



# TAX REFORM: A REALITY CHECK

## HOUSE AMENDS TAX PACKAGE COMBINES MASSIVE HOUSE & SENATE CUTS

Rather than choosing between the House and Senate tax cuts, the House decided to pass both massive tax cuts. The amended versions of HR 1246 and HB 1244 as passed by the House would cause a **\$1.9 billion hole in the state budget** when fully implemented. These provisions would devastate the state budget, 75 percent of which goes to education, healthcare, and public safety. The Senate must now agree or disagree with the amended versions.

### HR 1246 & HB 1244 :: ANALYSIS

#### House Amended Version (Passed on April 1, 2008)

- Eliminates the Car Tag Tax for Citizens and Appropriates Grants to Local Governments for Lost Revenue
- Cuts Income Tax Brackets by 10% Over 5 Years
  - Will be implemented if the car tag tax elimination occurs
  - Will begin in FY 2012, rather than the Senate proposed start date of FY 2009
- Reverts to the Original House Assessment Caps: Freezes Assessed Property Values and Allows Assessed Values to Increase by 2% (Residential) and 3% (Nonresidential), Until Sold or Improved

### HR 1246 & HB 1244 :: IMPACT

#### • Proposal Will Cause **Severe Budget Cuts**

The combined effect of the car tag tax cut and income tax cut would grow more costly every year — \$250 million in FY 2010, \$1 billion in FY 2013, and \$1.9 billion by FY 2016. To pay for the regular growth of government (i.e. pay raises, education enrollment, healthcare inflation, prisons, debt, OPEB), Georgia will need between 7 and 8 percent annual revenue growth. To pay for the fully implemented income tax and car tag tax cuts, the state would need an additional 1 to 2 percent, for total revenue growth of 8 to 10 percent annually. But Georgia's average annual revenue growth was only 5.5 percent over the past 10 years, or 7.8 percent when looking at non-recession years only.

#### • Georgia Is Already Among Lowest Tax and Spend States

Supporters of HR 1246 and HB 1244 believe the legislation will stop “out-of-control” spending on public services. But Georgia is already a low tax and spend state, ranking 49th in spending per capita and 51st in state and local revenues (taxes, fees, federal transfers) per capita. Georgians must ask whether being dead last in taxes is more important than having reliable, affordable, and quality education, health, and public safety for our families and communities.

#### • State Tax Cuts Will Not Be an Economic Stimulus

Supporters of HR 1246 and HB 1244 claim the legislation will stimulate the economy. But states, unlike the federal government, must balance their budgets. For every dollar Georgia spends on new tax cuts, Georgia must cut state spending (or raise other state taxes) by a dollar. In terms of economic impact, the results likely would be a wash. Businesses and economic growth rely on an educated workforce, available healthcare, and an efficient, safe infrastructure. *HR 1246 and HB 1244 undermine economic growth potential.*