



Tax Shift Plans Threaten Georgia

Moderated by Wesley Tharpe, GBPI



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The Tax Shift Threat

MEG WIEHE

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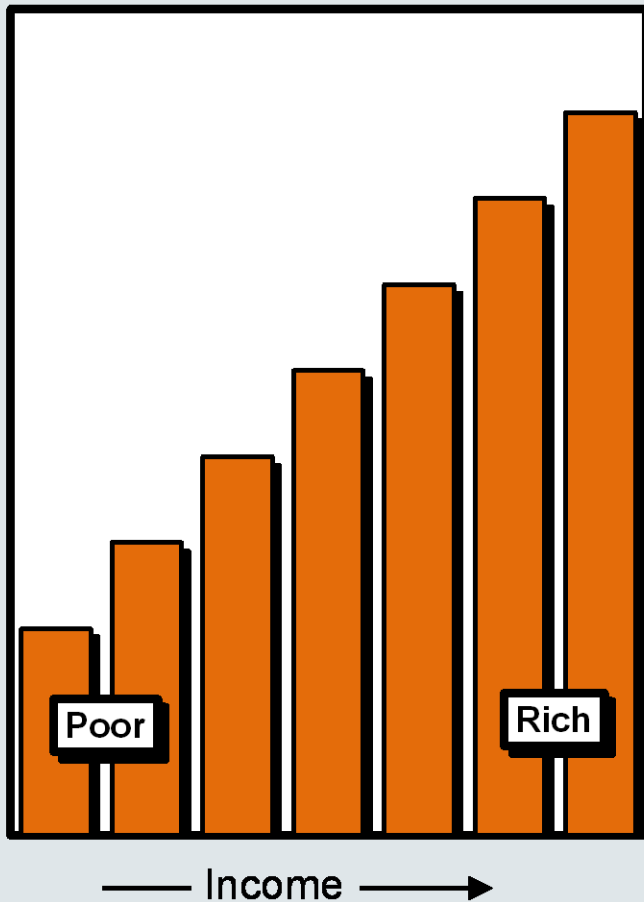
MEG@ITEP.ORG – WWW.ITEP.ORG



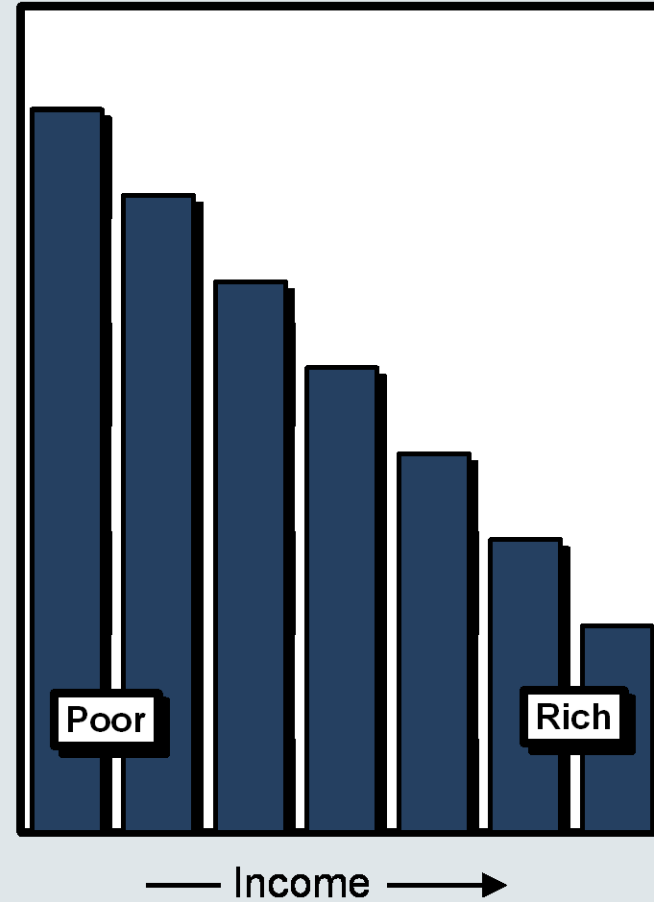
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Income vs. Sales Taxes

