



Georgia's Tax Revenue Portfolio

The Fiscal Research Center
Presentation by Dr. Carolyn Bourdeaux
to the Special Council on Tax Reform and Fairness for Georgians
July 28, 2010



ANDREW YOUNG SCHOOL
FISCAL RESEARCH CENTER



Overview

- 1. Principles for Evaluating a Tax System**
- 2. State General Fund Tax Revenues**
 - a. Overview
 - b. Performance Over Time
- 3. State and Local Tax Revenues**
 - a. Overview
 - b. Rank Compared to Other States
 - c. Performance Over Time
- 4. Selected Taxes**
 - a. Income Tax
 - b. Sales Tax
 - c. Corporate Income Tax
 - d. Misc. Taxes



Principles for Evaluating Tax Systems

1. **Revenue Raising Capacity of Tax System**
 - a. **Adequacy:** Does the system provide sufficient revenues to pay for desired services? Does the system grow with increases in income/demand for services?
 - b. **Stability:** Does the system fluctuate with the economy?
2. **Equity of Tax System**
 - a. **Benefit Principle:** Do taxpayers contribute in relation to the benefits received?
 - b. **Ability to Pay Principle:** Do taxpayers contribute in relation to ability to afford taxes?
 - c. **Horizontal equity:** Do taxpayers in similar situations contribute similar amounts?
3. **Effect on Taxpayer Choices**
 - a. **Efficiency:** Taxes should alter individual and business choices as little as possible to avoid “distortions” in behavior.
 - b. **Economic Development/Economic Growth Impact:** Does the tax system hinder economic development and growth and/or promote leisure over work?
4. **Simplicity and Ease of Administration**

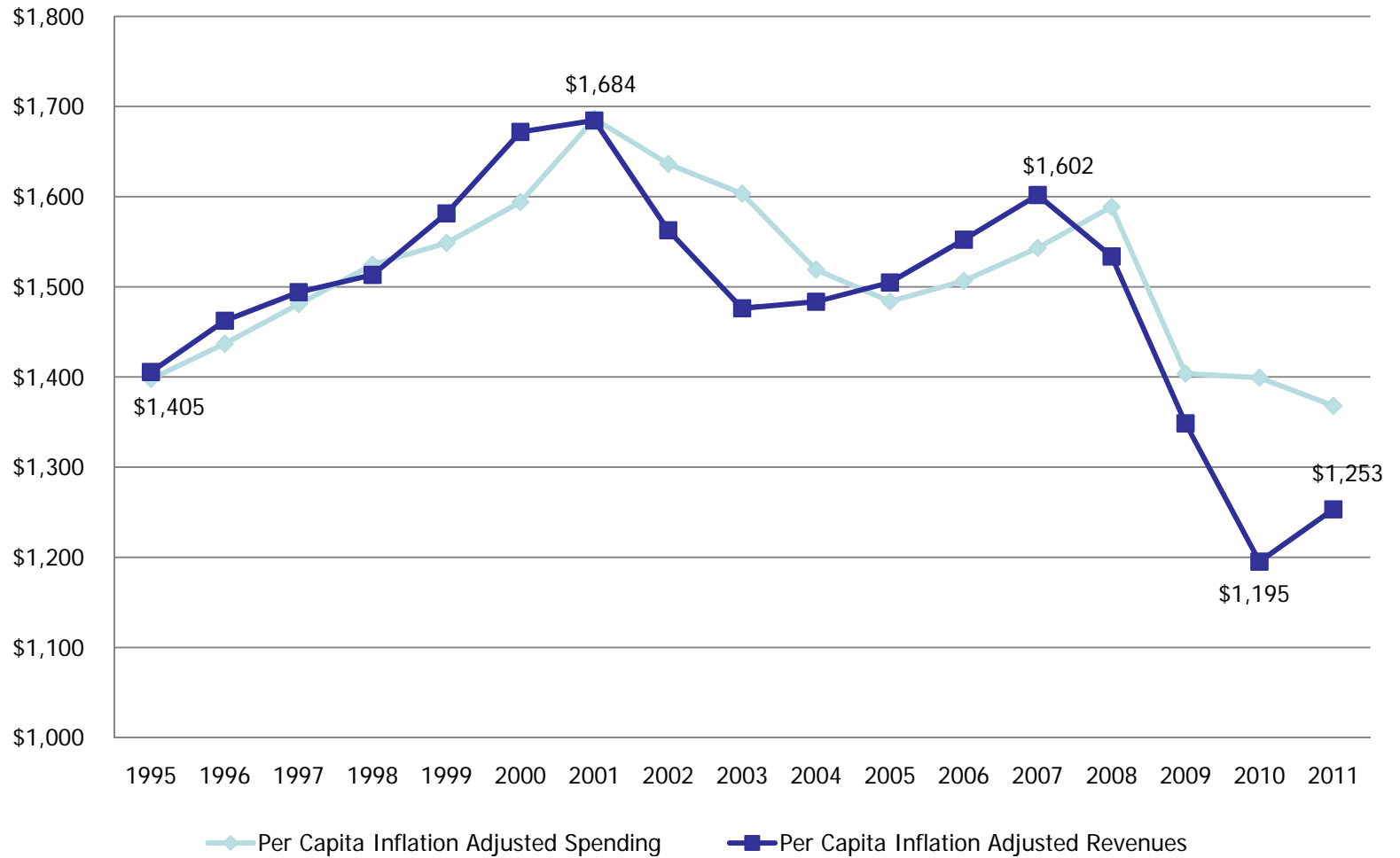
State General Fund Revenue, 2009-2010

Tax Revenue	FY 2009	% of Total	FY2010*	% of Total	% Change
Personal Income	\$7,815	44%	\$7,017	44%	-10%
General Sales and Use	\$5,306	30%	\$4,783	30%	-10%
Motor Fuel	\$884	5%	\$829	5%	-6%
Corporate Income	\$695	4%	\$685	4%	-1%
Insurance Premium	\$314	2%	\$274	2%	-13%
Motor Vehicle License	\$283	2%	\$283	2%	0%
Tobacco	\$230	1%	\$227	1%	-1%
Alcoholic Beverage	\$170	1%	\$168	1%	-1%
Property	\$83	1%	\$85	1%	3%
Estate	\$0	0%	\$0	0%	0%
Total Tax Revenue	\$15,781	89%	\$14,350	89%	-9%
Other Revenue					
Fees, Interest, and Sales	\$986	6%	\$740	5%	-25%
Lottery	\$885	5%	\$886	5%	0%
Tobacco Settlement Funds	\$177	1%	\$147	1%	-17%
Miscellaneous	\$4	0%	\$2	0%	-44%
Total Other	\$2,052	12%	\$1,775	11%	-13%
Grand Total	\$17,832	100%	\$16,125	100%	-10%

*Estimate based on June 2010 OTFS numbers.

