Georgia Budget & Policy Institute

Policy Report

Menu of Revenue Options to Pave Way for Georgia's Rebound

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Low Revenues Putting Georgia on a Path to Mediocrity

Georgia is one of the most under-funded states in the country, but state lawmakers can remedy structural budget shortfalls by implementing revenue options used successfully by other states. Annual deep cuts in state funding the past five years means fewer teachers in Georgia's classrooms, roads and bridges that continue to crumble and an unappealing environment for businesses. Lawmakers can reverse the state's ongoing decline by choosing from a menu of options that will increase revenue without harming Georgia's economy or families.

To create a prosperous state, it is important to find the proper balance in tax strategy. Letting revenue levels drop too low is just as undesirable for Georgia's citizens and businesses as creating a tax system that slows economic growth. Strategic public investments are essential for maintaining a healthy economy with broadly shared growth, but lack of revenue means that lawmakers are unable to make them. Without vital services like health care and public safety, Georgia's communities are unable to thrive and the state becomes a less attractive place to live, work, start a business or raise a family.

Taken together, this revenue shortfall and lack of public investment is a prime driver of the state's ongoing economic struggles. Increasing revenue and promoting investments in the future, conversely, would lay the foundation for a modern economy that provides good jobs, broadly shared growth and a higher quality of life.

To reverse Georgia's decline will require updating the state's tax system, which is not currently designed to collect the revenue that Georgia needs today and in the future. This report seeks to lay out a variety of options for doing so, thus giving lawmakers a revenue "menu" they can pick and choose from as circumstances dictate.

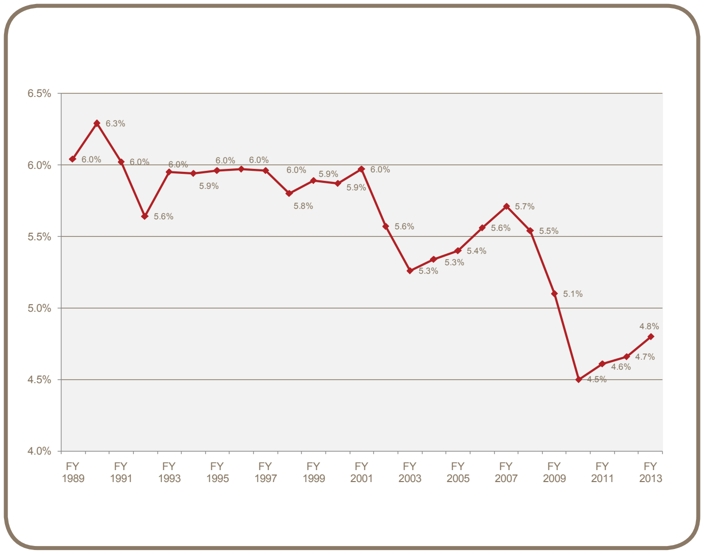
Georgia's Taxes Are Comparatively and Historically Low

Georgia collects less revenue from its citizens and businesses than almost any other state. The state ranked 50th nationwide in the amount of revenue it collected per person in 2011[1], and 41st in the amount it collected from businesses in 2010 [2] – the most recent years for which data are available. When state and local taxes are counted together, Georgia's overall tax level ranks 42nd nationwide as of 2010[3]. Since Georgia's tax level is already low compared to other states, lawmakers have some room to increase revenues while keeping the state competitive.

In addition to ranking low compared to other states, Georgia's taxes are now much lower than even in the state's own recent past. Georgians devoted 4.5 percent of their annual income to state taxes in 2010, compared to an average of 5.9 percent in the 1990s (Figure 1). This means that if the state were to return to a more historically normal tax level , it could bring in billions of dollars in new revenue for important state services and investments. For example, if Georgia residents were today paying a state-taxes-to-income share of 5.5 percent – still well below the 1990s peak – it would result in an additional $3 billion per year in state revenue.[4] This could fully reverse the $1 billion in cuts to education made since the recession began, while also allowing new investments in transportation, public safety and other priorities.

Figure 1 Georgia's Revenues at Historic Low

State Revenues as a % of Personal Income



Source: Governor's Budget Reports and U.S. Bureau of Economics

Menu of Tax Options Available

The following section describes 20 of the most viable and measured tax options for responsibly increasing state revenues. It includes both smaller items that might be thought of as easy fixes (e.g. closing certain loopholes) and larger ones that are somewhat more ambitious (e.g. adding a new top rate for high earners). Some were proposed or adopted by the 2010 *Special Council on Tax Reform and Fairness for Georgians*, and others stem from policies successfully used by other states. In total, the list includes approximately of $4 billion in new revenue options.

Unlike the recommendations for comprehensive tax strategy released in GBPI's 2010 report, *Advancing Georgia's 1930s Tax System to the Modern Day*, these options are not a collective package of tax reforms to be implemented all at once. Instead, the list provides a menu of revenue sources for lawmakers to consider for preventing continued erosion of the state's core services and economy.

