

Members of the Special Council

I am Tom Pendley, the CFO of J&J Industries, Inc. First, I want to say thank you for serving on this important council. The task you have been challenged with is difficult but is extremely important to our state. Again, I say thank you for your service.

J&J is a third-generation, family-owned carpet manufacturer. We employ approximately 700 individuals in Whitfield County and have all of our operations in the state of Georgia. We have been in business for over 50 years and fully intend to operate our business in Georgia for another 50 years. To do so, the state must remain competitive globally and nationally.

We welcomed the "single-factor" apportionment model the State adopted, and we support the reformation of the sales tax collection model, including the collection of point of delivery data. We ask the State to stay focused on simplification as it has done in the apportionment model. We would not be supportive of a collection model that leaves the reporting requirements in the hands of local governments. The resultant administrative burden placed on businesses forced to report to 159 counties and hundreds of municipalities in our state would add unnecessary costs, negatively impacting our competitiveness.

We welcomed the implementation of the Integrated Plant Theory in 2008, and we ask that it be fully implemented with the elimination of sales tax for energy used in manufacturing. Energy is second only to labor in our conversion costs. The 7% sales tax applied to the energy costs puts my company, our industry, and all Georgia manufacturers at a distinct disadvantage to manufacturers globally and regionally.

We also suggest that the state should be matching the federal bonus depreciation model to promote investments in fixed assets. As we invest in fixed assets, jobs at our suppliers are saved, tax revenues increase, and our state economy begins to regain its strength.

Last, while there has been much discussion from across the state about the value of decreasing or eliminating the corporate income tax, we feel compelled to note that most Georgia businesses (including our own) are not "C corporations." While we fully support easing the burden of Georgia's businesses, partnerships, "S corporations," and other pass-through entities must receive similar treatment if Georgia expects to see growth from this transition and if Georgia desires to treat all businesses equally.

Thanks for the opportunity to address the council and again, thanks for your willingness to serve and be a part of such an important initiative.



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