



Adding Up the 2009 Fiscal Notes

Tax Bills Passed by the House and Senate

By Sarah Beth Gehl, Deputy Director

If Governor Perdue signs all of the tax bills passed by the Georgia House of Representatives and Senate, state revenues will decline by an additional \$116 million in FY 2010 and more than \$1 billion in FY 2012.

Sixteen bills passed by the House and Senate offer state tax breaks, ranging from a few hundred thousand dollars for the Atlanta Symphony Hall to hundreds of millions of dollars for businesses hiring unemployed workers (see Table 1).¹ The most significant tax breaks are found in House Bills (HB) 481 and 261.

- HB 481 provides several temporary tax breaks for businesses, as well as reduces long-term capital gains tax and eliminates the corporate net worth tax. The revenue loss is \$1.2 billion in FY 2012, with long-term losses of approximately \$438 million annually thereafter.² *The long-term tax provisions were added to the bill during the final day of the legislative session, without public input or committee discussion.*
- HB 261 provides a tax credit for the purchase of the home, in the amount of 1.2 percent of the purchase price or \$1,800, whichever is less, resulting in a net revenue loss to Georgia of \$123 million to \$136 million between FY 2010 and 2012.³

Two bills raise revenue by placing fines on “super speeders” and closing a corporate tax loophole, resulting in a combined revenue gain of \$31 million to \$73 million in FY 2010.

As the governor considers whether to sign or veto tax bills, he should consider the following facts:

1. Georgia already has the 41st lowest state taxes as a percent of personal income, and the 44th lowest state and local taxes on businesses as a percent of gross state product. Accordingly, the state ranks 49th in spending on public services per capita.⁴
2. Georgia faces severe budget gaps in the coming years, which de facto results in significant cuts to critical public services. Therefore, any combination of tax bills causing additional revenue losses in the coming years means more cuts to the budget, 80 percent of which is spent on education, healthcare, and public safety.

Table 1

Tax Legislation Passed by the House and Senate

	FY 2010 (in millions)	FY 2011 (in millions)	FY 2012 (in millions)
Revenue Losses			
HB 74: Omnibus Bill	- \$20	- \$8	- \$15
HB 116: Extension of sales tax exemption on aircraft repair parts	- \$7.0	- \$7.3	- \$7.5
HB 120: Annual sales tax holiday	- \$13.2		
HB 129: Sales tax exemption for Zoo Atlanta expansion	minimal	minimal	minimal
HB 186: Extension of teleworking tax credits	- \$1.3	- \$2.5	- \$1.3
HB 212: Extension of sales tax exemption on jet fuel	- \$24.4	- \$24.4	
HB 261: Homebuyers tax credit ^a	- \$54.3	- \$41.4	- \$27.6
HB 349: Sales tax exemption for civil rights museum construction	- \$0.6	- \$1.0	- \$0.5
HB 358: Extension of sales tax exemption on donated food	minimal	minimal	
HB 364: Sales tax exemption on airplane flight simulation devices	minimal	minimal	
HB 395: Extension of sales tax exemption on Atl. Symphony Hall	minimal	-\$0.6	
HB 410: Revisions to high deductible health plan tax preferences	local only	local only	local only
HB 438: Revisions to Mega tax credit	- \$1.0	- \$1.0	- \$1.0
HB 439: Revisions to BEST tax credits	- \$16.0 to -\$42.5	- \$16.4 to -\$42.9	- \$19.4 to -\$45.9
HB 481: Jobs and Opportunity Act ^b	- \$17.1	- \$218.5	- \$1,221
HB 482: Elimination of state inventory tax		- \$1.1	- \$2.1
HB 485: Alternative tax credit for base year port traffic	minimal	minimal	minimal
Revenue Loss Subtotal^c	- \$168 million	- \$335 million	- \$1,308 million
Revenue Gains			
HB 160: Super speeder fine ^d	\$23	\$23	\$23
HB 379: Real estate investment trust (REIT) loophole closure ^e	\$8 to \$50	\$16 to \$100	\$16 to \$100
Revenue Gain Subtotal^c	\$52 million	\$81 million	\$81 million
TOTAL FISCAL IMPACT^c	- \$116 million	- \$254 million	- \$1,227 million

Source: Official fiscal note for bills. (Fiscal notes may not reflect revisions to bills.)

a) GBPI calculation based on original fiscal note and the tax credit revision from \$3,600 to \$1,800.

b) Estimate from state's revised draft policy statement, April 3, 2009.

c) Estimate relies on midpoints of any estimate involving a range.

d) Estimate from Governor's Budget Report, FY 2010. FY 2010 estimate used for 2011 and 2012.

e) Official fiscal note estimates a \$15.8 million revenue gain in FY 2011. Dept. of Revenue presentations have included a revenue gain of \$100 million.

Description of Tax Bills

(Note: Revenue loss is calculated from the fiscal note attached to the bill as of their final passage unless otherwise noted. Bills might have been revised without a corresponding revision to the fiscal note. Revenue losses or gains shown below are state losses and do not include the local revenue losses associated with certain bills.)