A Brief Note on Methodology

The 20 available tax options are divided into four categories by type: *Personal Income Taxes, Corporate and Businesses Taxes, Sales Taxes* and *Other*. Each item includes a dollar estimate for its potential revenue impact, as well as a notation describing whether the "precision of estimate" is "high," "medium," or "low". The strength of each estimate depends on several factors, most notably the revenue number's source (e.g. official fiscal note, newspaper article, industry report). Regardless of precision, all estimates should be considered approximate, and ranges are provided when most appropriate. For a more detailed methodological description, see Appendix A.

Personal Income Tax

Bring back the 7 percent top rate for high incomes
Annual Revenue Gain: $145 million[5] **Precision of Estimate: High**

In Georgia's state income tax, all taxable income above $7,000 for singles and $10,000 for couples is taxed at 6 percent, meaning most Georgians pay the same top rate regardless of whether they earn minimum wage or a millionaire's income. Until 1955, however, Georgia's top marginal rate was 7 percent. Bringing that bracket back for individuals making $250,000 per year and couples making $500,000 would significantly increase revenues and affect fewer than 1 percent of Georgia households, including almost no small businesses.[6]

End the itemized deduction loophole for state income taxes
Annual Revenue Gain: $448 million[7] **Precision of Estimate: High**

Georgia, like most states, allows the same itemized deductions at the state level as are used at the federal level. But unlike 46 other states, Georgia also allows the federal deduction of state income taxes.This means in addition to using their state income tax bill to lower their *federal* income taxes, Georgians who itemize can also use their state income tax bill to lower their own *state* income taxes. This circular quirk in the law essentially allows a select group of Georgians to artificially lower their state income taxes, with no corresponding economic benefit. The same benefit is unavailable to typical Georgia families, who generally take the standard deduction.

Eliminate small and unproven credits
Annual Revenue Gain: $32 million[8] **Precision of Estimate: Medium**

Like most states, Georgia's personal income tax code contains several small, narrow tax credits of unproven benefit. Examples include credits for taking drivers' education courses and writing off premiums for high-deductible healthcare plans. If lawmakers were to approach these credits as a package and eliminate every one costing less than $10 million per year – excluding the Low-Income Credit – Georgia could net up to about $32 million per year. Lawmakers could also examine them one by one as a way of bringing in smaller revenues.

Revisit the tax scholarship for private school students
Annual Revenue Gain: $53 million[9] **Precision of Estimate: High**

In 2008, Georgia created a controversial program that uses public money to pay private-school tuition for thousands of students. Proponents initially marketed the program as helping low-income students in poorly performing schools, but evidence shows that some recipients are from upper-middle class and wealthy households[10]. The program is also completely unaccountable to taxpayers because lawmakers made it illegal for state agencies to disclose who benefits from the scholarships or where the money is spent.[11]

Phase down the elderly exemption
Annual Revenue Gain: $124 million[12] **Precision of Estimate: High**

In 2010, Georgia passed legislation dramatically increasing the amount of retirement income Georgians over age 65 can shield from state taxes. The exclusion was increased to $35,000 for individuals ($70,000 for couples) in 2011 and $65,000 ($130,000 for couples) in 2012, where it is scheduled to remain indefinitely. While the special tax council recommended phasing out the exclusion entirely over time (which would net $554 million), an alternative would be to drop it back to $35,000 for individuals and $70,000 for couples. This would keep income taxes the same for seniors making less than $84,000 a year and raise $124 million in revenue.[13]

Replace itemized deductions with a bigger standard deduction
Annual Revenue Gain: $614 million[14] **Precision of Estimate: High**

Experts agree tax policies should be as clear and simple as possible and allowing itemized deductions runs contrary to that goal. As the special tax council noted, "Itemized deductions narrow the tax base, create non-conformity adjustments, complicate filing, and create distortions in fairness and efficiency".[15] Therefore, one option to increase revenues while making the tax system simpler and fairer is to eliminate these special deductions and replace them with a larger standard deduction ($6,000 for singles, $12,000 for couples), which all taxpayers would be eligible to claim. This would certainly be a major change, but not one without precedent (Rhode Island did it in 2011).[16] In addition to raising new revenues, this fix would actually reduce taxes for 60 percent of Georgia taxpayers. [17]

Corporate and Business Taxes

Enact best practice corporate reforms
Annual Revenue Gain: At least $125 - $170 million[18] **Precision of Estimate: Low**

Georgia can modernize its corporate income tax by aligning with three emerging best practices, leading to a potentially large (though difficult to estimate) increase in revenue:

> **Create a "throwback rule"** – Since states are only allowed to tax corporations that have a physical presence within their boundaries, profits from sales with no brick and mortar presence go untaxed. For example, if a Georgia corporation sells an equal amount of products in three states but only has physical presence in two, then a third of its total profits are not taxed by any state – creating a problem known as "nowhere income."To capture these nowhere sales, 23 states allow a corporation's home state to tax its untaxed profits from other states.
>
> **Prevent corporate tax shifting** – Companies sometimes create subsidiary corporations to avoid state taxes. Because Georgia's corporate income tax treats every subsidiary as a separate taxpayer, a corporation located here can easily shift its profits to subsidiaries in states without a corporate income tax. Twenty-three states closed this loophole through "combined reporting," which treats a parent company and its various subsidiaries as a single entity.[19] This eliminates the incentive for complex tax sheltering without any adverse effects on business success.[20]
>
> **Close the profit-write off loophole –** Georgia is one of 19 states with an income tax provision known as the net operating loss (NOL) "carryback deduction." It allows companies to file amended tax returns for prior years when they were profitable, using current year business losses to offset those profits. This amended tax return allows corporations to receive refunds for taxes previously paid.[21] Georgia lawmakers can follow the lead of most other states by either capping the allowable carryback or eliminating it entirely. Even if Georgia does the latter, as most states have, the state will still allow a loss "carryforward," which lets companies use losses to offset *future* profits rather than *past* ones.

Modernize the Net Worth tax
Annual Revenue Gain: At least $220 million[22] **Precision of Estimate: Medium**

Georgia's net worth tax is outdated and has not been updated since 1931. The tax ranges from $10 to $5,000 based on a company's level of assets, netting Georgia around $30-$40 million each year. Some argue the $10 minimum charge is a nuisance and state leaders should eliminate it entirely, but that would hurt state revenue levels. Adjusting the tax to inflation is an alternative that makes the tax less onerous while still protecting revenues. If the $10 minimum charge from 1931 was adjusted for inflation, the tax would now be about $150 per business – still completely manageable for the vast majority of businesses.[23]

Eliminate small, narrow and rarely-used corporate credits
Annual Revenue Gain: Up to $12 million[24] **Precision of Estimate: Medium**

Georgia's corporate income tax includes several small credits of unproven value, used by very few companies. Examples include credits for company vehicle expenses, historic homes rehabilitation and low-emission car purchases. If lawmakers were to approach these credits as a package by eliminating each one costing less than $5 million per year, they could net up to about $12 million in new revenue annually.[25] Lawmakers could also examine them one by one as a way of bringing in smaller revenues.

Bring business and occupational fees to national average
Annual Revenue Gain: Up to $410 million[26] **Precision of Estimate: Medium**

Georgia maintains a diverse array of small revenue sources that help pay for its obligations. Many are fees required of utility companies, corporations and people in various occupations. People pay these fees for a range of interactions with the state, such as when they apply for a state liquor license or other state documents. Common in every state, business and occupational fees net Georgia about $120 million each year. That translates to an average of $13 per Georgian per year – the second lowest per capita amount of any state. If lawmakers were to raise Georgia's reliance on this revenue source to that of the average state – which is $54 per person in South Carolina – Georgia would have around $410 million in additional revenue each year.[27]

Prohibit personal income tax diversion
Annual Revenue Gain: Unknown **Precision of Estimate: N/A**

Georgia is one of only 16 states that allow a controversial practice known as a "personal income tax diversion."[28] The policy works like this: state lawmakers design a tax credit allowing certain companies to keep a portion of their employees' withholding taxes as a subsidy, rather than making payments to the state. The result is that rather than helping pay for schools, roads or public safety, the taxes those workers pay on their wages are kept by their employer. Georgia has six different business tax credits that allow the practice.

Tax companies extracting Georgia's natural resources
Annual Revenue Gain: $103 million[29] **Precision of Estimate: Low**

Georgia is one of only 15 states without some form of severance tax, which is a small levy on the profits gained from extracting a state's natural resources. Though Georgia lacks the major sources of resource-wealth available in some other states (e.g. oil, gas), it is among the world's largest producers of kaolin, a mineral used in various paper and pharmaceutical products. Companies extract more than $1 billion of kaolin from Georgia's soil each year, most of it tax-free[30]. Lawmakers last considered adding a severance tax on this mineral wealth in 1993, when experts estimated it would generate $65 million per year in state revenue. Adjusted for inflation, that estimate now equals $103 million per year.

Sales Taxes

Modernize the state sales tax to fit today's economy
Annual Revenue Gain: $795 million[31] **Precision of Estimate: High**

Georgia's state sales tax has not kept pace with dramatically changing trends in consumer choices. Services – such as haircuts and veterinary visits – increased from 31 percent to 45 percent of purchases by American households between 1970 and 2007. Meanwhile, the share of spending on taxable goods, such as TVs or cars, declined. Georgia now taxes less than 40 of 168 possible services, and updating the tax code to cover services that are already taxed in at least 15 states (listed in Appendix B) would net the amount above.[32] However, since the sales tax takes a greater share of income from low- and middle-income people, it would also be necessary to either reduce the sales tax rate or enact an Earned Income Tax Credit (EITC) for working families to make up for increasing their sales tax obligation.