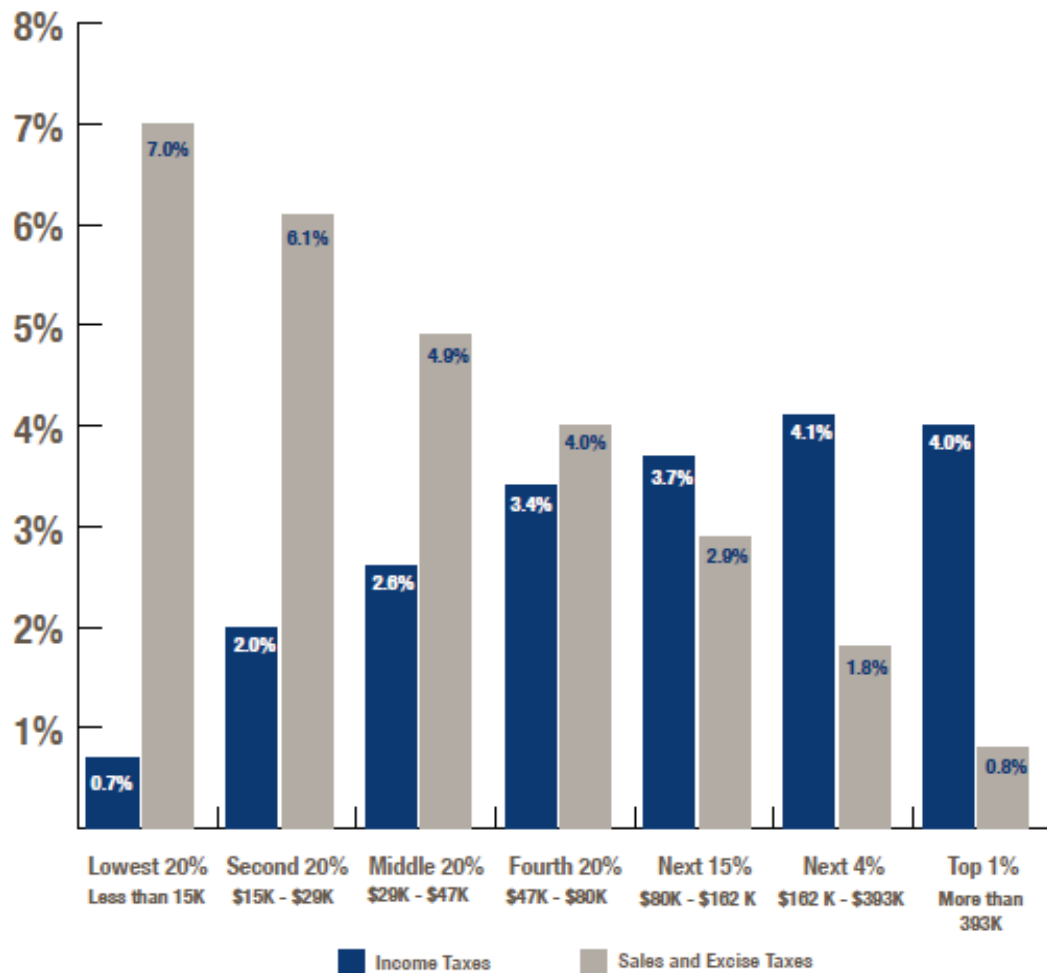
Income Taxes



Sales Taxes



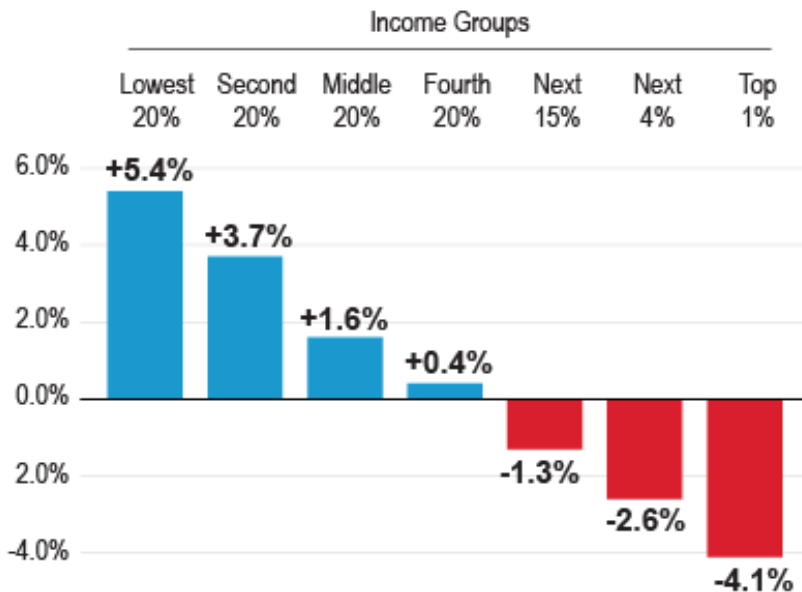
Georgia's Income Taxes Fall More on Well-off, Sales Taxes Take More from Typical Families



Tax Shift Examples

Governor's Tax Shift Plan Would Raise Taxes for Most

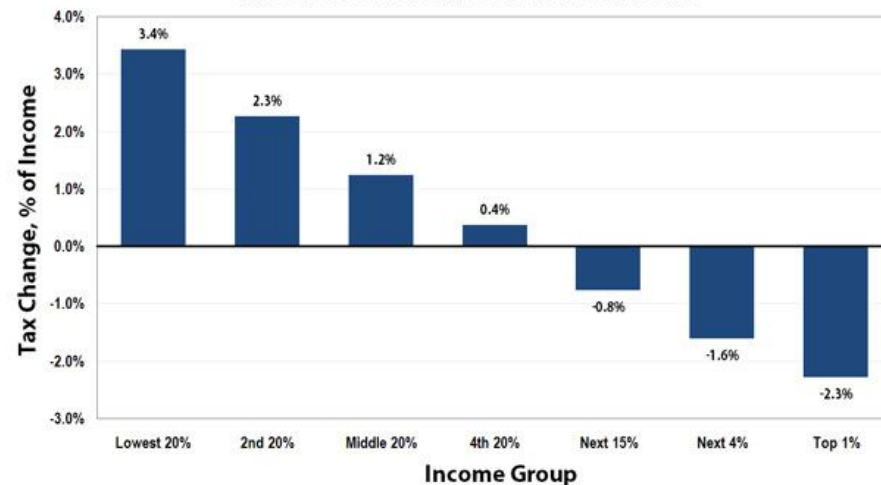
Governor Walker has said he is interested in eliminating the state's individual and corporate income taxes, and raising the sales tax. This chart shows the average tax change by income group as a percent of income, if the sales tax were raised to make up for lost revenue.



Source: Institute on Taxation and Economic Policy

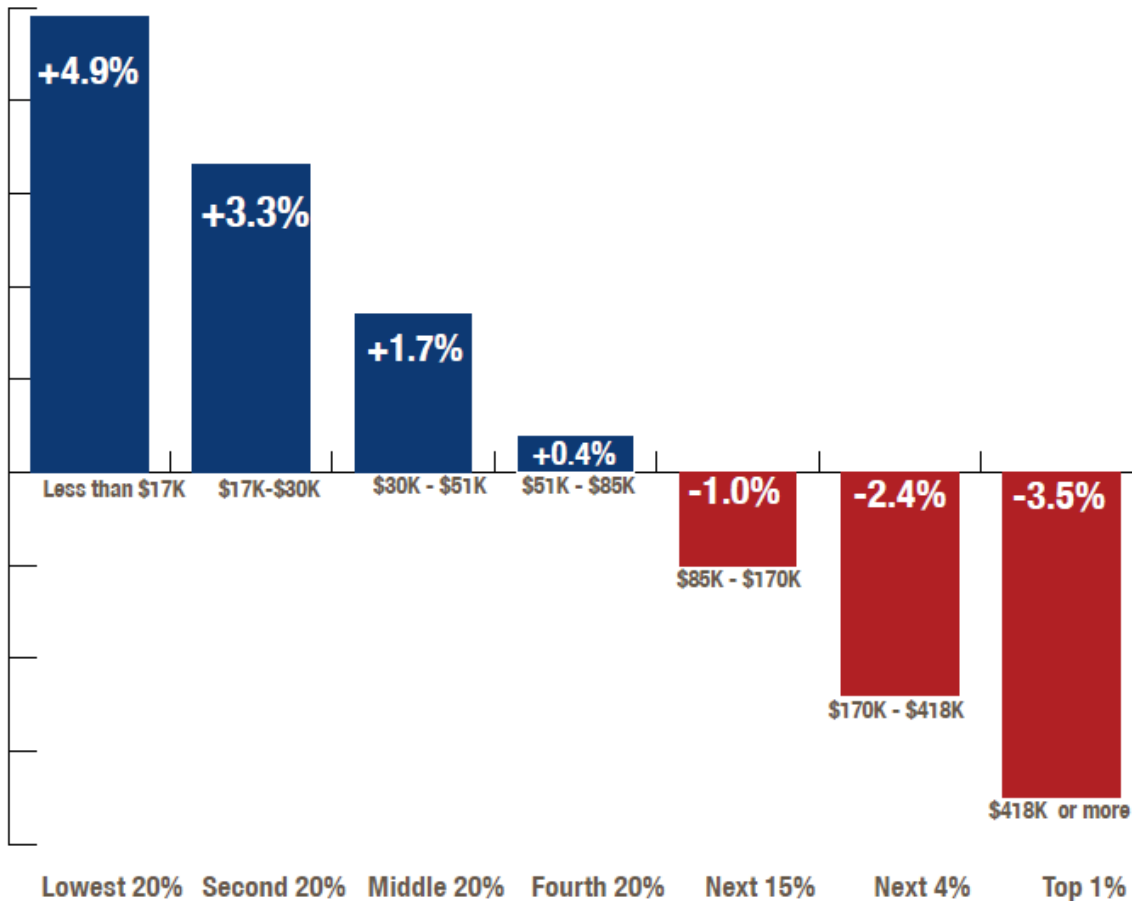
WISCONSIN BUDGET PROJECT

Impact of Revenue-Neutral Jindal Tax Swap Repeals Personal & Corporate Income Taxes; Hikes State Sales Tax Rate on Current Base



