, use, storage, or consumption of energy, industrial materials, or packaging supplies.

(A) Definitions. For purposes of this paragraph, the following definitions and explanations of terms shall apply:

(i) "Consumable supplies" means tangible personal property other than machinery, equipment, and industrial materials, that is consumed or expended during the manufacture of tangible personal property. The term "consumable supplies" includes, but is not limited to, water treatment chemicals for use in, on, or in conjunction with machinery or equipment and items that are readily disposable. The term "consumable supplies" excludes packaging supplies and energy.

(ii) "Energy" means natural or artificial gas, oil, gasoline, electricity, solid fuel, wood, waste, ice, steam, water, and other materials used directly or indirectly for heat, light, power, refrigeration, climate control, processing, or any other use in any phase of the manufacture of tangible personal property.

(iii) "Equipment" means tangible personal property, other than machinery, industrial materials, and consumable supplies. The term "equipment" includes durable devices and apparatuses that are generally designed for long-term continuous or repetitive use. Examples of equipment include, but are not limited to, machinery clothing, cones, cores, pallets, hand tools, tooling, molds, dies, waxes, jigs, patterns, conveyors, safety devices, and pollution control devices. The term "equipment" includes components and repair or replacement parts. The term "equipment" excludes real property.

(iv) "Fixtures" means tangible personal property that has been installed or attached to land or to any building thereon and that is intended to remain permanently in its place. A consideration for whether tangible property is a fixture is whether its removal would cause significant damage to such property or to the real property to which it is attached. Fixtures are classified as real property. Examples of fixtures include, but are not limited to, plumbing, lighting fixtures, slabs, and foundations.

(v) "Industrial materials" means materials for future processing, manufacture, or conversion into articles of tangible personal property for resale when the industrial materials become a component part of the finished product. The term "industrial materials" also means materials that are coated upon or impregnated into the product at any stage of its processing, manufacture, or conversion, even though such materials do not remain a component part of the finished product for sale. The term "industrial materials" includes raw materials.

(vi) "Machinery" means an assemblage of parts that transmits force, motion, and energy one to the other in a predetermined manner to accomplish a specific objective. The term "machinery" includes a machine any all of its components including, but not limited to, belts, pulleys, shafts, gauges, gaskets, valves, hoses, pipes, wires, blades, bearings, operational

structures attached to the machine including stairways and catwalks, or other devices that are required to regulate or control the machine, allow access to the machine, or to enhance or alter its productivity or functionality. The term “machinery” includes repair or replacement parts. The term "machinery" excludes real property and consumable supplies.

(vii) "Machinery clothing" means felts, screen plates, wires, or any other items used to carry, form, or dry work in process through the manufacture of tangible personal property.

(viii) "Manufacturing plant" means any facility, site, or other area where a manufacturer engages in the manufacture of tangible personal property.

(ix) "Manufacture of tangible personal property," used synonymously with the term "manufacturing," means a manufacturing operation, series of continuous manufacturing operations, or series of integrated manufacturing operations, engaged in at a manufacturing plant or among manufacturing plants to change, process, transform, or convert industrial materials by physical or chemical means, into articles of tangible personal property for sale, for promotional use, or for further manufacturing that have a different form, configuration, utility, composition, or character. The term “manufacture of tangible personal property” includes, but is not limited to, the storage, preparation, or treatment of industrial materials; assembly of finished units of tangible personal property to form a new unit or units of tangible personal property; movement of industrial materials and work in process from one manufacturing operation to another; temporary storage between two points in a continuous manufacturing operation; random and sample testing that occurs at a manufacturing plant; and a packaging operation that occurs at a manufacturing plant.

(x) "Manufacturer" means a person or business, or a location of a person or business that is engaged in the manufacture of tangible personal property for sale or further manufacturing.

a. To be considered a manufacturer, the person or business, or the location of a person or business, must be:

(1) Classified as a manufacturer under the 2007 North American Industrial Classification System Sectors 21, 31, 32, or 33; or specific North American Industrial Classification Systems codes 22111, or 511110; or

(2) Generally regarded as being a manufacturer.

b. Businesses that are primarily engaged in providing personal or professional services, or in the operation of retail outlets, generally including, but not limited to, grocery stores, pharmacies, bakeries, or restaurants, are not considered manufacturers.

(xi) "Packaging operation" means bagging, boxing, crating, canning, containerizing, cutting, measuring, weighing, wrapping, labeling, palletizing, or other similar processes necessary to prepare or package manufactured products in a manner suitable for sale or delivery to customers as finished goods, or suitable for the transport of work in process at or among manufacturing plants for further manufacturing, and the movement of such finished goods or work in process to a storage or distribution area at a manufacturing plant.