Abolish sales tax holidays
Annual Revenue Gain: $33 - $49 million[33] **Precision of Estimate: High**

Despite their popularity, sales tax holidays are widely viewed as poor tax policy, as described in our analysis of HB 993 last year. They provide minimal benefits to consumers, over-burden businesses, and divert resources from vital state services and investments. Georgia held an annual sales tax holiday for eight years until 2010, took a break in 2011, and then reinstated the practice last year. The special tax council recommended eliminating them permanently.[34]

Remove sales tax exemption for soda
Annual Revenue Gain: $56 million[35] **Precision of Estimate: Low**

Georgia is one of only three Southern states that do not apply the sales tax to sugary beverages, such as sodas and energy drinks. These drinks are included under Georgia's broad sales tax exemption for groceries.[36] While the tax exemption for groceries is essential to protect Georgia's low- and middle-income families, removing soda from it could bring in about $56 million each year in new revenue, raising much needed funds while helping fight Georgia's high level of obesity.

Tax online travel companies for full amount owed
Annual Revenue Gain: $3 million[37] **Precision of Estimate: Low**

Because of quirks in the way online travel companies like Orbitz and Expedia price and sell Georgia hotel rooms, they do not send as much sales tax to the state as they are required to pay.[38] If Georgia lawmakers were to address this through legislation, they could net about $3 million in annual revenue. Additionally, many states and local governments have pursued legal action against online travel companies to collect back-taxes owed, and Georgia could do so too. The move could bring in an additional $46 million in one-time funds for Georgia.

Other Taxes

Increase the cigarette tax by $1 per pack
Annual Revenue Gain: $325 to $400 million[39] **Precision of Estimate: High**

Georgia has the fourth lowest cigarette tax in the nation.[40] Many neighboring states, including Florida, North Carolina, South Carolina, Arkansas, Mississippi and Kentucky have raised their tobacco tax rates in recent years. If Georgia follows their lead and increases its cigarette tax by $1 per pack, it would raise an estimated $325 to $400 million annually – assuming that similar changes are applied to other tobacco products as well.

Tax all communication services the same
Annual Revenue Gain: $166 to $240 million[41] **Precision of Estimate: High**

One of the more obscure areas of state taxation is the labyrinth of levies on communication services, such as phone, cable and Internet. Companies that provide services with physical infrastructure, including local phone, cell phone and landline cable, pay both state taxes and local franchising fees. Satellite companies and streaming video companies pay far less, if anything. The special tax council recommended replacing this confusing system with a simple 7 percent surcharge on all communication services, regardless of type. Some of the new tax's revenue would go to the state treasury, while the rest would be distributed to local governments to keep their revenues at current levels.

Tie the gas tax to the national average
Annual Revenue Gain: $185 to $203 million[42] **Precision of Estimate: Medium**

With Georgia in desperate need of new funding for transportation, lawmakers can consider a small increase in the state's motor fuel tax. Even though this particular levy has some weaknesses, including its disproportionate impact on low income people, modestly raising it would bring in considerable revenue while only minimally affecting most consumers. Hiking the gas tax by three cents per gallon, for example, would bring Georgia in line with the national average at a cost to the average driver of $1.29 per month.[43] Lawmakers could also tie the tax directly to inflation or to the rising costs of construction, so that it remains linked to future economic growth.

Bring back an inheritance tax for the largest estates
Annual Revenue Gain: $125 million[44] **Precision of Estimate: Low**

The estate tax is an extremely narrow levy that well over 99 percent of Georgians never have to pay.[45] Georgia used to gain about $125 million each year from a credit that sent federal estate tax revenue to the states, but that funding disappeared in the mid-2000s after Congress phased out the credit. Georgia could reverse this change by creating some form of state-level tax, as 22 other states have already done.[46] One option is to model the tax largely off the old federal law, while another is to craft a new version to fit today's economy. The amount of new revenue from a change would depend on lawmakers' specific choices, such as how many estates to exempt and what rates to apply.

Good Governance Reforms Could Also Raise Some Revenue Over Time

Beyond the direct tax code changes discussed above, two other reform options could likely raise additional revenue while also promoting a more open and accountable state government.

More-closely review tax-side spending – Each year, Georgia spends millions of dollars through the tax-code on special credits, deductions and exemptions. But unlike investments such as education and health care, tax-side spending is rarely, if ever, reviewed. Georgia was recently ranked as among the 26 states that are "trailing behind" on evaluating these expenditures by the Pew Center on the States. Making Georgia's tax-side spending more open and accountable, as called for in House Bill 920 in 2012, will allow Georgians to evaluate the effectiveness of these programs. This would help identify underperforming tax credits, deductions, and exemptions – which could then be cut or revised as needed.