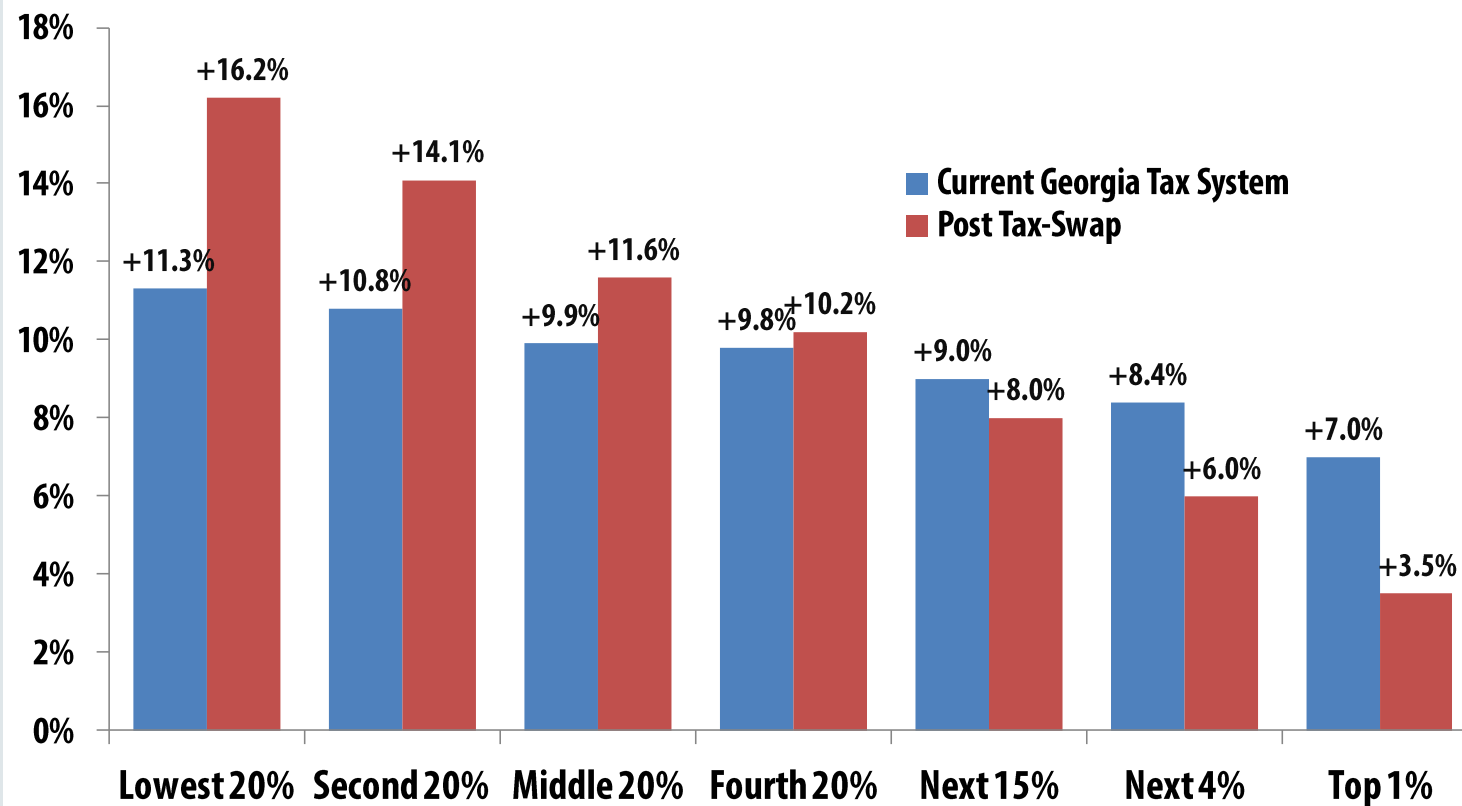
Source: Institute on Taxation and Economic Policy Microsimulation Model, January 2013

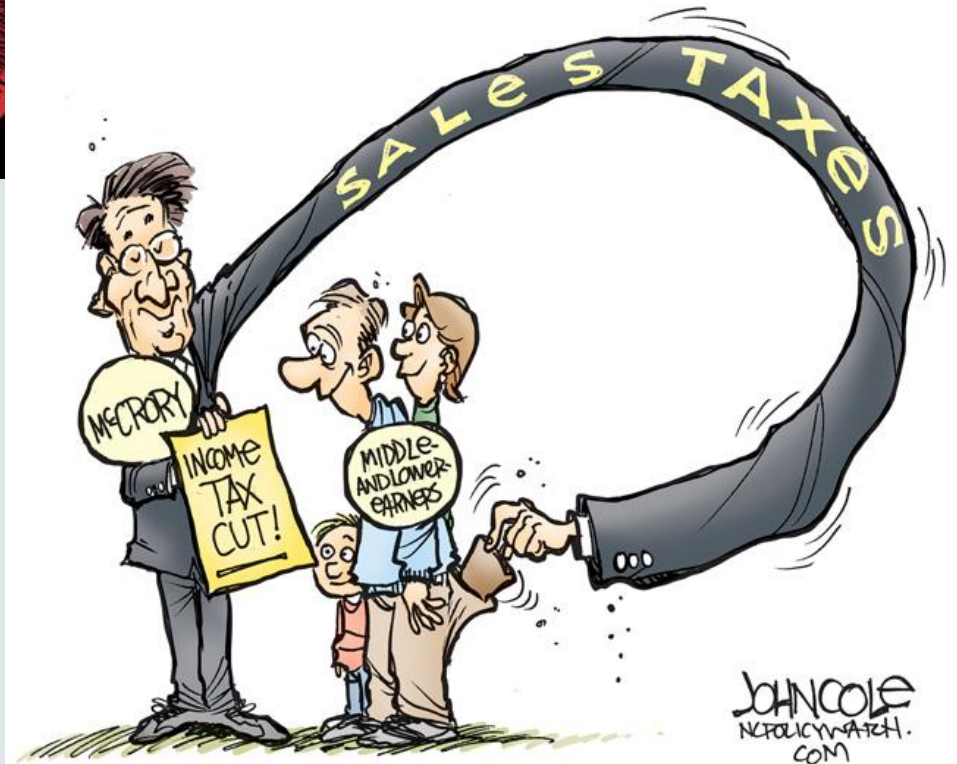
Shifting from Income Taxes to Sales Taxes in Georgia



- Eliminate personal and corporate income tax
- Keep current sales tax exemptions
- Raise state sales tax rate to 11.5% meaning a combined state and local sales tax rate of 14.5%

A Georgia Tax Shift Would Further Push Tax Responsibility onto Middle- and Low-Income Taxpayers