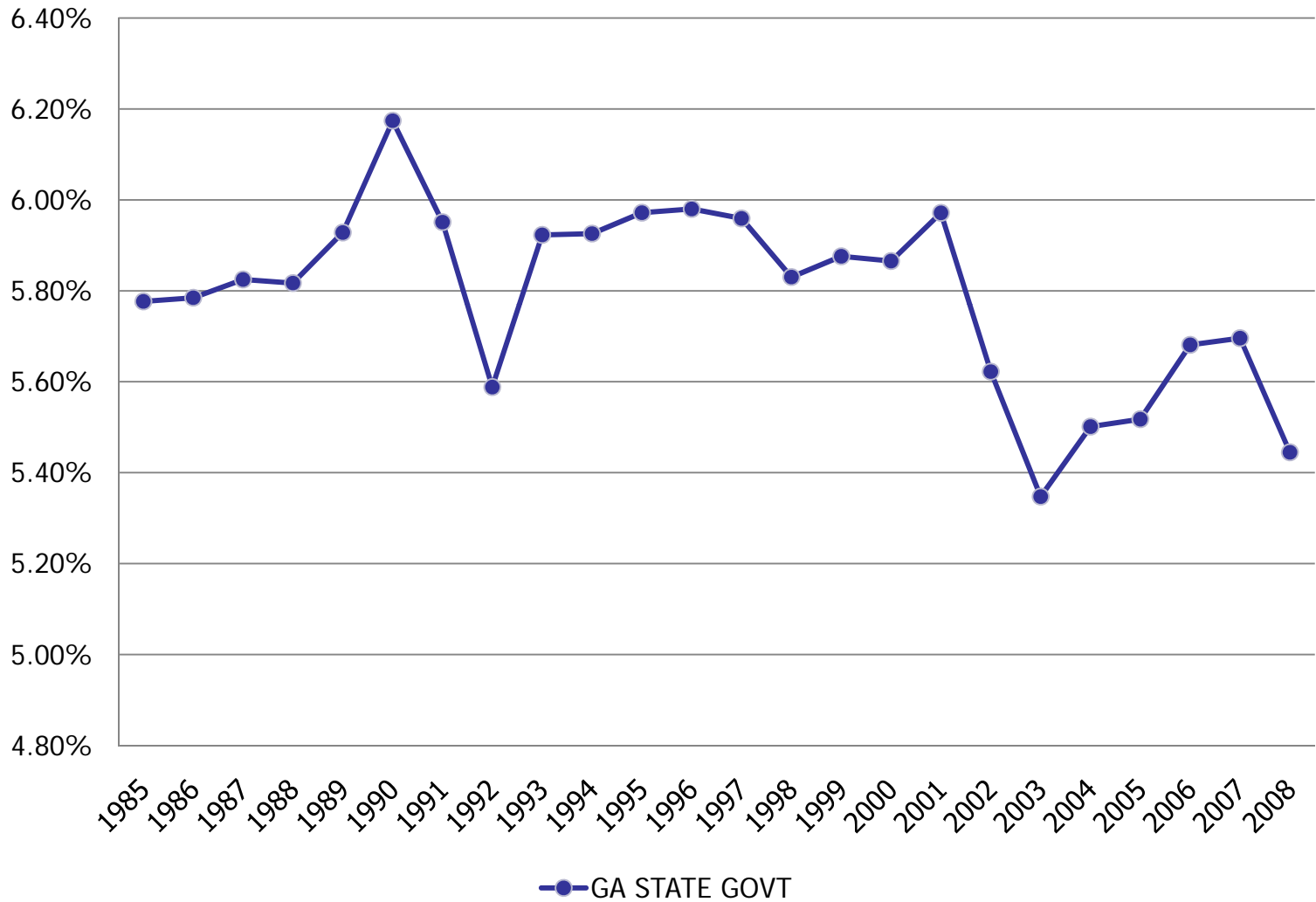
Georgia's Per Capita Inflation Adjusted Appropriations and Revenues 1995-2011

(1995 Constant \$)



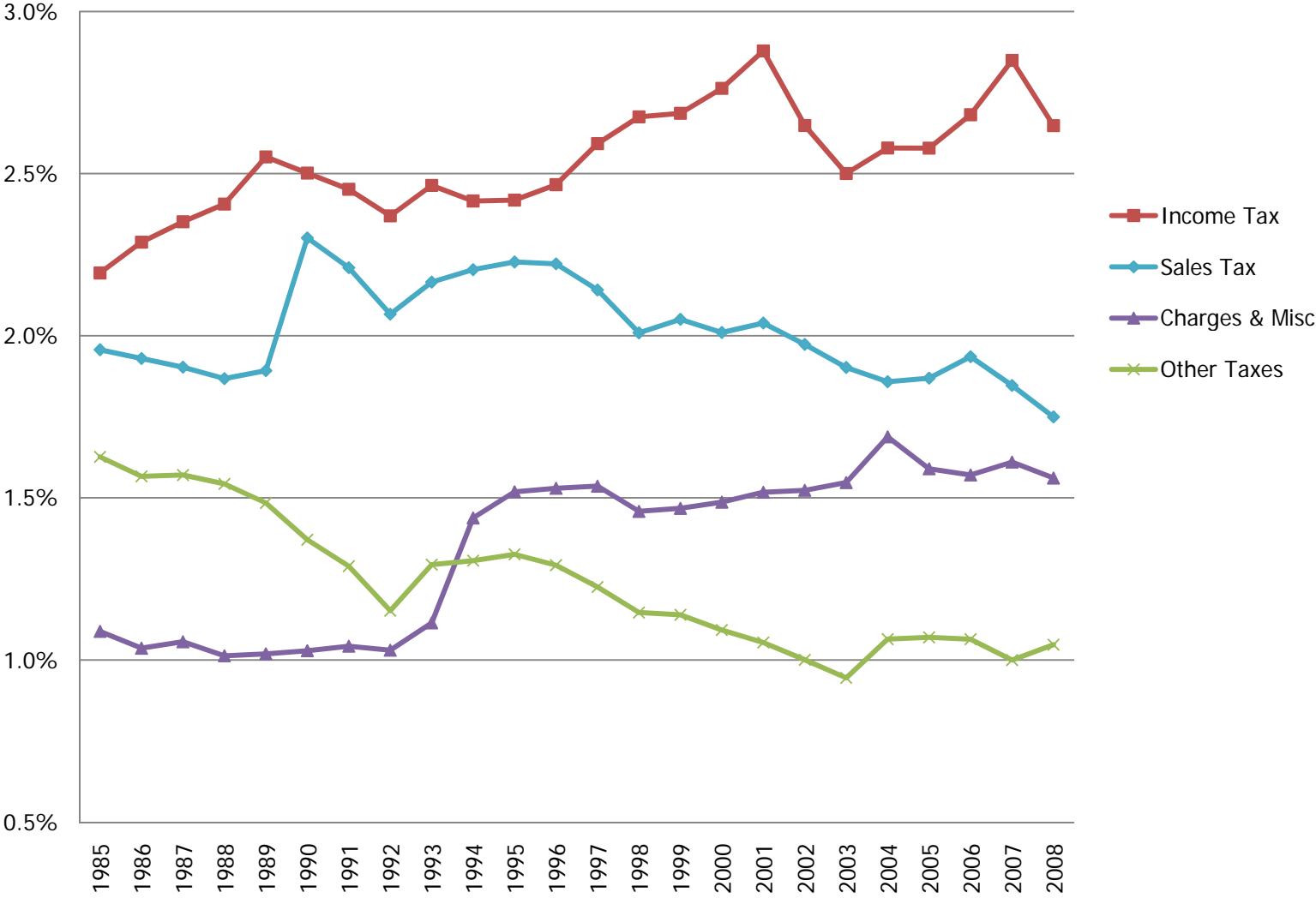
Data Sources: GA Department of Audits, Selected Summary of Financial Information; chart uses the Bureau of Economic Analysis GDP deflator to adjust for inflation