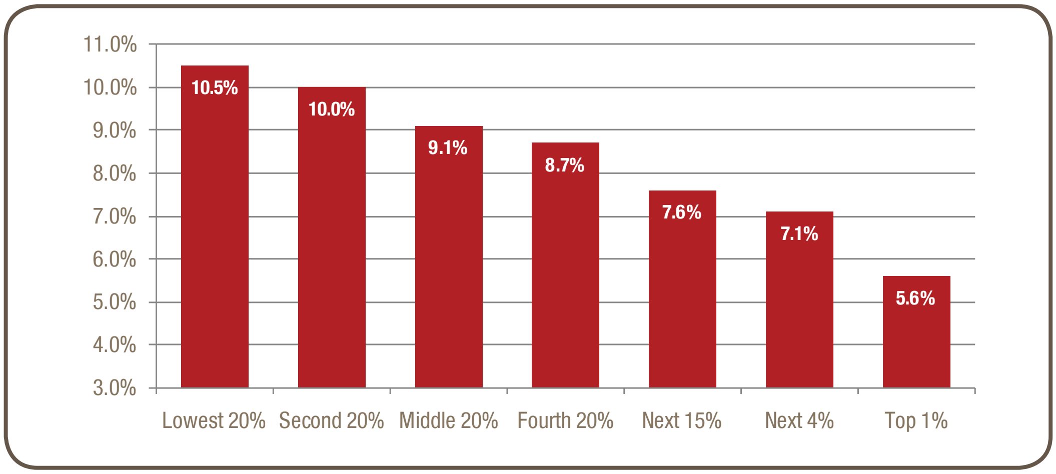
Sunset and review most sales tax exemptions – Georgia's sales tax includes dozens of special exemptions, including both some that are sound policy options and others that are likely outdated, ineffective or aimed at a special interest. Similar to income tax loopholes, most of these exemptions remain on the books for years with little to no review. As a result, the special tax council recommended putting a "sunset" (or expiration) date on most of these sales tax exemptions, excluding certain ones common in most other states. Allowing all of Georgia's sales tax exemptions to periodically expire – excluding both sales to state entities (e.g. the University System) and the essential grocery tax exemption – would put nearly $1 billion in annual revenue on the table for discussion, at which point lawmakers could decide which specific exemptions should stay. [48]

Protecting Low-and Middle-Income Georgians

While historically low revenue is perhaps the greatest challenge facing Georgia, lawmakers considering an increase in revenue should avoid making the tax system less fair. Low- and middle-income Georgians already pay a greater share of their income in state and local taxes (Figure 2) than do the wealthiest, due to the fact that state and local governments often rely on taxes that fall less heavily on those at the top (i.e. sales, excise and property).

Figure 2 Low- and Middle-Income Pay Higher Share of Income in Taxes

State and Local Georgia Taxes, by Income Percentile (Non-elderly tax payers), 2012



Source: Institute for Taxation and Economic Policy (ITEP)

As a result, some of the changes outlined in this report – such as expanding the sales tax – could unduly burden Georgians if not done in a balanced way. There are two good options to prevent this and instead help working Georgia families keep more of what they earn, even if taxes go up on some things.

Reduce the sales tax rate – Lowering the state sales tax rate would help mitigate the fact that sales taxes, more than any state tax, fall most heavily on people the lower their income is. Those taxes cost the poorest Georgians 6.3 percent of their income, compared to only 0.9 percent of income for the wealthiest families.[49] Cutting the sales tax would be expensive though, reducing state revenues an estimated $344 million for every quarter-percent decrease on the rate (e.g. 3.75 percent from 4 percent).[50]

Enact an Earned Income Tax Credit (EITC) – A less expensive solution is to enact a state EITC. Twenty four states and the District of Columbia created EITCs to help working families make ends meet and cancel out the cost of some state and local taxes.[51] The tax credit is modeled on a larger federal version, which President Ronald Reagan once called "the best antipoverty, best pro-family, best job creation measure to come out of Congress."[52]

State EITCs are only available to people who work. Families with children earning up to about $37,000 to $50,000 (depending on marital status and the number of children in the family) generally can qualify, but the largest benefits go to families with incomes between about $10,000 and $22,000. Enacting an EITC would also be an extremely easy fix, since it would literally add only a single line to Georgia's income tax form. The cost of the change would be about $255 million per year.[53]