Tax Shift Plans Threaten Georgia

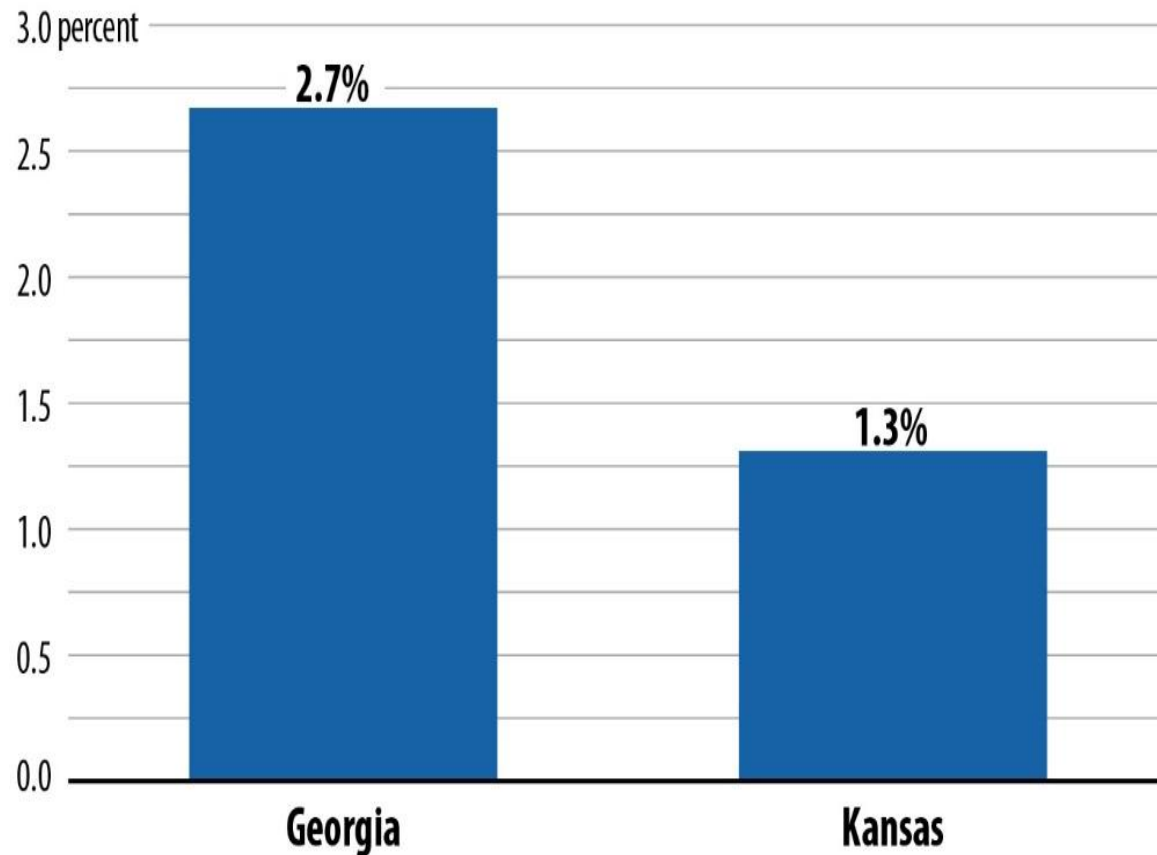
**Michael Leachman, Director of State Fiscal Research
Center on Budget & Policy Priorities**



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Kansas Job Growth Has Stalled Behind States Like Georgia

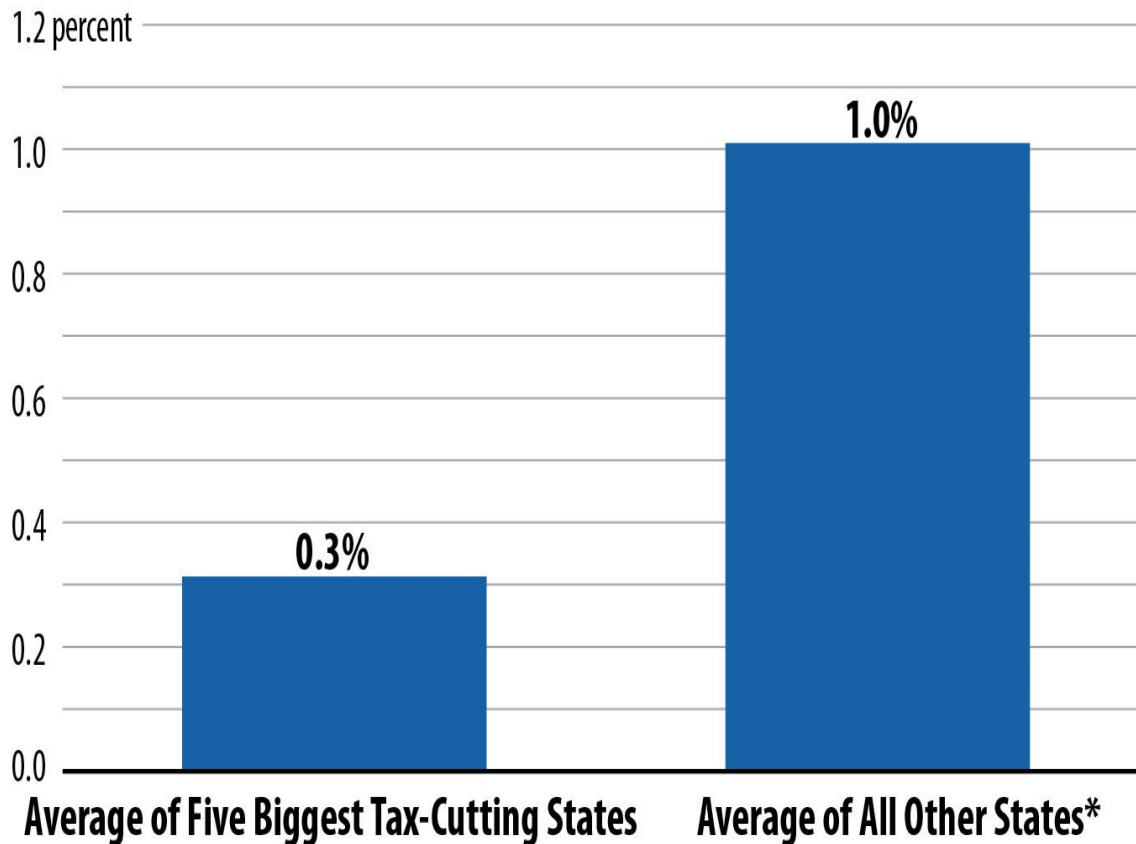
Growth in private-sector employment, December 2012-November 2013