(xii) “Packaging supplies” means materials, including but not limited to, containers, labels, sacks, boxes, wraps, fillers, cones, cores, pallets, or bags used in a packaging operation solely for packaging tangible personal property.

(xiii) "Real property" means land, any buildings thereon, and any fixtures attached thereto.

(xiv) "Repair or replacement part" means a part for any machinery or equipment that is necessary and integral to the manufacture of tangible personal property. Repair or replacement parts must be used to maintain, repair, restore, install, or upgrade such machinery or equipment that is necessary and integral to the manufacture of tangible personal property. Examples of repair and replacement parts may include, but are not limited to, oils, greases, hydraulic fluids, coolants, lubricants, machinery clothing, molds, dies, waxes, jigs, and other interchangeable tooling.

(xv) "Substantial purpose" is that purpose for which an item of tangible personal property is used more than one-third of the time of the total amount of time that the item is in use; alternatively, instead of time, the purpose may be measured in terms of other applicable criteria, including, but not limited to, the number of items produced.

(B) Application of Exemption.

(i) The manufacture of tangible personal property commences as industrial materials are received at a manufacturing plant, and concludes once the packaging operation is complete and the tangible personal property is ready for sale or shipment, regardless of whether the manufacture of tangible personal property occurs at one or more separate manufacturing plants.

(ii) For machinery or equipment that has multiple purposes, some purposes necessary and integral to the manufacture of tangible personal property, and some purposes not necessary and integral to the manufacture of tangible personal property, the substantial purpose of such machinery or equipment will prevail for purposes of determining the eligibility for exemption. The Commissioner shall consider any reasonable methodology for measuring the substantial purpose of machinery or equipment for which the substantial purpose is not readily identifiable.

(iii) For leased machinery or equipment that did not qualify for an exemption at the date of lease inception and subsequently qualifies for the exemption under this paragraph, the exemption shall apply to all lease payments made subsequent to such qualification.

(iv) Miscellaneous spare parts for which the ultimate use of the spare parts is unknown at the time of purchase are eligible for the exemption as repair or replacement parts. However, use tax must be accrued and remitted if spare parts are withdrawn from the inventory of spare parts and used for any purpose other than to maintain, repair, restore, install, or upgrade machinery or equipment that is necessary and integral to the manufacture of tangible personal property.

(v) Energy used directly or indirectly in the manufacture of tangible personal property includes energy used to operate exempt machinery or equipment, to create conditions necessary for the manufacture of tangible personal property, or to perform an actual part of the manufacture of tangible personal property. Energy used directly or indirectly in the manufacture of tangible personal property includes energy used in administrative or other ancillary activities that are located and performed at the manufacturing plant as long as such activities primarily benefit such manufacture of tangible personal property. Energy used directly or indirectly in the manufacture of tangible personal property includes energy used in related operations that convey, transport, handle, or store raw materials or finished goods at the manufacturing plant. Energy used for heating, cooling, ventilation, illumination, fire safety or prevention, and personal comfort and

convenience of the manufacturer's employees at the manufacturing plant is also considered to be used directly or indirectly in the manufacture of tangible personal property.

(C) Examples. Examples that will qualify as necessary and integral to the manufacture of tangible personal property include, but are not limited to:

(i) Machinery or equipment used to convey or transport industrial materials, work in process, consumable supplies, or packaging materials at or among manufacturing plants, or to convey and transport finished goods to a distribution or storage point at the manufacturing plant. Specific examples may include, but are not limited to, forklifts, conveyors, cranes, hoists, and pallet jacks;

(ii) Machinery or equipment used to gather, arrange, sort, mix, measure, blend, heat, cool, clean, or otherwise treat, prepare, or store industrial materials for further manufacturing;

(iii) Machinery or equipment used to control, regulate, heat, cool, or produce energy for other machinery or equipment that is necessary and integral to the manufacture of tangible personal property. Specific examples may include, but are not limited to, boilers, chillers, condensers, water towers, dehumidifiers, humidifiers, heat exchangers, generators, transformers, motor control centers, solar panels, air dryers, and air compressors;

(iv) Testing and quality control machinery or equipment located at a manufacturing plant used to test the quality of industrial materials, work in process, or finished goods;

(v) Starters, switches, circuit breakers, transformers, wiring, piping, and other electrical components, including associated cable trays, conduit, and insulation, located between a motor control center and exempt machinery or equipment, or between separate units of exempt machinery or equipment;

(vi) Machinery or equipment used to maintain, clean, or repair exempt machinery or equipment;

