

# Special Council on Tax Reform and Fairness for Georgians

Wednesday, September 8, 2010 1:00pm

Mercer University – Atlanta Campus

## 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

## Meeting Minutes:

- **1:06pm Meeting called to order by AD Frazier**
  - At some point will be voting on principles once everyone has been able to review- send out press release once this is done
  - Meeting #3 is about Tax Structure Alternatives- from tax policy experts
  - 385+ attendees at past 6 fact finding session- at least 90 have spoke to council
  - Want Georgians to know their voices are being heard

## 1:16pm Matt Gardner- Institute on Taxation and Economic Policy

\*\* See website for presentation\*\*

- Title of presentation- what is working, what’s not
- Georgia Dual Fiscal Crisis- short term and long term structural
- How can we dig out of these holes?
- Talk about what other states are doing- what has bee put into active law, especially in bordering states
- Some ideas are “out of the box” ideas
- Systematic Challenges for Facing Tax Systems: Overview
  - Sales Tax
  - Corporate Tax
  - Income Tax
  - “Sin Taxes”
- Tax Changes- A Survey of Policy Choices
- Change base or change the rate?
- Base changes tend to be permanent
- Itemized Deductions (Base Broadening, Income Tax Reform- Recent Action)
  - Example states to look at: Rhode Island, Maine, Utah, New Mexico, Hawaii, Vermont, New Jersey and New York
- Capitol Gains (Base Broadening, Income Tax Reform- Recent Action)
  - Example states to look at: Colorado, Rhode Island, Vermont, Wisconsin, Virginia, Utah, Delaware and New Jersey

- South Carolina
  - Minimum tax for low income families- everyone has to pay something
  - Tax brackets needs adjustment- top income applies to small group
  - No tax floor
  - Capitol Gains- 44% exclusion
  - Seniors tax break
- Other States to look at:
  - North Carolina (2008)
  - Mississippi (2008)
  - California (2009)
- Sales Tax Actions
  - Arkansas, New Jersey, Michigan
  - Cigarette and Alcohol: Colorado, Kentucky, Maine, Vermont
  - “Digital Downloads”- North Carolina, Vermont and Wisconsin
  - “Amazon” laws: North Carolina, New York and Rhode Island
- Sales Tax Action Recommendations- look at South and North Carolina, California, New Mexico and Alabama
- Corporate Income Tax Repeal:
  - Who’s Buying/Selling
  - Examples states to look at: South Carolina, Virginia, Rhode Island, California, Ohio and Texas
- Rhode Island “Job Development Act” Case Study
  - Slide is titled Business Tax Incentives: Maximizing “Bang for Buck”
- Case study: Arizona “Alternative Fuel Credit”
- Summary of Thoughts:
  - Start looking at the tax base
  - Rate reductions are possible next step
  - Linage between rate reduction and economic growth
  - Quantify “Bang for Buck”

**1:52pm Presentation concluded- Q&A from council**

- AD Frazier- is the corporate tax a battle between Georgia and other states? Does it matter if one state has it and other doesn’t?
- Christine Reis- Impact of other states reforms?
  - Too soon to tell right now
  - Look at Louisiana- 2002 tax swap

**2:05pm Q&A concluded**

**2:08pm Alan Essig- Georgia Budget & Policy Institute and Kelly McCutchen- Georgia Public Policy Foundation**

\*\* See website for details on presentation\*\*

- Georgia compares poorly to neighboring states, wish lower ranking in business tax climate and taxation of items that few other states tax
- Weak growth- below other states
- Broader base and lower rates- one exception- business inputs
- What kind of economy do we want?

- Lost 75% young starter businesses- cant find capitol
- Need to support start up businesses- they are going to other states when they can't make it in Georgia.

**2:44pm Presentation concluded- Q&A from council**

**3:08pm Q&A concluded**

**BREAK**

**3:20pm Jim Eads- Federation of Tax Administration**

- Sales and Use Tax
  - Services
  - Stream Lined Sales and Use Tax Agreement
  - Main Street Fairness Act
  - "Amazon Laws"
  - Colorado, North Carolina and Oklahoma Efforts
- UDITPA Return
- Non- traditional taxed: New Hampshire, Ohio, Texas and Michigan
  - Different way of taxing business
  - Business income tax... margins tax (Texas)
- Tax policy is not an experimental field
  - Straight to the field
- Have to plan for transition
- Congress- Main Street Fairness Act
  - Multiple bill sin Congress what will affect state taxes

**3:51pm Presentation concluded- Q&A from council**

**4:06pm Q&A concluded**

**4:12pm Panel Discussion with: Joe Crosby of COST; Mike Petrik of Tax Policy Committee of the Georgia Chamber of Commerce; John Masters of Georgia Society of CPAs; Nick Masino of Gwinnett Chamber of Commerce**

- Need to be pro-growth in Georgia- how to ensure that?
- 1- How should Georgia use its tax code to attract businesses and jobs?
  - a. Nick- leave it alone or keep tax burden low- keep us competitive and balance the tax burdens
- 2- How does the tax code enable Georgia to become more economic development and pro-growth friendly?
  - a. Mike- similar to first question- create a tax system that makes Georgia attractive for business and want to stay here.
  - b. Broaden sales tax
  - c. Take a look at exemptions
  - d. Personal income tax without exemptions
  - e. Investing

- 3- AD asks Joe- what is Georgia doing to discourage businesses from coming and staying here?
    - a. Tax administration
      - i. Lack of independence
      - ii. Independent tax agency- appellate forum
      - iii. Trained adjudicator
      - iv. Prepayment
      - v. Support for citizens
  - 4- What do businesses want the tax code to do?
    - a. Mike- not too difficult to prepare and file taxes
    - b. Can improve in sales tax area
    - c. Expand base to include services
    - d. Nick- fair, simple and reliable
  - 5- What is the difference between pro-growth and smart growth?
    - a. Mike- definite difference- ways to make things grow but not smarter
    - b. Don't need to see growth as the holy grail
    - c. Nick- need to look at the talent base in Georgia. Need to provide companies with trained and qualified employees
      - i. Spoke about Quickstart in Columbus, Georgia
  - 6- Why does Georgia lose jobs?
    - a. Mike- telecommunication state- businesses want administrative ease
    - b. Joe- wasn't tax policy that caused it
- John- do work with legislature to draft legislation
  - Involve the Department of Revenue with legislature on recommendations form committee

**5:00pm Panel concludes and meeting adjourned**