



A Place To Start Scaling Back on Tax Breaks House Bill 100

Last year, House Bill 1133 created a new income tax credit for donations made to student scholarship organizations. Individuals and corporations making donations to these organizations, which provide scholarships for public school children to attend private school, could receive a dollar-for-dollar tax credit against their state income taxes, up to a certain amount. The total amount of tax credits provided was capped at \$50 million per year. House Bill (HB) 100 seeks to revise the new credit in several ways; however, the \$50 million cap remains unchanged.

In light of the over \$2 billion revenue shortfall and the painful cuts to vital services, tax breaks—including the student scholarship organization tax credit—need to be scaled back. When these tax credits were created, no one could have envisioned the current economic crisis and the drastic cuts to public services, like education, public safety, and services for vulnerable populations. Now, with full knowledge of Georgia's fiscal situation, policymakers should scale back the generosity of tax breaks to balance the scaling back of essential services. HB 100 offers a good starting place to reach this balance between tax and budget changes, as it opens the door to statute relating to a tax break.

Supporters of the scholarship tax credit argue against lowering the \$50 million cap, saying that the tax credit actually saves the state money by moving children from public school to private school. While the "savings" claims are questionable, this credit should be scaled back regardless of perceived savings, since that is occurring on the budget side. Current budget proposals include cuts to:

- **Babies Can't Wait**, which provides early intervention services for infants and toddlers with developmental disabilities. The Department of Human Resources notes that studies show for "every \$1 of early intervention, \$7 can be saved on additional services that might otherwise be needed later in the child's life."¹ This Program will be cut by \$1 million.
- **Stroke and Heart Attack Prevention Program**, which provides education, screening and treatment targeted toward low-income adults at risk of heart disease. An evaluation of SHAPP by the CDC found it to be cost-effective and a cost-saver for the state by assisting Georgians in avoiding costly hospital visits. The Program will be cut by almost \$1 million.²
- **Department of Revenue**. One auditor brings in \$800,000 per year in revenue, yet there are 44 vacant positions and millions of dollars in cuts proposed.³

There are numerous other examples of cuts policymakers are making to programs that save the state money. Why should these new tax credits, which subsidize private school tuition, be spared the chopping block when so many services that are proven cost-savers are being scaled back?

RECOMMENDATION: HB 100 SHOULD BE AMENDED TO LOWER THE CAP FROM \$50 MILLION TO \$5 MILLION FOR TAX YEARS 2009 THROUGH 2011.

¹ Georgia Department of Human Resources. *Early Intervention Because Babies Can't Wait*. Jan. 2006. http://dhr.georgia.gov/DHR/DHR_FactSheets/EarlyInterventionBecauseBabiesCan'tWaitJan06rev.pdf.

² Centers for Disease Control and Prevention. *Stroke and Heart Attack Prevention Program*. Dec. 2005. http://cdc.gov/dhdsp/library/pdfs/fs_shapp.pdf.

³ Georgia Department of Revenue. *2009 Session Joint Budget Briefings*. Powerpoint presentation. Jan. 21, 2009.