Source: CBPP analysis of Bureau of Labor Statistics data

The Five States that Cut Taxes the Most Had Slower Economic Growth

Average annual growth in employment, 2000-2007



Source: CBPP analysis of Bureau of Labor Statistics data

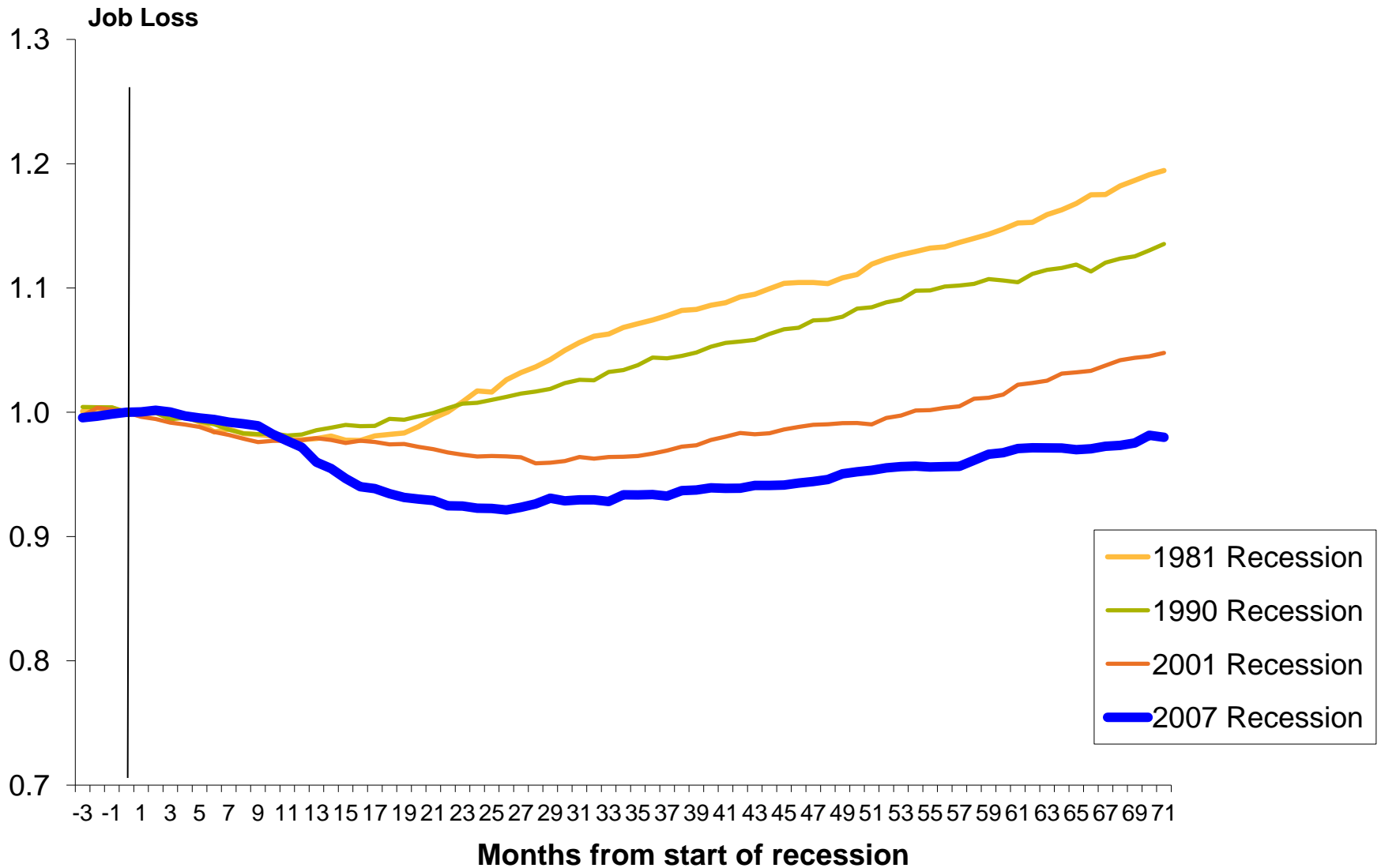


Tax Cuts and Tax Shifts Don't Create Shared Prosperity: Lessons from North Carolina