(vii) Machinery or equipment used to provide safety for the employees working at a manufacturing plant including, but not limited to, safety machinery and equipment required by federal or state law, gloves, ear plugs, face masks, protective eyewear, hard hats or helmets, or breathing apparatuses, regardless of whether the items would otherwise be considered consumable supplies;

(viii) Machinery or equipment used to condition air or water to produce conditions necessary for the manufacture of tangible personal property, including pollution control machinery or equipment and water treatment systems;

(ix) Pollution control, sanitizing, sterilizing, or recycling machinery or equipment;

(x) Industrial materials bought for further processing in the manufacture of tangible personal property for sale or further processing or any part of the industrial material or by-product thereof which becomes a wasteful product contributing to pollution problems and which is used up in a recycling or burning process;

(xi) Machinery or equipment used to manufacture tangible personal property to be used for promotional use.

(xii) Machinery or equipment used in quarrying and mining activities; including blasting, extraction, and crushing; and

(xiii) Energy used at a manufacturing plant.

Appendix I - Services to be Added to the Sales Base

APPENDIX I

Sales Taxation of Services - Revenue Estimates (in 1000s of 2009 dollars)

Description	Sales tax base 2008	State tax revenue
Clothing Services (CS)		
Shoe repair and other shoe services	\$4,457	\$178
Repair, alteration, and tailoring for clothing and accessories	\$22,438	\$898
Watch or jewelry repair	\$18,082	\$723
Clothing storage	\$5,051	\$202
sub total	\$50,028	\$2,001
Household Utilities and Related Expenses (HURE)		
Garbage and trash pick-up	\$332,921	\$13,317
Septic cleaning	\$11,093	\$444
Water softening	\$17,236	\$689
sub total	\$361,249	\$14,450
Other Household Services (OHS)		
Household appliance and equipment service contracts	\$1,041,262	\$41,650
Housekeeping services	\$417,225	\$16,689
Gardening or lawn care services	\$405,951	\$16,238
Household appliance and equipment repair	\$75,506	\$3,020
Other home services and small repair jobs around the house	\$67,809	\$2,712
Home security system service fees	\$76,334	\$3,053
Installation charges for home electronics	\$5,554	\$222
sub total	\$2,089,642	\$83,586
Miscellaneous (MISC)		
Moving, storage and freight express	\$166,119	\$6,645
Laundry and dry cleaners	\$190,383	\$7,615
Professional photography fees	\$48,898	\$1,956
Pet services	\$129,072	\$5,163
Veterinarian expenses for pets	\$386,900	\$15,476
Haircuts, styling, and other related services	\$1,021,962	\$40,878
Safe deposit box rental	\$13,088	\$524
Downloads of books, music, etc.		negligible
sub total	\$1,956,422	\$78,257
Membership Fees		
Global positioning services (GPS), such as OnStar	\$7,413	\$297
Golf courses, country clubs, and other social organizations, health clubs, swimming pools, and fitness and weight loss centers	\$447,532	\$17,901
Credit card membership fees	\$5,961	\$238
Shopping club membership such as Costco and Sam's	\$26,553	\$1,062
Direct or online dating services	\$922	\$37
sub total	\$488,381	\$19,535
Vehicle Maintenance, Repairs, and Equipment Installation		
Tire purchases and mounting	\$218,072	\$8,723
Audio equipment and installation	\$3,703	\$148
Video equipment and installation	\$6,143	\$246
Body work and painting	\$54,871	\$2,195
Clutch or transmission work	\$64,237	\$2,569
Drive shaft or rear-end work	\$6,976	\$279

Brake work	\$104,488	\$4,180
Steering or front end work	\$37,706	\$1,508
Engine cooling system work	\$38,948	\$1,558
Motor tune-up	\$80,010	\$3,200
Oil change, lubrication, and oil filter	\$123,579	\$4,943
Front end alignment, wheel balancing, and wheel rotation	\$23,996	\$960
Shock absorber replacement	\$7,776	\$311
Battery purchase and installation, tire repair misc. repairs	\$92,033	\$3,681
Exhaust system work	\$17,066	\$683
Electrical system work	\$48,043	\$1,922
Engine repair or replacement	\$120,169	\$4,807
Vehicle accessories and customization	\$20,879	\$835
Vehicle cleaning services and cleaning supplies	\$8,300	\$332
sub total	\$1,076,995	\$43,080
Other Vehicle Related Expenses		
Auto repair service policies	\$67,086	\$2,683
Towing charges	\$16,194	\$648
Automobile service clubs	\$62,444	\$2,498
sub total	\$145,724	\$5,829
Total	\$6,118,413	\$246,738
Estimates provided by Georgia State University Fiscal Research Center based on data from the Department of Labor Consumer Expenditure Survey		