Georgia State Tax Revenues as a % of Personal Income (1985-2008)



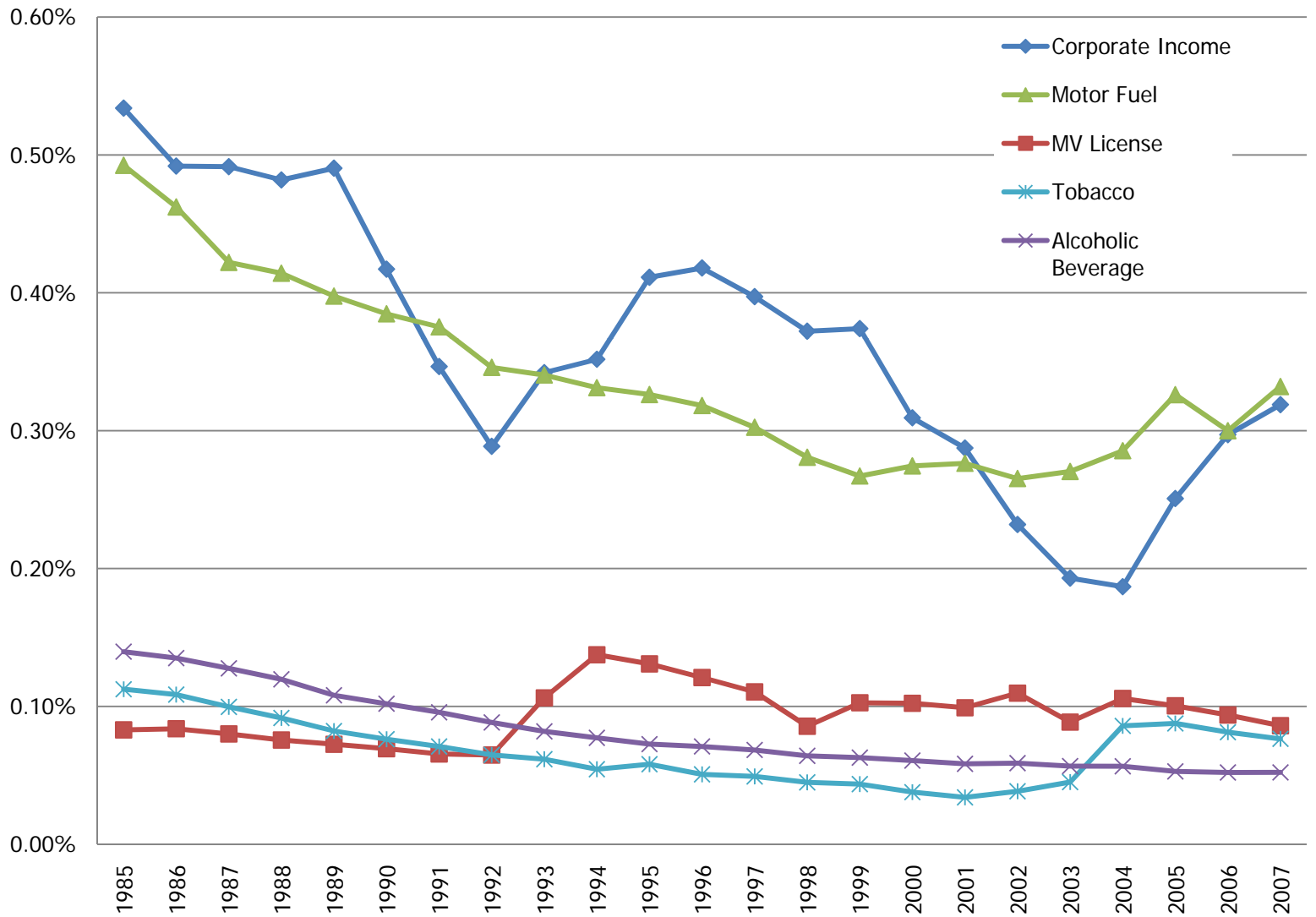
Data Source: US Census of Governments

Georgia State Taxes as % of Personal Income: Taxes, Charges and Misc. Revenue



Data Source: US Census of Governments

Georgia State "Other" Taxes as % of Personal Income



Data Source: US Census of Governments

How State and Local Govts are Financed in Georgia (\$ millions)

	State and Local		State		Local	
	Total	%	Total	%	Total	%
Tax Revenues						
Property Tax	\$10,220	20%	\$82	0%	\$10,138	39%
Sales Tax	\$9,771	20%	\$5,797	25%	\$3,974	15%
Income Tax	\$8,845	18%	\$8,845	38%	\$0	0%
Corporate Income	\$943	2%	\$943	4%	\$0	0%
Selective Sales						
Motor Fuel	\$1,011	2%	\$1,011	4%	\$0	0%
Alcoholic Beverage	\$293	1%	\$166	1%	\$128	0%
Tobacco	\$233	0%	\$233	1%	\$0	0%
Public Utilities	\$280	1%	\$0	0%	\$280	1%
Other	\$1,063	2%	\$482	2%	\$581	2%
MV License	\$297	1%	\$297	1%	\$0	0%
Other Taxes	\$676	1%	\$214	1%	\$462	2%
Total Taxes	\$33,633	67%	\$18,070	77%	\$15,562	59%
Other Revenues						
User Fees/Charges	\$11,235	23%	\$3,263	14%	\$7,971	30%
Misc Revenue	\$4,986	10%	\$2,248	10%	\$2,738	10%
Total Own Source	\$49,853	100%	\$23,581	100%	\$26,272	100%

Data Source: US Census of Governments, 2008

State and Local Tax Revenues Per Capita (2007)

All Taxes State and Local		
Rank	State	\$ per capita
1	Alaska	\$7,268
2	Wyoming	\$6,205
3	New York	\$6,898
Top Quintile Cutoff		\$4,714
18	Virginia	\$4,205
50-State Mean		\$4,096
Nat'l Median		\$4,011
26	Florida	\$4,009
AAA Mean		\$3,849
33	North Carolina	\$3,586
34	Georgia	\$3,481
SE Mean		\$3,415
Last Quintile Cutoff		\$3,312
46	South Carolina	\$3,134
48	Tennessee	\$3,005
49	Mississippi	\$2,989
50	Alabama	\$2,909