Appendix

Table 1 **Available Revenue Options for Georgia Lawmakers**

Tax Policy Change	Revenue Estimate (annual in millions)	Estimate Precision
Personal Income Taxes		
Bring back the 7 percent top rate for high incomes	$145	High
End the intemized deducation loophole for state income taxes	$448	High
Eliminate small and unproven credits	Up to $32	Medium
Revisit the tax scholarship for private school students	$53	High
Phase down the elderly exemption	$124	High
Replace itemized deduction with a bigger standard deduction	$614	High
Corporate and Business Taxes		
Enact best practice corporate reforms	At least $125 - $170	Low
Modernize the Net Worth tax	At least $220	Medium
Eliminate small, narrow, and rarely-used corporate credits	Up to $12	Medium
Bring business and occupational fees to national average	$410	Medium
Prohibit personal income tax diversion scheme	Unknown	N/A
Tax companies extracting Georgia's natural resources	$103	Low
Sales Taxes		
Modernize the state sales tax to fit today's economy	$795	High
Abolish sales tax holidays	$33 - $49	High
Remove sales tax exemptions for soda	$56	Low
Tax online travel companies for full amount owed	$3	Low
Other		
Increase the cigarette tax by $1 per pack	$325 - $400	High
Tax all communication services the same	$166 - $240	High
Tie the gas tax to the national average	$185 - $203	Medium
Bring in an inheritance tax for the largest estates	$125	Low

Appendix A: Methodology

The revenue estimates in this report come from a variety of sources, including official fiscal notes on recent legislation, Georgia's Tax Expenditure Report, industry reports, newspaper articles, academic studies, in-house calculations and complex simulations provided by GBPI partners. Whenever possible the most recent estimate is used, though in some cases an older number is the only available source and so inflation-adjusting is used.

Each estimate is described as having a "precision of estimate" that takes these factors into account. Values of "high," "medium," and "low" are assigned based on a combination of the reliability of data used (e.g. U.S. Census Bureau vs. newspaper analysis); the source of the original estimate (e.g. official fiscal note vs. industry report); and how recently the number was produced. Items where no reliable estimate could be made are listed with an "Unknown" revenue estimate. Although somewhat subjective, these categories provide a basic confidence level on how exact an estimate should be interpreted.

Table 2 Description of Sources and Data Used for Revenue Estimates

Precision of Estimate	Sources	Data
High	Recent fiscal notes; Institute for Taxation and Economic Policy (ITEP) microsimulation model; recent academic reports; Georgia's official Tax Expenditure Report (for individual items	Georgia-specific revenue and taxpayer data
Medium	Georgia's official Tax Expenditure Report (for aggregated items); older fiscal notes; older academic reports; in-house calculations using Georgia-specific data	Older Georgia-specific data adjusted for inflation; aggregations of Georgia tax expenditure figures (listed in Medium category because aggregating this data decreases its precision)
Low	Industry reports; newspaper articles; in-house calculations using national data adjusted to Georgia by population	Bureau of Labor Statistics (BLS) Consumer Expenditure Survey (adjusted to Georgia); industry- or newspaper-generated

Regardless of category, however, all estimates should be viewed as approximate and any new legislation would require more in-depth estimates from the state's financial experts. Moreover, because changes in the tax code can interact with each other – for example, a higher income tax rate leading to less spending and lower sales tax revenue – any collection of changes would need to be carefully analyzed to estimate its total, combined effect.

Appendix B: Services Taxed in at Least 15 States But Not in Georgia

- Labor charges on repairs to motor vehicles
- Automotive washing and waxing
- Automotive road service and towing services
- Auto service, except repairs, including painting and lube
- Parking lots and garages
- Automotive rustproofing and undercoating
- Software – Downloaded
- Books – Downloaded
- Music – Downloaded
- Movies/Digital Video – Downloaded
- Carpet and upholstery cleaning (in-home)
- Altering and repairing garments
- Health clubs, tanning parlors, reducing salons
- Shoe repair
- Swimming pool cleaning and maintenance
- Membership fees in private clubs
- Repair labor, general
- Labor on radio/TV repairs; other electronic equipment
- Labor charges – repairs, other tangible property
- Installation charges by persons selling property
- Installation chargers – other than seller of goods
- Custom processing (on customer's property)
- Taxidermy
- Welding labor (fabrication and repair)
- Janitorial services
- Pest control
- Landscaping services (includes lawn care)
- Automotive storage
- Marina service/docking
- Overnight RV park

Endnotes

[1]Author's calculations using tax data from U.S. Census Bureau's 2011 State Government Tax Collections and bi-annual population estimates from the U.S. Census Bureau.[2]COST, 2011

[2] "Total State and Local Business Taxes," Council on State Taxation. July 2011. http://www.cost.org/Page.aspx?id=69654

[3]"2010 State and Local Revenue," Federation of Tax Administrators. Accessed 1/24/2013. Note that the ranking has been adjusted to exclude the District of Columbia and make it compatible with the previous two rankings. http://www.taxadmin.org/Fta/rate/10stlrev.html

[4]GBPI calculations based on Governor's Budget Reports and U.S. Bureau of Economic Analysis.