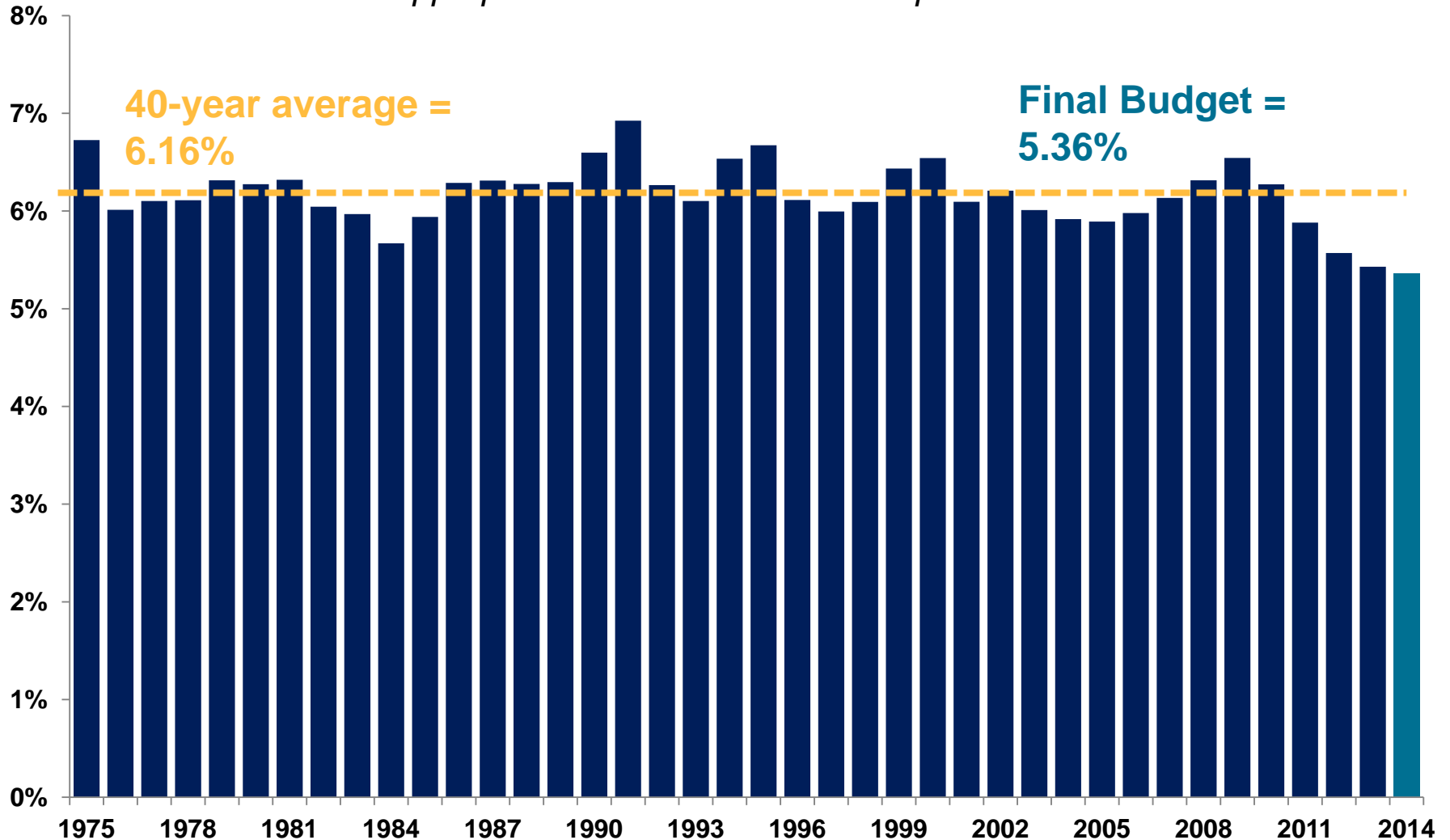
Alexandra Sirota

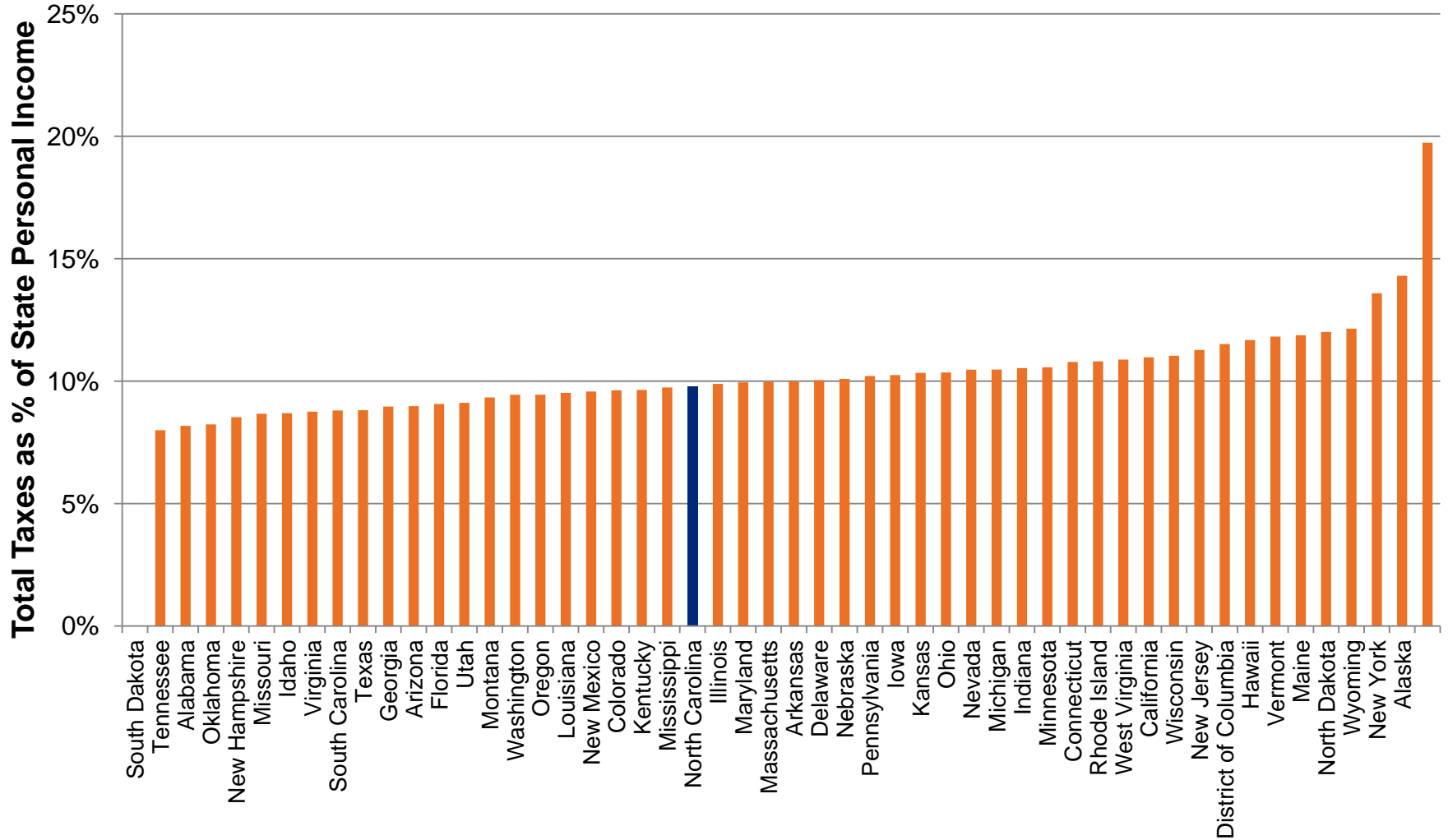


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Total General Fund appropriations as a share of state personal income





DETAILS OF 2013 TAX PLAN

Personal income tax

- Three-tier personal income tax rate – 6%, 7%, and 7.75% – replaced with a flat 5.75 percent tax rate by 2015
- Standard deduction increased to a maximum \$15,000 from \$6,000 based on filing status; itemized deductions limited to mortgage interest and property taxes and capped at \$20,000 plus unlimited charitable contributions.
- Personal exemption allowance eliminated and state Earned Income Tax Credit allowed to expire at the end of 2013.
- Child Tax Credit increased by \$25 per child for filers with adjusted gross income below \$40,000
- Business pass-through income deduction and private pension deduction eliminated

Corporate income tax

- Corporate income tax rate to be cut to 5

percent from 6.9 percent by 2015 and if revenue triggers are met will be reduced to 3 percent by 2017.¹

Sales Tax

- Expanded to include selected services such as warranty agreements for appliance purchases, auto repair contracts, and maintenance agreements.
- Electricity and piped natural gas taxed at combined general tax rate (franchise and excise tax on these items eliminated)
- Manufactured and modular homes taxed at general sales tax rate
- Entertainment and exhibitions taxed at general sales tax rate (privilege tax on these items eliminated)
- Sales tax holidays eliminated

Gas Tax

- Capped the gas tax at 37.5 cents per gallon

Graduated rate flattened to single rate



Numerous deductions and credits eliminated

- Personal exemption
- Medical expense deduction
- Child and dependent care tax credit
- College savings deduction



State Earned Income Tax Credit

Failed to extend the sunset

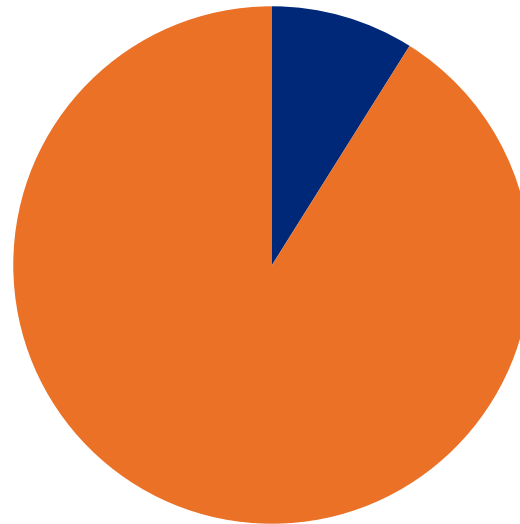
More than **900,000** North Carolina families received the state EITC last year

The **state EITC** helps working families



6.9% to 5% to 3%

Of the \$325 million corporate tax loopholes and breaks, the plan closes only \$29 million.