Data Source: US Census of Governments, 2007

State Versus Local Tax Revenues Per Capita (2007)

All Taxes - State Only		
Rank	State	\$ per capita
1	Alaska	\$5,415
2	Vermont	\$4,130
3	Hawaii	\$3,985
Top Quintile Cutoff		\$3,200
50-State Mean		\$2,604
AAA Mean		\$2,482
22	North Carolina	\$2,501
Nat'l Median		\$2,447
27	Virginia	\$2,425
38	Mississippi	\$2,189
40	Florida	\$2,133
SE Mean		\$2,114
Last Quintile Cutoff		\$2,073
42	South Carolina	\$1,973
43	Georgia	\$1,923
44	Alabama	\$1,917
46	Tennessee	\$1,852
48	Texas	\$1,691
49	New Hampshire	\$1,657
50	South Dakota	\$1,591

All Taxes - Local Only		
Rank	State	\$ per capita
1	New York	\$3,647
2	New Jersey	\$2,536
3	Connecticut	\$2,362
Top Quintile Cutoff		\$1,946
10	Florida	\$1,876
12	Virginia	\$1,781
22	Georgia	\$1,558
Nat'l Median		\$1,504
50-State Mean		\$1,493
AAA Mean		\$1,367
SE Mean		\$1,301
33	South Carolina	\$1,161
35	Tennessee	\$1,153
39	North Carolina	\$1,085
Last Quintile Cutoff		\$993
42	Alabama	\$992
48	Mississippi	\$800
49	Arkansas	\$630
50	Vermont	\$584

Data Source: US Census of Governments, 2007

Income Tax Per Capita (State Only)

Individual Income Tax (State Only)		
Rank	State	\$ per capita
1	New York	\$2,196
2	Maryland	\$1,912
3	Connecticut	\$1,815
9	Virginia	\$1,330
Top Quintile Cutoff		\$1,245
AAA Mean		\$1,172
13	North Carolina	\$1,171
25	Georgia	\$924
Nat'l Median		\$921
50-State Mean		\$862
33	South Carolina	\$735
SE Mean		\$668
37	Alabama	\$660
Last Quintile Cutoff		\$480
41	Mississippi	\$480
43	Tennessee	\$41
44T	Florida	\$0
Zero IIT: AK,FL,NV,SD,TX,WA,WY		

Data Source: US Census of Governments, 2007

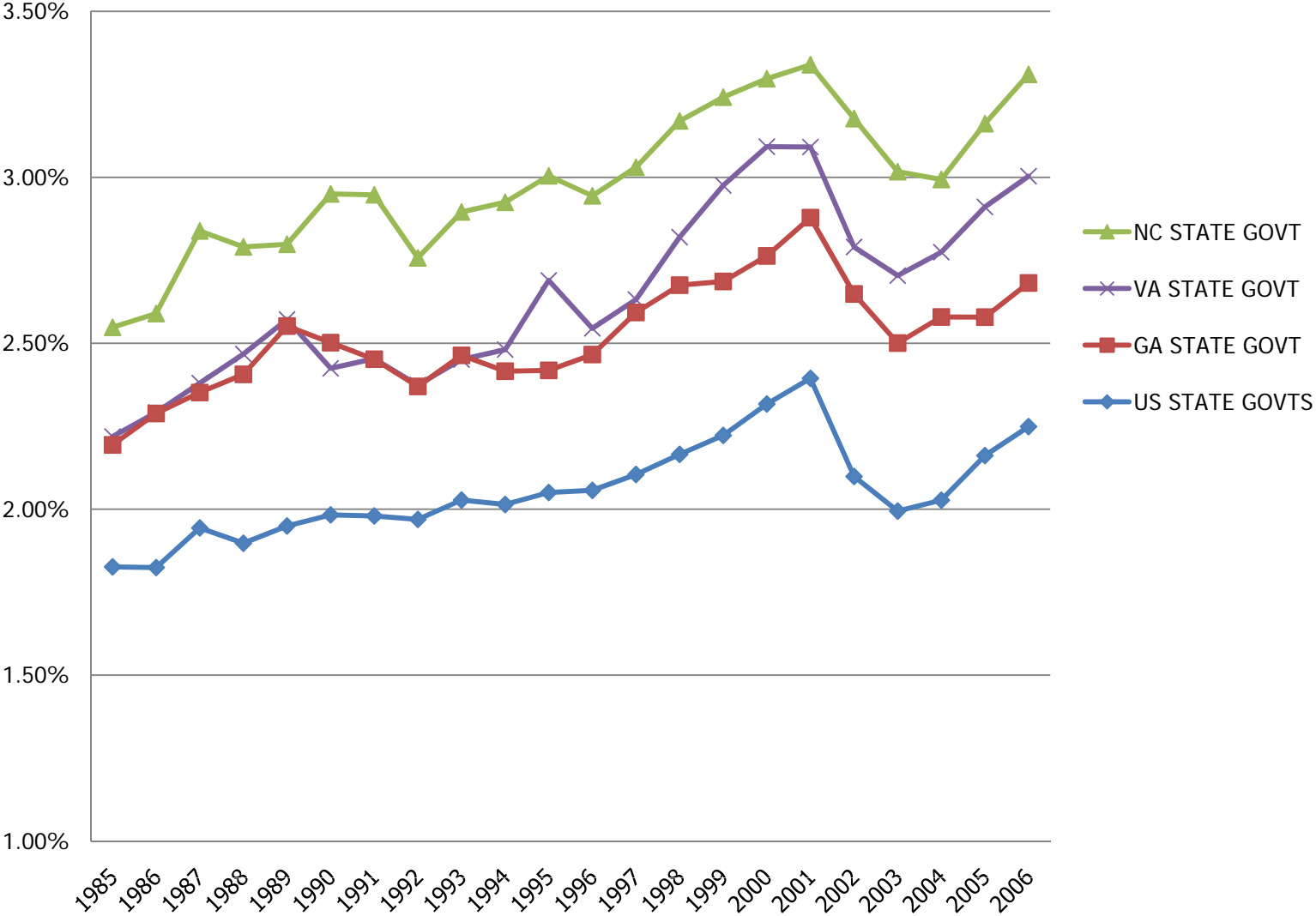
Personal Income Tax Structure

- 7 states have no income tax
- 2 states tax only interest and dividends
- 37 states tied their income tax system to the federal income tax system
- Number of tax brackets ranges from 1 to 12
- Georgia has 6 brackets, but is essentially flat
- For all states, taxable income at the highest tax bracket ranges from \$3,000 to \$1,000,000
- In Georgia, taxable income at the highest bracket is \$7,000 (This is for a single filer.)