[5]Institute on Taxation and Economic Policy (ITEP), by email, January 24, 2013

[6]"How Many People Are Rich Enough to Lose Part of the Bush Tax Cuts Under Obama's Proposal?" Citizens for Tax Justice. 6/20/2012. http://www.ctj.org/pdf/bushtaxcutslosers.pdf

[7]Institute on Taxation and Economic Policy (ITEP), by email, January 24, 2013.

[8]Author's calculations using "Georgia Tax Expenditure Report for FY2014," Georgia State University Fiscal Research Center. 12/2012.

[9]Ibid.

[10]"A Failed Experiment: Georgia's Tax Credit Scholarship for Private Schools," Southern Education Foundation. http://www.southerneducation.org/content/pdf/A_Failed_Experiment_Georgias_Tax_Credit.pdf

[11]"Georgia Legislature earns notoriety for keeping taxpayers in the dark on private school scholarship tax credits" Atlanta Journal Constitution. 3/15/2012. http://blogs.ajc.com/get-schooled-blog/2012/03/15/georgia-legislature-earns-notoriety-for-keeping-taxpayers-in-the-dark-on-private-school-scholarship-tax-credits/

[12]Institute on Taxation and Economic Policy (ITEP), by email, January 24, 2013.

[13]Ibid

[14]Ibid

[15]2010 Special Council on Tax Reform and Fairness for Georgians: Recommendations. 1/7/2011. Page 15. http://fiscalresearch.gsu.edu/taxcouncil/downloads/FINAL_REPORT_Jan_7_2011.pdf

[16]"Sweeping changes made to 2011 Rhode Island personal income tax laws," Sansiveri, Kimball & Co., L.L.P. (SK&Co) Public Accountants. 10/1/2010. http://sansiveri.com/resources/news/2010/10/01/sweeping-changes-made-to-2011-rhode-island-personal-income-tax-laws/

[17]Institute on Taxation and Economic Policy (ITEP), by email, January 24, 2013.

[18]Author's calculations using figures from "Georgia's Corporate Income Tax: A Description and Reform Options," Georgia State University Fiscal Research Center. 4/2012.

[19] "A Majority Of States Have Now Adopted A Key Corporate Tax Reform — "Combined Reporting," Center on Budget and Policy Priorities (CBPP). 4/3/2009. http://www.cbpp.org/files/4-5-07sfp.pdf

[20] Ibid

[21]"Minority of States Still Granting Net Operating Loss 'Carryback' Deductions Should Eliminate Them Now," Center on Budget and Policy Priorities (CBPP). 5/11/2009. http://www.cbpp.org/cms/index.cfm?fa=view&id=2760

[22]GBPI calculation based on data in Bureau of Labor Statistics Consumer Price Index and "Distribution of the Georgia Corporate and Net Worth tax Liabilities, 1998 and 2005," Georgia State University Fiscal Research Center, Report No. 185. 9/2008. http://aysps.gsu.edu/frc/5445

[23]Ibid

[24]Author's calculations using "Georgia Tax Expenditure Report for FY2014," Georgia State University Fiscal Research Center. 12/2012.

[25]Specific credits include: Optional Investment Tax Credit, Seed Capital Fund Credit, Qualified Health Insurance Expense Credit, Qualified Transportation Credit, Business Enterprise Vehicle Credit, Historic Rehabilitation Credit, Diesel Particulate Emission Reduction Technology Equipment Credit, Zero and Low Emission Vehicle Credit, Electric Vehicle Charger Credit, Clean Energy Property and Wood Residuals Credit, Employer's Credit for Basic Skills Education, and Energy or Water Efficient Equipment Credit.

[26]Author's calculations using U.S. Census Bureau's 2011 State Government Tax Collections and U.S. Census Bureau Intercensal population estimates.

[27]Ibid

[28]"Paying Taxes to the Boss," Good Jobs First. 4/2012. http://www.goodjobsfirst.org/taxestotheboss

[29]Special Report on the Kaolin Industry in Georgia," Atlanta Journal Constitution. 5/9/1993

[30]"Kaolin," The New Georgia Encyclopedia. Accessed 12/20/2012. http://www.georgiaencyclopedia.org/nge/Article.jsp?id=h-1178

[31]Institute on Taxation and Economic Policy (ITEP), by email, January 24, 2013.

[32]Federation of Tax Administrators. The Federation performed an updated survey of states in 2007; however, Georgia and four other states did not respond. Therefore, data for these states is from 2004.

[33]Fiscal Note, HB 993 Substitute (LC 34 3380S)," Department of Audits and Accounts. 2/28/2012.