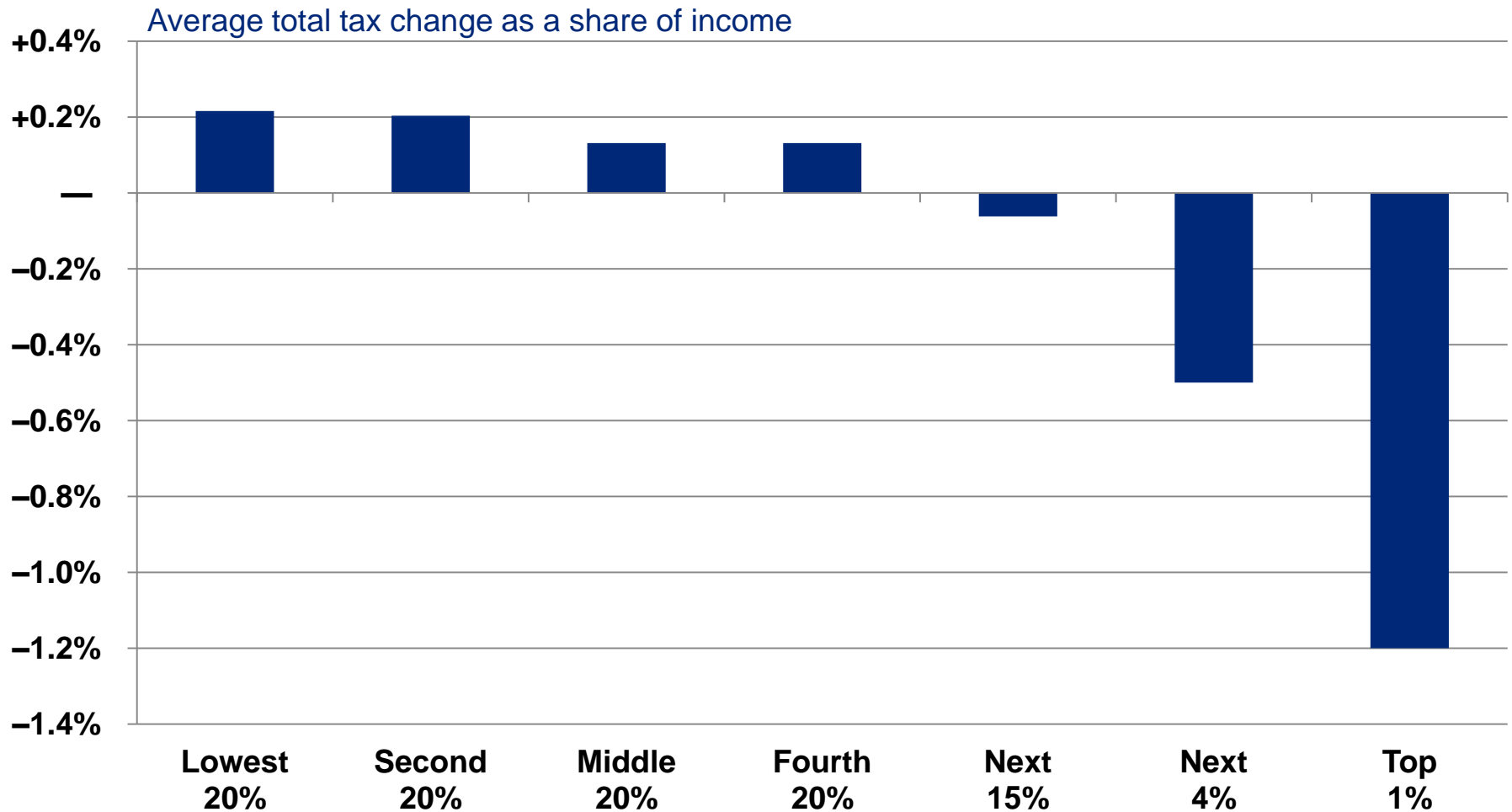
Rate stays the same

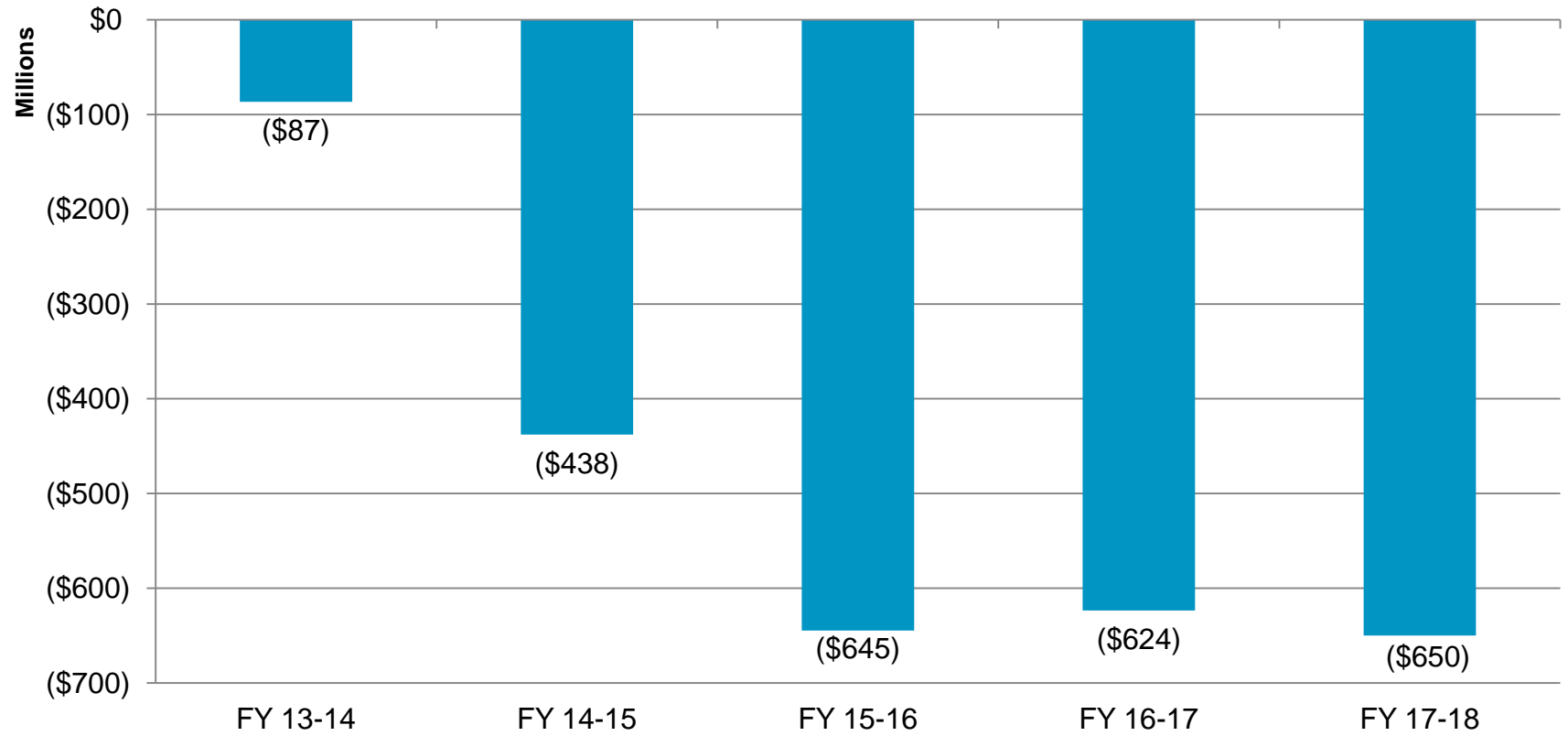
Base expands to include:

- Amusement and entertainment
- University dining
- Mobile homes
- Maintenance and installation of real property

Final tax plan fails to meet the core principles of tax reform

- **A tax system needs to pay for services** needed to promote economic growth, public safety and many other important functions.
- **Equity needs to be built in.** That means, for example, that lower income households don't pay a higher share of their income in taxes than do high income households; and that people in similar economic situations pay roughly similar taxes.
- A tax system needs to be constructed in ways that **avoid, to the extent possible, unpredictable, large fluctuations in the amount of revenue collected** in a given year.
- **The amount of revenue collected should increase as the economy expands**, reflecting the increased needs for education, transportation and many other services.