Highest Tax Rate(as of January 1, 2010)	Number of States (includes DC)
3.0 - 3.9%	3
4.0 - 4.9%	5
5.0 - 5.9%	6
6.0 – 6.9%	12 (Georgia)
7.0 – 7.9%	6
8.0 – 8.9%	5
9.0 – 9.9%	1
10.0 – 10.9%	2
11.0 – 11.9%	2

Source: Federation of Tax Administrators

Income Tax Revenue as a % of Personal Income



Data Source: US Census of Governments, 1985-2006

Sales Tax Per Capita (State and Local)

Table 6:		
General Sales Tax		
Rank	State	\$ per capita
1	Washington	\$2,029
2	Hawaii	\$2,002
3	Wyoming	\$1,757
7	Tennessee	\$1,374
Top Quintile Cutoff		\$1,329
10	Florida	\$1,329
15	Mississippi	\$1,080
18	Georgia	\$1,038
SE Mean		\$981
50-State Mean		\$924
25	Alabama	\$870
Nat'l Median		\$869
35	North Carolina	\$787
37	South Carolina	\$761
AAA Mean		\$722
Last Quintile Cutoff		\$630
44	Virginia	\$610

Zero GST: DE, MT, NH, OR

Data Source: US Census of Governments, 2007

State Versus Local Sales Tax Per Capita

General Sales Tax - State Only		
Rank	State	\$ per capita
1	Hawaii	\$2,002
2	Washington	\$1,684
3	Wyoming	\$1,334
5	Florida	\$1,255
6	Tennessee	\$1,101
7	Mississippi	\$1,080
Top Quintile Cutoff		\$995
<i>SE Mean</i>		<i>\$791</i>
<i>50-State Mean</i>		<i>\$752</i>
<i>Nat'l Median</i>		<i>\$751</i>
27	South Carolina	\$734
34	Georgia	\$621
38	North Carolina	\$575
<i>AAA Mean</i>		<i>\$574</i>
Last Quintile Cutoff		\$544
43	Alabama	\$492
44	Virginia	\$472
45	Colorado	\$453

Zero GST - State Level: OR,NH,MT,
DE,AK

General Sales Tax - Local Only		
Rank	State	\$ per capita
1	Louisiana	\$813
2	Colorado	\$593
3	New York	\$572
6	Georgia	\$417
9	Alabama	\$378
Top Quintile Cutoff		\$345
15	Tennessee	\$272
19	North Carolina	\$211
<i>SE Mean</i>		<i>\$189</i>
<i>50-State Mean</i>		<i>\$171</i>
<i>AAA Mean</i>		<i>\$148</i>
24	Virginia	\$138
Nat'l Median		\$130
28	Florida	\$74
30	South Carolina	\$27
Last Quintile Cutoff		\$0
35	Mississippi	\$0

Zero GST - Local Level: 16 States
do not have a local sales tax.

Sales Tax Structure

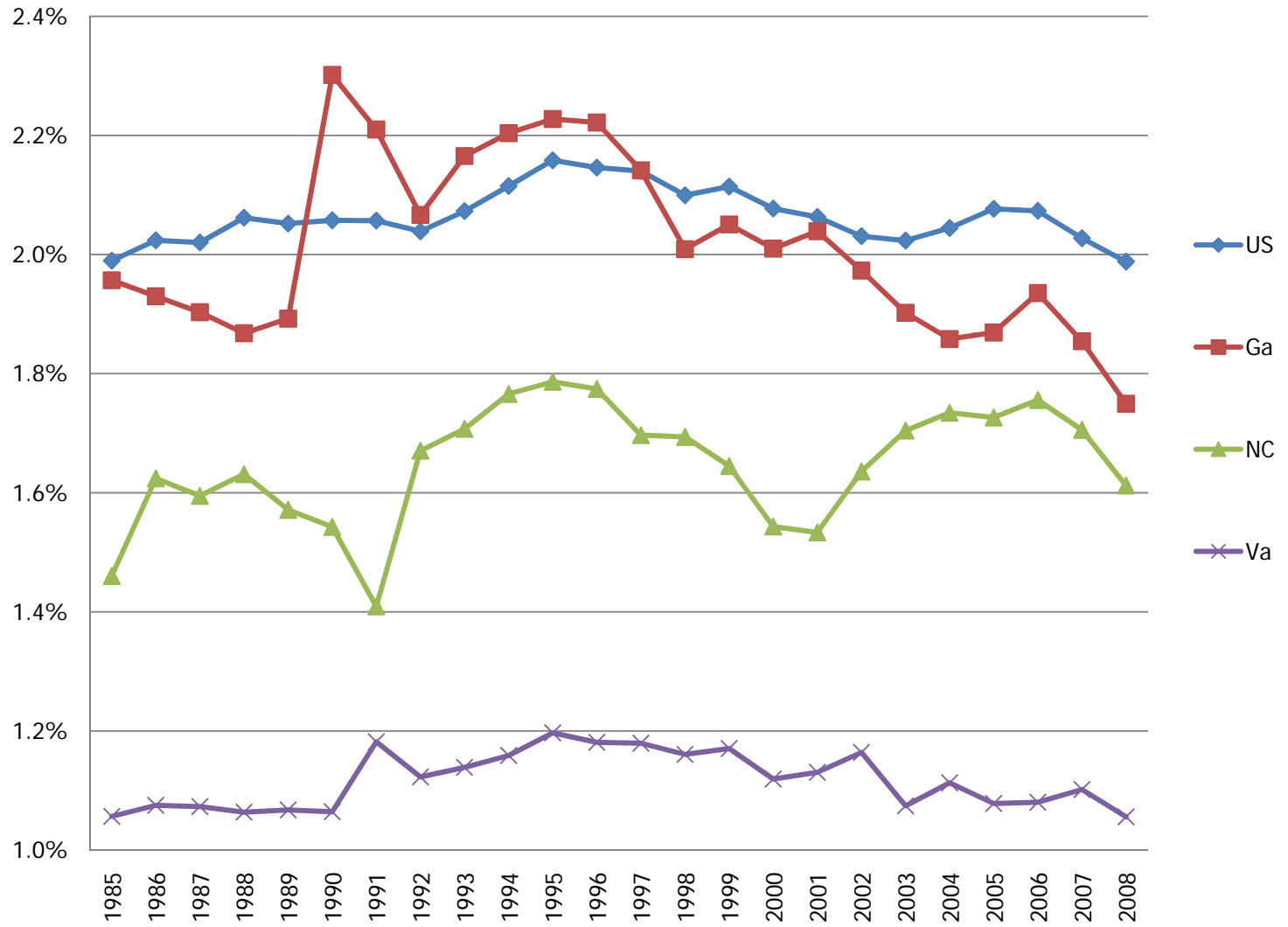
- 5 states have no sales tax
- Number of services that are taxed ranges from 11 to 160 (Source: Federation of Tax Administrators, as of 2007)
- Food for home consumption: 32 states fully exempt; 7 states tax at a lower rate; 7 states tax at state tax rate (Source: Federation of Tax Administrators, as of January 1, 2010)
- Business to business purchases: Estimated percentage of tax base ranges from 11% to 72%. Georgia is at 36%. (Source: Raymond Ring, *National Tax Journal*, 1999)
- In Georgia, state and local sales taxes combined average about 6.8%