[34]2010 Special Council on Tax Reform and Fairness for Georgians: Recommendations. 1/7/2011. http://fiscalresearch.gsu.edu/taxcouncil/downloads/FINAL_REPORT_Jan_7_2011.pdf

[35] Author's calculations using U.S. Consumer Expenditure Survey data, as found in "Who Would Be Affected by Higher Soda Taxes," Chicago Federal Reserve. 3/2011. The final revenue estimate is based on national data adjusted to Georgia by U.S. Census Bureau population estimates. http://qa.chicagofed.org/digital_assets/publications/chicago_fed_letter/2011/cflmarch2011_284.pdf

[36] "Sales Tax Treatment of Groceries, Candy and Soda," Tax Foundation. 1/1/2012. http://taxfoundation.org/sites/taxfoundation.org/files/docs/state_grocery_candy_soda_jan2012-20120216.pdf

[37] "White Paper: Reclaiming Unremitted Taxes From Online Travel Companies," National Online Travel Litigation Group. 3/3/2011.

[38]When someone rents a hotel room in Georgia through online travel companies like Orbitz and Expedia, they pay a charge for "taxes and fees" that includes both state sales taxes and various company-specific fees. The problem is that these go-between companies only remit a portion of

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the taxes they actually collect. This occurs because travel companies collect taxes on the retail price that they sell rooms for, but only remit them based on the wholesale price they bought them for. The result of this "spread" is that online travel companies are withholding some of the revenue due to state government as profit.

[39]The range for this revenue estimate comes from two sources: "Revised Fiscal Note, House Bill 39 (LC 18 7785)," Georgia Department of Audits and Accounts. 3/4/2010; and "Look at smoking preferences reveals 'left-digit' price effects," University of Georgia. 7/30/2012. http://news.uga.edu/releases/article/look-at-smoking-preferences-reveals-left-digit-price-effects-073012/

[40]Federation of Tax Administrators. Cigarette tax rates as of 1/1/2013. http://www.taxadmin.org/fta/rate/cigarette.pdf

[41]Revenue estimate is derived from two sources: "Fiscal Note, House Bill 388 Substitute (LC 18 9981S)," Department of Audits and Accounts. 4/6/2011; and the special tax council's final report, page 31.

[42]Author's calculations using estimates from: "Building a Better Gas Tax," Institute for Taxation and Economic Policy (ITEP). 12/11. Page 18; and "Georgia's Fuel Tax," Georgia State University Fiscal Research Center. 12/10.

[43]Author's calculations using estimates from: "Building a Better Gas Tax," Institute for Taxation and Economic Policy (ITEP). 12/11.

[44]"Advancing Georgia's 1930's Tax System to the Modern Day, Georgia Budget and Policy Institute. 8/2010. Page 15.

[45]In 2004, only 615 Georgians had to pay the tax, less than 1 percent of all state residents who died in that year. "How the Federal Estate Tax Affects Georgia," Citizens for Tax Justice. 6/5/2006. http://www.ctj.org/pdf/estga.pdf

[46] "State Taxes on Inherited Wealth Remain Common: 22 States Levy an Estate or Inheritance Tax," Center on Budget and Policy Priorities (CBPP). 1/4/2012. http://www.cbpp.org/cms/index.cfm?fa=view&id=337

[47]"Evidence Counts," Pew Center on the States. 4/2012. http://www.pewstates.org/uploadedFiles/PCS_Assets/2012/015_12_RI%20Tax%20Incentives%20Report_web.pdf

[48]If all of Georgia's sales tax exemptions – excluding the following list – were sunsetted at once, $970 million in annual revenue would be freed up for discussion, based on author's calculations using Georgia's Tax Expenditure Report for FY 2014. Exemptions excluded from calculation include: Sales of transportation furnished by a country or municipal public transit system; sales to any housing authority created by GA law; sales to local governments for building and operating coliseums; sales to any agricultural commission created by the Department of Agriculture; sales of tangible property and services to the University System of Georgia and its components; sales of tangible personal property and services used by private elementary and secondary schools; school lunches sold and served to pupils and employees of public schools; food purchased for off premises consumption; sales tax holiday for back to school; and sales tax holiday for energy efficiency.

[49]"Who Pays? A Distributional Analysis of Tax Systems in All 50 States, 2012," Institute on Taxation and Economic Policy (ITEP). 1/2013.

[50]Institute on Taxation and Economic Policy (ITEP), by email, 2010.

[51]"Policy Basics: State Earned Income Tax Credits," Center on Budget and Policy Priorities (CBPP). 12/5/2010. http://www.cbpp.org/cms/index.cfm?fa=view&id=2506

[52]"Cutting Taxes to Nothing," The New York Times. 9/18/2012. http://www.nytimes.com/interactive/2012/09/19/us/politics/entitlements-graphic.html The cost estimate assumes that a new Georgia EITC would be enacted at 10 percent of the federal credit. Institute on Taxation and Economic Policy (ITEP), by email, January 24, 2013.