HB 74: Omnibus Bill

Summary: Annual bill to align Georgia tax code with federal tax code.

FY 2010 Revenue Loss: \$20 million

HB 116: Extension of sales tax exemption on aircraft repair parts

Summary: Renews the sales tax exemption for aircraft repair parts purchased to repair planes owned by nonresidents. The exemption primarily assists customers of Gulfstream.

Beneficiaries: Customers of Gulfstream and a few other aircraft repair companies.

FY 2010 Revenue Loss: \$7 million

HB 120: Sales tax holiday

Summary: Renews the annual sales tax holiday for school supplies, clothing, computers, and energy efficient appliances.

Beneficiaries: Consumers of these items during the tax holiday.

FY 2010 Revenue Loss: \$13.2 million

HB 129: Sales tax exemption for Zoo Atlanta expansion

Summary: Provides a sales tax exemption on construction materials used to renovate or expand the Atlanta zoo.

Beneficiary: Zoo Atlanta.

FY 2010 Revenue Loss: minimal

HB 160: Super speeder fine

Summary: Creates a new \$200 fine for “super speeders” traveling 85 mph or more on a highway or 75 mph or more on a two-lane road. The bill also increases certain fees associated with the reinstatement of suspended or revoked drivers’ licenses.

FY 2010 Revenue Gain: \$23 million (*Source:* Governor’s Budget Report)

HB 186: Extension of teleworking income tax credits

Summary: Renews the income tax credit for teleworking expenses for calendar years 2010 and 2011, with a cap of \$2.5 million on total credits available annually. The bill requires a public report of the employers and credits claimed.

Beneficiaries: Employers with teleworking expenses.

Calendar Year 2010 Revenue Loss: \$2.5 million

HB 212: Extension of sales tax exemption on jet fuel

Summary: Renews the partial sales tax exemption on jet fuel for airlines operating at airports with over 750,000 takeoffs and landings per year (i.e. Atlanta’s Hartsfield-Jackson). The airlines are exempt from the first 1.8 percent of the 4 percent state sales tax. According to the fiscal note, 1 percent of the local sales tax is also exempted.

Beneficiaries: Airlines with regularly scheduled flights at Atlanta Hartsfield-Jackson Airport.
FY 2010 Revenue Loss: \$24.4 million

HB 261: Homebuyers' income tax credit

Summary: Provides an income tax credit for taxpayers purchasing a single family residence in a certain six-month period, with the intention of incentivizing home purchases. Qualifying homebuyers are eligible for a tax credit equal to 1.2 percent of the purchase price or \$1,800, whichever is less, taken over three years. According to the fiscal note to the original bill, 90,503 homes will sell regardless of the legislation and become eligible for the tax credit. The tax credit will incentivize an additional 1 percent of home sales, or 1,100 homes.

Beneficiaries: Taxpayers purchasing a single family residence in a certain six-month period.
FY 2010 Revenue Loss: \$123 million to \$136 million (GBPI downward revision of the original \$165 million cost due to changes in the legislation)

HB 349: Sales tax exemption for the construction of a civil rights museum

Summary: Provides a sales tax exemption on materials used in the construction of the proposed Atlanta civil rights museum.

Beneficiary: Atlanta civil rights museum.
FY 2010 Revenue Loss: Less than \$1 million

HB 358: Extension of the sales tax exemption on donated food

Summary: Renews the sales tax exemption on food donated to hunger relief organizations.

Beneficiaries: Food industry donors to hunger relief organizations.
FY 2010 Revenue Loss: minimal

HB 364: Sales tax exemption on airplane flight simulation training devices

Summary: Provides a sales tax exemption on the purchase of flight simulation training devices. Committee testimony stated that the exemption would apply to one company planning to locate these devices in Georgia.

Beneficiary: Single company purchasing flight simulation devices.
FY 2010 Revenue Loss: minimal

HB 379: Captive real estate investment trust loophole closure

Summary: Closes a corporate tax loophole known as captive real estate investment trust (REIT). Through these transactions, companies shift income between subsidiaries to avoid corporate taxes.

FY 2010 Revenue Gain: \$8 to \$50 million⁵

HB 395: Extension of the sales tax exemption for Atlanta Symphony Hall

Summary: Renews the sales tax exemption for materials used in the construction of the Atlanta Symphony Hall.

Beneficiary: Atlanta Symphony Hall.
FY 2010 Revenue Loss: minimal

HB 410: Revisions to high deductible health plan tax preferences

Summary: Revises the tax preferences provided last year for insurers, consumers, and businesses for high deductible health plans. The bill removes the requirement that such plans be sold in association with health savings accounts. In addition, the bill exempts insurers from local premium taxes for high deductible health plans.

Beneficiaries: Insurers providing high deductible health plans.

FY 2010 Revenue Loss: No state loss. Local revenue loss of \$5 million.