State Only Sales Tax Rates (January 1, 2010)	Number of State (includes DC)
1. – 1.9%	1
2.0 – 2.9%	0
3.0 - 3.9%	0
4.0 - 4.9%	10 (Georgia)
5.0 - 5.9%	11
6.0 – 6.9%	18
7.0 – 7.9%	5
8.0 – 8.9%	1

Source: Federation of Tax Administrators

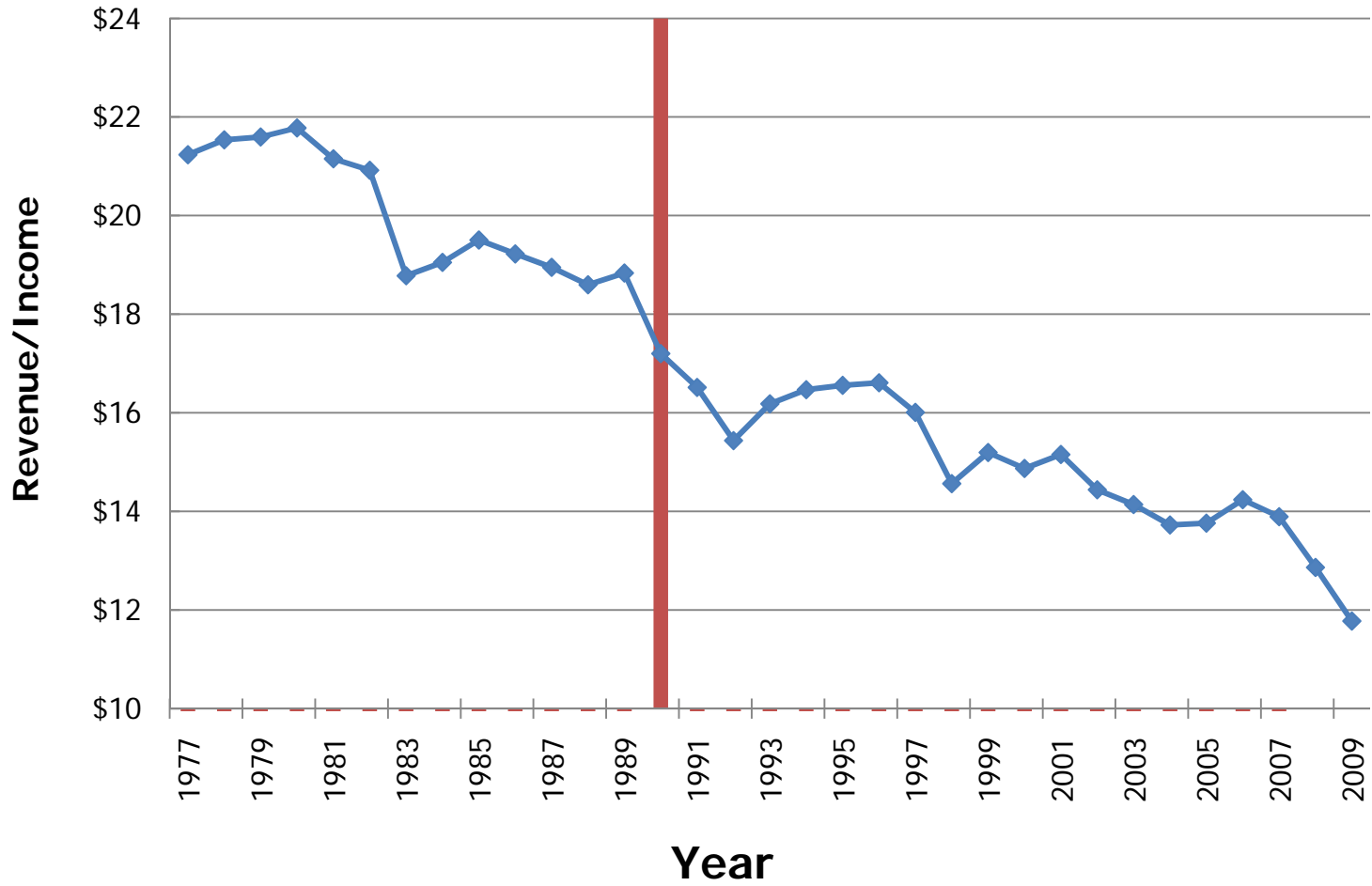
Cross State Comparison

General State Sales Tax as a % of Personal Income



Data Source: US Census of Governments

Sales Tax per \$1000 of Personal Income (Adjusted for Tax Rate Increase)



