December 15, 2010

Chairman A.D. Frazier and Council Members
Special Council on Tax Reform & Fairness for Georgians
Attn: Donna Moore
Project Manager - Tax Council
Project Management Consulting, Inc
2930 Briarglen Drive
Atlanta, GA 30340

Re: Consideration of Tourism Development Incentives

Dear Council Members:

It is our understanding that the Tax Reform Council may include economic development incentives in its recommendations for tax structure changes to be submitted to the Governor and General Assembly in the coming weeks.

On behalf of our member tourism advocates throughout the state, which include Convention and Visitor Bureaus, trade associations and individual tourism destinations, such as Calloway Gardens, Lake Lanier Islands Resort, Stone Mountain Park and Sea Island Company, we ask you to consider as part of your recommendations or report the enactment of the Georgia Tourism Development Act, a measure that has passed the General Assembly by overwhelming margins during the 2007 (HB 451), 2008 (HB 1129) and 2010 (HB 1251) sessions of the General Assembly. It is likely there will be broad-based support again in the 2011 session.

You may be aware of tourism's impact in Georgia as cited by the Georgia Department of Economic Development - It's the second-leading industry in the state with an annual windfall of more than $34 billion and employment of nearly a quarter-million people in the transportation, lodging, food and entertainment and recreation sectors. Tourism generates nearly $1.5 billion in tax revenue for state and local governments (2007).

Although Georgia is the eighth-most visited state on a per-capita spend basis we spend far less.

Recognizing the strain the economy has placed on state budgets, leaders in the General Assembly have passed legislation inspired by other states that uses tax incentives to generate more private capital spend for tourism development projects.

The bills have been modeled after a Kentucky law that generated some 16 large tourism attractions in about a ten-year period, resulting in $719 million in new construction dollars, $230 million in new net taxes for state and local government (after rebates), and nearly $6 billion in total economic impact for that state.

The Georgia Tourism Development Act promotes the development of tourism attractions in Georgia, which preserves and creates jobs and tax revenues for the support of public services provided by the state. The legislation provides that companies undertaking a tourism attraction project may be granted a sales and use tax refund for the incremental state and local sales taxes generated by the approved company at the tourism attraction. The total refund allowed to the company over a 10 year term is equal to the lesser of the total amount of sales tax liability of the company or 25% of the approved costs for the tourism attraction project. "Tourism attractions" may include cultural or historic sites, recreation or entertainment facilities, areas of natural phenomenon or beauty, convention hotels and conference centers, race tracks, golf facilities, marinas and water parks, or entertainment destination centers designed to attract tourists to Georgia.

The bill provides for the Commissioner of Economic Development to establish standards by administrative regulation for the filing of applications for tourism projects. Approval may be granted if the project has approved costs in excess of $25 million for new attractions, $10 million for additions to existing attractions, and have a significant and positive economic impact on Georgia (H.B. 1129 version).

Governor Perdue gave three major reasons for vetoing the past bills. First, he said it was unclear whether the fiscal costs outweighed the benefits. In response, in those states where sales tax rebates have been enacted, tourism projects generate for state and local governments a net increase in tax revenue; including property taxes, sales taxes, corporate income tax, individual income tax (employees and spin off businesses).

Second, Governor Perdue was concerned the bill could lead to excessive application by producing a new entitlement for new and existing companies beyond those in the statute. In response, the incentives under this bill are not automatic. Discretion of whether to approve a project rests with the Commissioner of the Office of Economic Development. The incentives also were not applied excessively in Kentucky where only 16 projects were on the books over a ten-year period.

Last, Governor Perdue expressed concern the incentive may be used in cases where projects were already on the books and would be built with or without the incentive. Given this difficult economy, we think it is safe to say not one of the projects previously "on the books" are even being given serious consideration right now, which is precisely why we need to jump start this industry and create new revenue and jobs.

To the extent that there is merit to any of the past concerns, a sunset provision can mitigate each concern. If the bill is not accomplishing its intent, has excessive application, or the benefits do not outweigh the tax rebate, the law simply comes off the books over a period of time. By having a sunset provision and by not diverting existing dollars flowing to the state budget, this bill should not conflict with any of the tax restructuring being considered by the Tax Reform Council.

Although Governor-elect Deal has not seen the specifics of legislation to be introduced this year, during the campaign he did go on record in forums indicating support for the Georgia Tourism Development Act.

We ask for your favorable consideration of these incentives in any recommendations you issue.

Respectfully,

Joy Spears Walstrum