HB 438: Revisions to Mega tax credit

Summary: Revises the tax credit program for major economic development projects. Currently, projects involving 1,800 workers and a minimum of \$450 million in property investment qualify for a \$5,250 per year, per worker tax credit for five years. The bill revises this “mega tax credit” to apply to firms meeting two of three requirements: \$450 million investment, 1,800 workforce, and \$150 million payroll. The bill also expands the qualifying projects beyond manufacturing.

Beneficiaries: Businesses undertaking significant investment or expansion.

FY 2010 Revenue Loss: \$1 million (Estimate turns positive after five years.)

HB 439: Revisions to the BEST tax credits

Summary: Provides numerous revisions to Georgia’s primary economic development tax credit program, known as Business Expansion Support (BEST). Provisions include:

- a. Replacing the headquarters tax credit with a quality jobs tax credit which targets firms creating high-paying jobs.
- b. Allowing certain tax credits to be used against payroll withholding.
- c. Expanding the port tax credit to include both imports and exports.
- d. Strengthening definitions for the retraining tax credit.
- e. Creating a clawback provision to recover credits when a business fails to maintain certain requirements.

Beneficiaries: Businesses qualifying for tax credits.

FY 2010 Revenue Loss: \$16 to \$42.5 million (Includes revenue gains as a partial offset.)

HB 481: Jobs, Opportunity, and Business Success Act

Summary: Provides temporary tax breaks for businesses, as well as two long-term tax breaks, including one for individuals:

- a. Suspension of certain business fees for FY 2010.
- b. Up to \$500 credit against unemployment insurance taxes if hiring an eligible unemployed worker.
- c. \$2,400 income tax credit for hiring a qualified unemployed worker and employing such worker for two years.
- d. Reduction in the individual and corporate income tax on capital gains (25% exclusion in tax year 2010; 50% exclusion thereafter).
- e. Phase-out of the payment of estimated sales tax liability for vendors.
- f. Elimination of the corporate net worth tax.

Beneficiaries: Certain businesses and taxpayers with capital gains income.

FY 2010 Revenue Loss: \$17.1 million (Becomes a loss of \$219 million in FY 2011 and \$1.2 billion in FY 2012.)

HB 482: Elimination of state inventory tax

Summary: Eliminates the state ad valorem tax on business inventory.

Beneficiaries: Businesses with inventory.

FY 2010 Revenue Loss: No loss in 2010. Loss of \$2.1 million in FY 2012 and each year beyond.

HB 485: Alternative tax credit for base-year port traffic

Summary: Provides an additional \$1,250 job tax credit targeted to one company engaged in distribution and experiencing a certain level of increased port traffic.

Beneficiary: Specific company engaged in port activity.

FY 2010 Revenue Loss: minimal

Other Bills of Interest

HB 100: Revisions to student scholarship donation income tax credit

Summary: In 2008, the legislature passed HB 1133, creating an income tax credit for individuals and corporations donating to organizations that provide scholarships for public school students to attend private school. HB 100 revises the tax credit program, allowing individuals to receive a tax credit equal to 75 percent of their state tax liability or their donation amount, whichever is less. In addition, the revised language allows taxpayers to both deduct the contribution as a charitable donation *and* receive a tax credit for such contribution. HB 100 maintains the \$50 million cap on the total amount of tax credits allowed, while making it more likely the \$50 million cap will be reached through expanded definitions and credits, resulting in a yearly \$50 million loss.

HB 233: Three-year freeze on assessment growth for property tax purposes

Summary: For tax years 2009 through 2011, HB 233 freezes the assessed value of property for tax purposes. If property sells, the freeze remains in place; however, improvements are revalued at fair market value. The bill does not greatly affect state revenues, as the state property tax raises only \$80 million; however, local entities are affected significantly as counties and municipalities rely heavily on property taxes, and school districts rely almost exclusively on property taxes.

Bills to Improve Tax Administration and Collection:

- **HB 334** – Lowers the threshold requirement for e-filing from \$5,000 to \$1,000 in FY 2010 and \$500 in FY 2011 for sales, use, motor fuel, and withholding taxes.
- **HB 441 and HB 444** – Provides for penalties against fraudulent sales tax refund claims and fraudulent tax preparers.

¹ Revenue losses throughout the document are based on the official fiscal note to the bill, as produced by the Georgia State University Fiscal Research Center for the Georgia Department of Audits and Accounts.

² Heaghey, Ken. *Policy Analysis for HB 481 LC 18 8416ERS (Draft)*. April 3, 2009.

³ Calculation based on fiscal note, which estimates a \$165 million revenue loss if the tax credit is \$3,600 maximum.

⁴ State tax revenue burden ranking from: 1) Federation of Tax Administrators; 2) Council on State Taxation's *Total State and Local Business Taxes: 50 State Estimates for Fiscal Year 2008*; 3) Governing Performance Project.

⁵ Fiscal note estimates \$16 million for FY 2011, with an expectation of less than half of that amount in FY 2010, according to conversations with fiscal note's author. The Department of Revenue estimates \$100 million revenue gain. Using a January 1, 2010 start date, calculations are based on half of the DOR estimate.

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