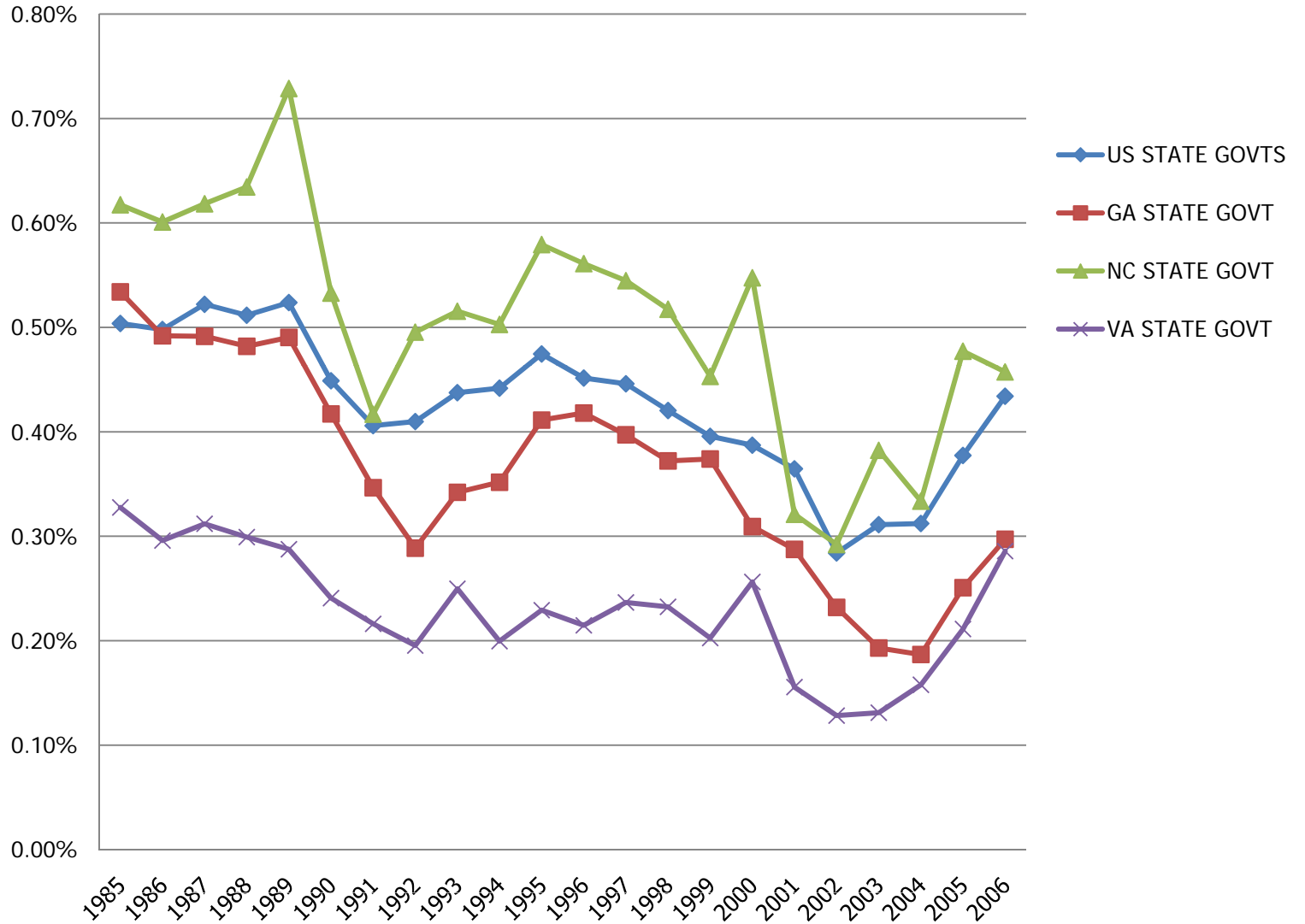
Corporate Income Tax Per Capita

Corporate Income Tax		
Rank	State	\$ per capita
1	Alaska	\$1,195
2	New York	\$639
3	New Hampshire	\$454
Top Quintile Cutoff		\$234
50-State Mean		\$193
18	Tennessee	\$182
20	North Carolina	\$173
AAA Mean		\$155
Nat'l Median		\$155
31	Florida	\$134
SE Mean		\$127
33	Mississippi	\$126
37	Virginia	\$114
38	Alabama	\$109
40	Georgia	\$107
Last Quintile Cutoff		\$99
45	South Carolina	\$71

Zero CIT: NV, TX, WA, WY, SD

Data Source: US Census of Governments, 2007

Georgia Corporate Income Tax as a % of Personal Income



Miscellaneous Other Taxes

(State and Local Combined)

Table 9: Selective Sales Taxes			Sub-Category Amount or Rank				
Rank	State	\$ per capita	Motor Fuel	Alcohol	Tobacco	Public Utilities	Other
1	Nevada	\$996	12	23	27	13	1
2	Vermont	\$832	23	10	6	40	2
3	Illinois	\$737	31	22	16	2	5
6	Florida	\$631	9	7	44	1	39
Top Quintile Cutoff		\$559	\$173	\$31	\$87	\$98	\$260
18	Alabama	\$518	24	2	36	4	32
20	Virginia	\$499	40	16	40	9	15
50-State Mean		\$465	\$138	\$19	\$59	\$66	\$183
AAA Mean		\$437	\$133	\$19	\$41	\$52	\$190
Nat'l Median		\$433	\$138	\$15	\$56	\$53	\$154
26	North Carolina	\$433	5	9	42	32	24
SE Mean		\$426	\$143	\$31	\$25	\$85	\$142
36	Mississippi	\$351	13	27	49	43	29
39	South Carolina	\$343	38	8	50	41	22
Last Quintile Cutoff		\$332	\$115	\$9	\$30	\$18	\$95
41	Tennessee	\$332	20	3	47	42	38
47	Georgia	\$303	42	12	43	37	40
48	Oregon	\$296	41	50	14	23	48
49	Wyoming	\$293	26	47	31	33	47
50	Idaho	\$283	14	45	38	44	45
GA		\$114	\$30	\$25	\$28	\$106	

Data Source: US Census of Governments, 2007



Misc. Other Taxes

(State Only, Updated to 2010)

- Gasoline Tax (as of January 1, 2010)
 - ✓ Georgia 7.5 cents per gallon plus 3% 2nd motor fuel tax = 16.8 cents
 - ✓ This is the 46th highest rate
 - ✓ Range is from 8.0 cents to 37.5 cents per gallon
(Source: Federation of Tax Administrators)

- Cigarette Tax (as of July 1, 2010)
 - ✓ Georgia: 37 cents per pack
 - ✓ Georgia is 48th highest rate
 - ✓ Range is from 17 cents to \$3.46 per pack
(Source: Campaign for Tax-Free Kids)

- Beer Tax
 - ✓ Georgia: 32 cents per gallon
 - ✓ Georgia is 12th highest rate
 - ✓ Range: 2 cents to \$1.07 per gallon
(Source: Federation of Tax Administrators)

- Unemployment Insurance Tax
 - ✓ Maximum Tax Rate for Georgia: 5.40%
 - ✓ Range for all States: 5.40% to 13.15%
 - ✓ Taxable Wage Threshold for Georgia: \$8,500
 - ✓ Range for all States: \$7,000 to \$35,700
(Source: Tax Foundation)

Business Climate Measures

Tax Foundation (High Ranking Number is Less "Business Friendly")						
	Overall Rank	Corporate Income Tax Rank	Individual Income Tax Rank	Sales Tax Rank	Unemployment Insurance Tax Index Rank	Property Tax Index Rank
Florida	5	15	1	32	3	22
Virginia	15	4	20	8	44	29
Alabama	19	23	17	25	16	17
Mississippi	21	13	18	35	4	23
Tennessee	22	11	8	49	32	46
South Carolina	26	9	28	18	43	26
Georgia	29	8	30	23	22	36
North Carolina	39	25	36	34	5	37

