

GEORGIA AT A GLANCE

Georgia has a long way to go to create a truly progressive tax structure. It has partially curbed corporate tax loopholes and has initiated a comprehensive performance review. But the Peach State needs to take other steps, such as reforming tax brackets and expanding the sales tax base.

Has the state...	YES	NO	More Work Needed
1. Broadened sales tax base?		<input checked="" type="checkbox"/>	
2. Modernized sales taxes?		<input checked="" type="checkbox"/>	
3. Raised cigarette tax to US average?		<input checked="" type="checkbox"/>	
4. Enacted Earned Income Tax Credit?		<input checked="" type="checkbox"/>	
5. Modernized income tax bracket?		<input checked="" type="checkbox"/>	
6. Dealt with hidden income tax increases?		<input checked="" type="checkbox"/>	
7. Rethought senior tax preferences?		<input checked="" type="checkbox"/>	
8. Eliminated corporate loopholes?	<input checked="" type="checkbox"/>		
9. Linked property taxes and ability to pay?		<input checked="" type="checkbox"/>	
10. Strengthened accountability?		<input checked="" type="checkbox"/>	
11. Conducted a performance review?	<input checked="" type="checkbox"/>		

A better Georgia...

Idea 1: Broaden the sales tax base. Georgia should abolish sales tax holidays and review sales tax exemptions to eliminate those that don't meet contemporary economic needs. In 2006, the holiday will cost the state an estimated \$11.3 million and will cost local governments \$8.5 million.

Idea 2: Modernize sales taxes for the new economy. Georgia should modernize its policy on taxing services. In 2004, it taxed 36 out of 168 possible services. It also should approve the Streamlined Sales and Use Tax Agreement.

Idea 3: Raise cigarette taxes to promote public health.

Georgia should raise its 37-cent-per-pack cigarette tax to the national average of \$0.92 per pack to reduce smoking and promote public health. Research shows that doing so would likely cause 29,600 current adult smokers to quit. Long-term health savings from both adult and youth smoking declines would be \$1.17 billion.

Idea 4: Enact a state Earned Income Tax Credit. Georgia should enact a refundable earned income tax credit to help to bring working families' incomes above poverty. Some 800,957 Georgia taxpayers in 2003 claimed the federal earned income tax credit for a total of \$1,567,024,328. A refundable state EITC would cost an estimated \$159 million if set at 10 percent of the federal credit.

Idea 5: Modernize state income brackets. Georgia should modernize its income tax structure by broadening brackets and consider the creation of a new top rate to provide progressive balance. The state's top tax bracket is 6 percent for income \$7,000 and above for single filers. Brackets haven't been altered significantly since 1937.

Idea 6: Account for inflation. Georgia should enact strategies to adjust taxes for inflation to promote long-term *fairness* and reduce back-door inflationary tax hikes. Georgia does not index personal exemptions, standard deductions, brackets or tax credits for inflation.

Idea 7: Rethink senior tax preferences. Georgia should redesign tax codes to provide fair relief to seniors based on *ability-to-pay* instead of age alone. The state, which will grow to having an estimated senior population of 15.9 percent in 2030, currently provides seniors with a full exemption for Social Security income, a private pension income exemption, an additional deduction/exemption, and property tax preferences.

Idea 8: Eliminate corporate tax loopholes. While Georgia does not require combined reporting, it does restrict the use of the passive investment company (or Delaware-holding company) loophole. Georgia does not, however, have a throwback rule.

Idea 9: Connect property taxes and *ability-to-pay*. If Georgia insists on property tax reform, it should use a property tax circuit breaker to shield residents from excessive taxation and connect property taxes with *ability-to-pay*.

Idea 10: Strengthen accountability. Georgia should annually publish a comprehensive tax expenditure report to provide more accountability and information to lawmakers so they can make better-informed decisions.

Idea 11: Review the performance of government. Georgia initiated a performance review through the Commission for a New Georgia in 2003. Such studies are helpful to policymakers because they boost government efficiency, save money and improve customer service.