

Special Council on Tax Reform and Fairness for Georgians

Meeting Notes: Wednesday, December 1st

Mercer University 1:00pm – 3:00pm

Council Members in Attendance:

Bradford Dickson – Tarpley and Underwood

Roy Fickling – Fickling & Company

A.D. Frazier – Affiance LLC

Gerry Harkins - 2010 Chair, National Federation of Independent Business

Dr. Jeffrey Humphreys – University of Georgia

D.E. “Skeeter” McCorkle – McCorkle Nurseries

Dr. Christine Ries – Georgia Tech

Suzanne Sitherwood – 2010 Chair, Georgia Chamber of Commerce

Dr. David Sjoquist – Georgia State University

Dr. Roger Tutterow – Mercer University

1:06pm Meeting called to order by AD Frazier

- Meeting objective is to talk about policy relating to income tax credits for corporations and exemptions policy; not talking about numbers today or taxing of any particular item

1:10pm Discussion: Revise & Adopt Guiding Principles

- I. GROWTH ENHANCING: Tax policy should foster strong economic growth, job creation, and rising standard of living for all Georgians. This will occur through a tax structure that encourages investment in human and physical capital and technological advanced, and that enhances Georgia’s competitive position in regard to job creation, the development of new business, the relocation of existing businesses into the state and the retention and expansion of businesses that are currently operating here.
 - **AGREE**
- II. EFFICIENT: Tax structure should minimize distortion 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. But taxes should be used to discourage behaviors that impose costs or burdens on others.
 - **Strike last sentence- AGREE**
- 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.
 - **AGREE**
- IV. CLEAR: Tax structure 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.
 - **Agree to keep as is- AGREE**

V. FAIR AND EQUITABLE: The tax burden should be equitable (meaning that tax burdens vary by ability to pay, which is called vertical equity) and fair (meaning that equals are treated the same, which is called horizontal equity) in its impact on all Georgians. Tax burdens should recognize the ability to pay or benefits received. Similarly situated taxpayers should pay approximately the same amount of tax.

- **Strike all but last two sentences- AGREE**

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.

- **AGREE**

- Add a #7 to this section stating: "Should include a basis for resolving tax disputes that is unbiased, transparent and cost effective. Easy for all parties to use."

- **AGREE**

- **Guiding Principles, as amended, approved by council unanimously**

Discussion: Sales Tax Exemption Policy

- One way to deal with exemptions is to have a layover year; done in retirement bills already
- Suggestion of a 2/3 vote or super majority vote for approval of exemption in introductory year was presented
- Concept of sunsets on exemptions because it allows the Legislature to take another look at them (at the appropriate time) and see if they are still relevant
- Concept of sunset items relative to the two year legislative process

Discussion: Economic Development Credits to attract Jobs

- Currently Economic Development Commissioner gives recommendations to the Governor who has the ultimate signoff
- Concept puts credits into two broad categories: Job Creation and Capital Investment;
 - *budget at the beginning of year given to the Legislature that shows possible numbers for credits- given by Commissioner*
 - *give the Commissioner more latitude to determine credits based on two categories: jobs or investment*
 - *have governor sign off on each application(already does)*
 - Council APPROVES to include in their recommendations
- Discussion of credits for new businesses and existing business; need to be more supportive to current businesses in Georgia
- Need more flexibility with credits
- Council differs on statutory credits for jobs or investments; many on the Council had issue with using the concept of "statutory" tax credits credits

Further Discussion Items

- Hold last section (Personal Income Tax) for another meeting. Will need another meeting before all concluded.

2:50pm Questions and Comments from audience

3:00pm Meeting Adjourned