Business Climate Measures

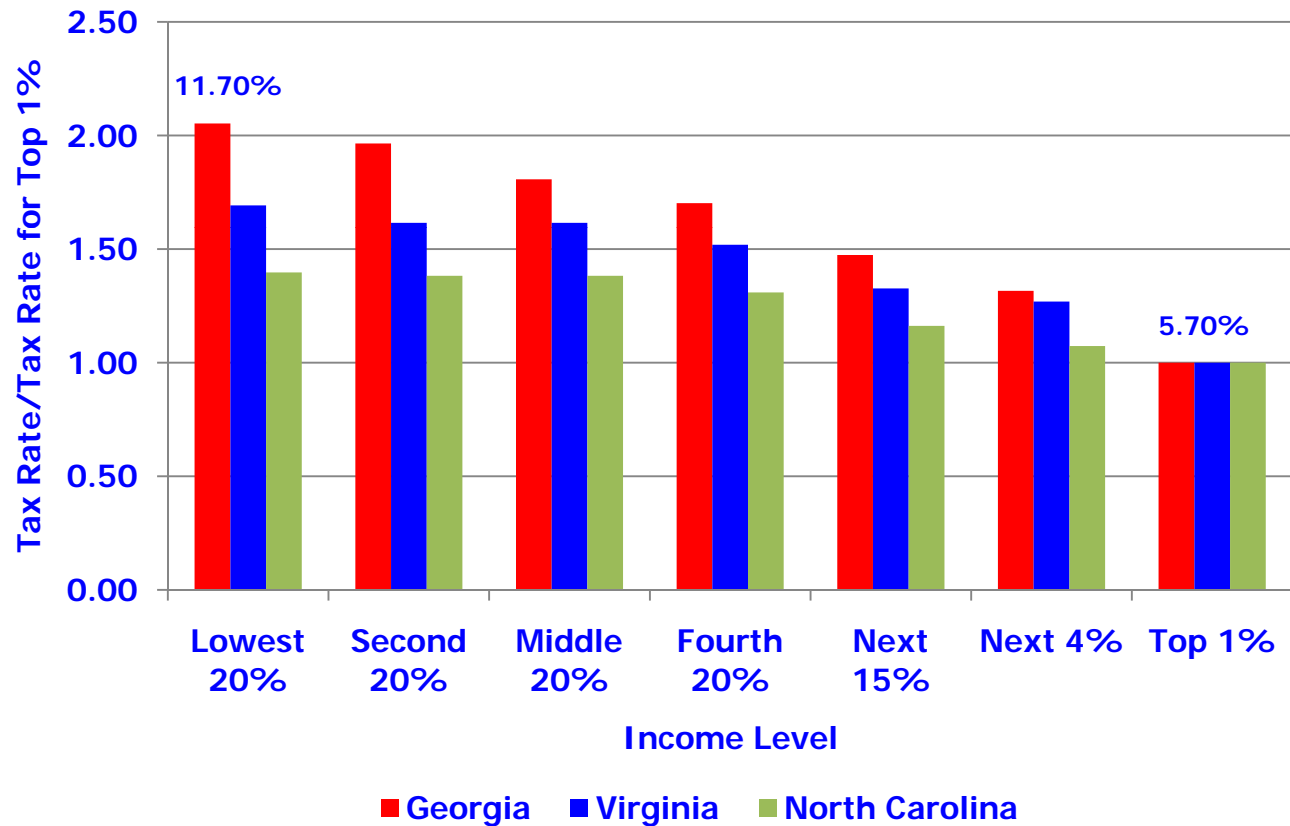
Council on State Taxation/Ernst & Young (High Ranking Number is More "Business Friendly")		
	State and Local Business Taxes as % of GSP	Rank
Alabama	4.6	30
Florida	5.3	14
Georgia	4.1	40
Mississippi	5.8	9
North Carolina	3.5	48
South Carolina	4.7	27
Tennessee	4.2	37
Virginia	3.6	47

Taxes that are considered "business taxes" include:

1. General sales tax on business inputs,
2. Corporate income tax,
3. Unemployment insurance,
4. Individual income tax on business income,
5. Corporate and business license,
6. Excise taxes,
7. Insurance premium taxes,
8. Public utility taxes,
9. Property taxes on business property,
10. Other business taxes.

Relative State and Local Tax Burden, 2007 (Non-elderly, married couple)

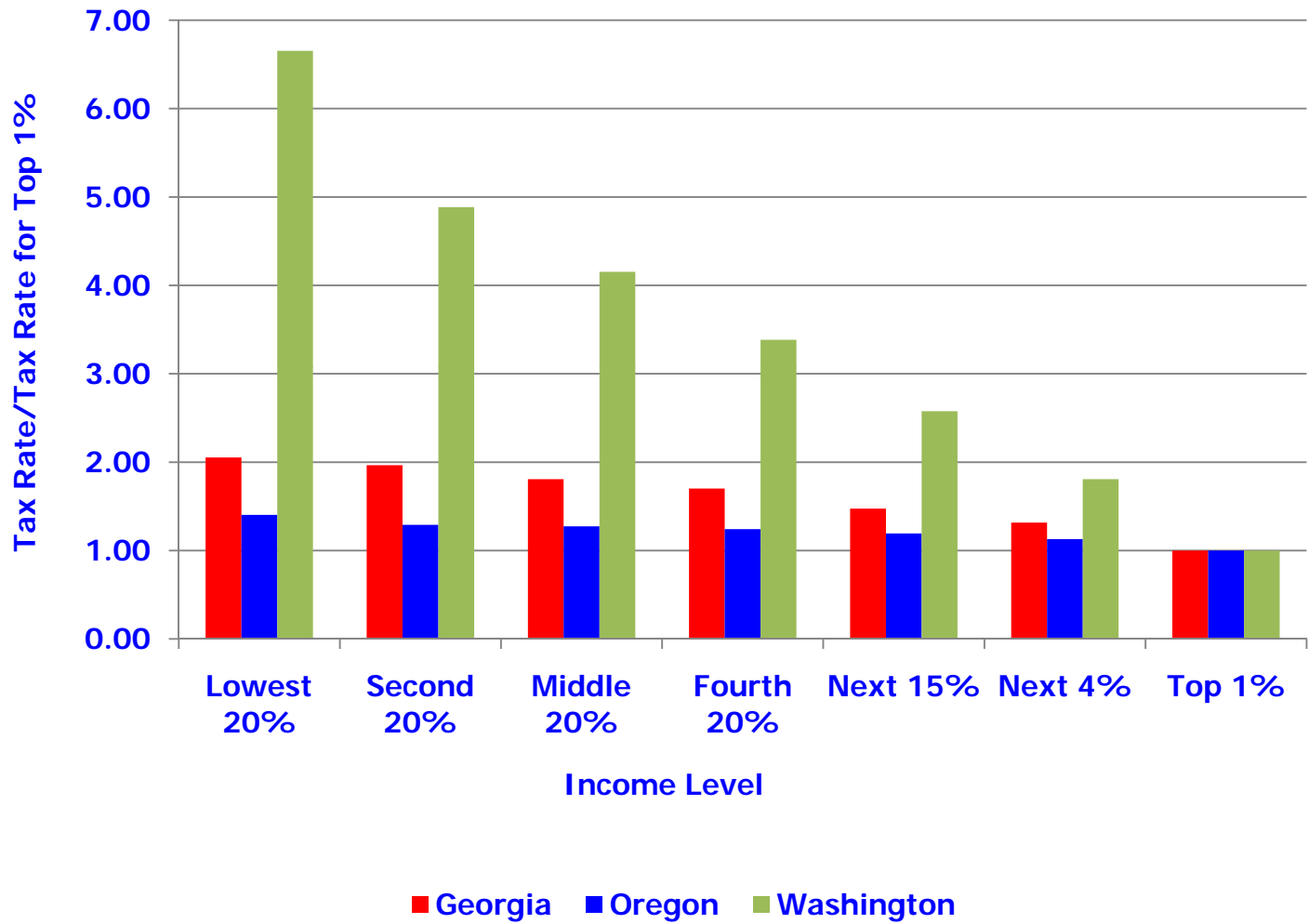
Relative to Top 1%



Source: Institute on Taxation & Economic Policy, 2009



Relative to Top 1%



Source: Institute on Taxation & Economic Policy, 2009



**Fiscal Research Center
Andrew Young School of Policy Studies
Georgia State University
Website: <http://frc.gsu.edu>**

This presentation is available at:

<http://fiscalresearch.gsu.edu/taxreform/>



ANDREW YOUNG SCHOOL
FISCAL RESEARCH CENTER