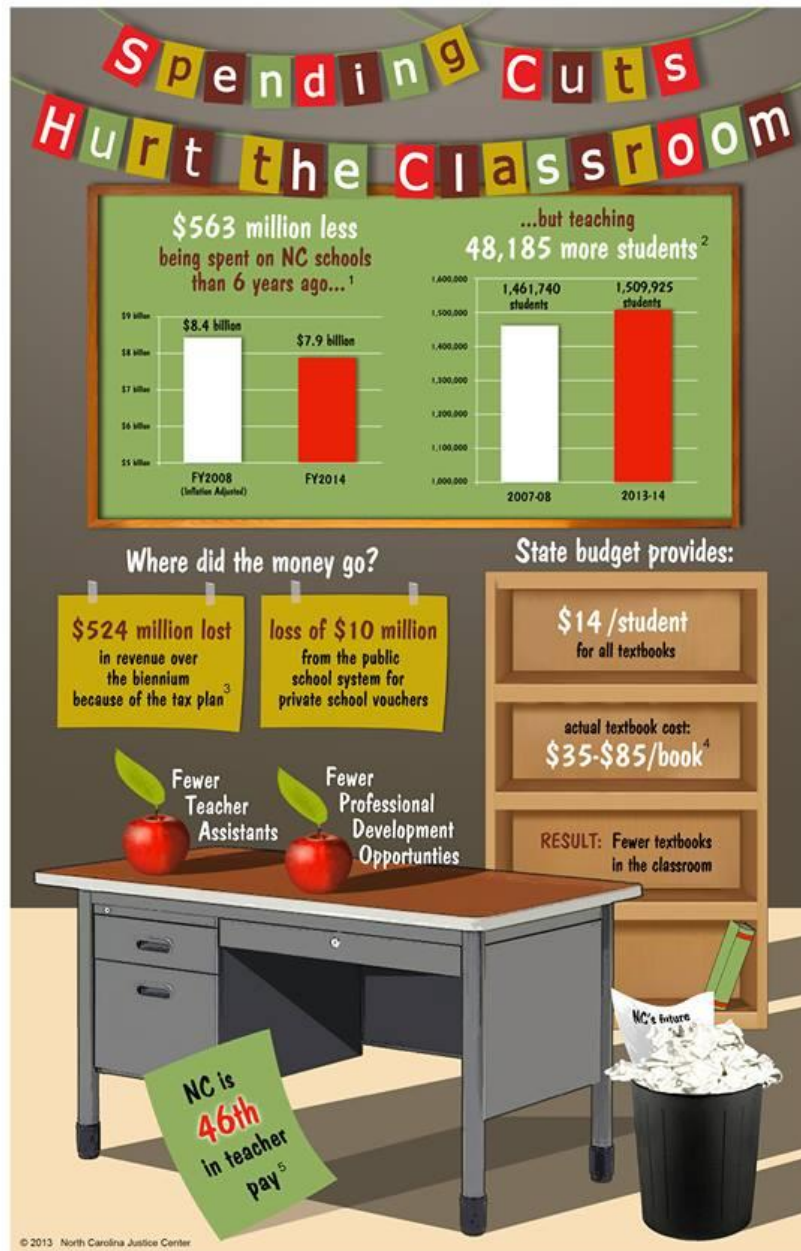




In the next two years, the tax plan passed this session will reduce available revenues by \$525 million.

These dollars could have been used to get North Carolina back to pre-recession funding levels.

- Keep 1 in 5 teacher assistant jobs in FY 2014 and FY 2015
- Provide a 1% salary increase for teachers
- Funded textbooks and instructional supplies at the required amount to meet the needs of a growing student body





Every major media outlet editorialized against the tax plan

& newsobserver.com

Tax cuts don't create jobs, and they aren't a primary reason why businesses come to this or any state. What fuels an economy and fosters business growth are a strong infrastructure, a clean environment and good schools. Those things would be undermined by tax cuts that would reduce public spending in a growing state with growing needs.

- May 8, 2013

Reflector.com

Analysis of the plan confirms that the end result would be a tax hike for a majority of state residents and a tax cut for only the wealthiest.

- May 14, 2013

news-record.com
NEWS & RECORD greensboro - north carolina

Investing in education and infrastructure Builds the economy in the long run. Severe and sudden cuts in those areas could set the state back.

- May 12, 2013

StarNews
SN online

The result will be that low and middle class working families will pay disproportionately more, as sales tax eats up a larger share of income for people who are paid less.

- May 11, 2013

The Herald-Sun

This just doesn't seem like a serious effort. Instead, senators are playing games with arithmetic and demanding more sacrifice from people who can least afford it.

- May 8, 2013

@ncbudgetandtax

@ncjustice

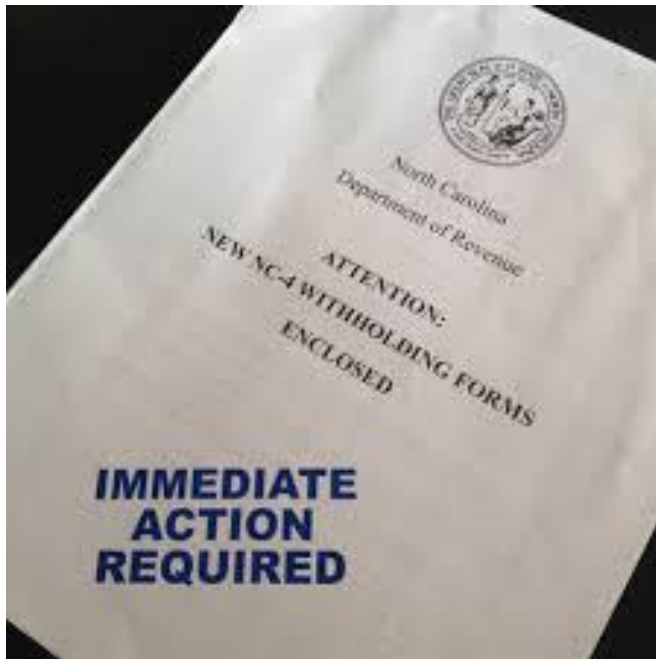


Public support for tax cuts low
and falling.

68% oppose tax cuts that result in public
education cuts

62% think that an educated, trained workforce
is more important to a business location decision
than tax rates

Implementation has proven more complex than anticipated.



GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2013

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BILL DRAFT 2013-TMxz-5 [v.11] (11/22)

(THIS IS A DRAFT AND IS NOT READY FOR INTRODUCTION)
12/9/2013 3:43:30 PM

Short Title: Income Tax Law Corrections. (Public)

Sponsors: (Primary Sponsor).

Referred to:

1 A BILL TO BE ENTITLED
2 AN ACT TO MAKE TECHNICAL, ADMINISTRATIVE, AND CLARIFYING CHANGES
3 TO THE INCOME TAX LAWS.

4
5 The General Assembly of North Carolina enacts:

6

7

SECTION 1. G.S. 105-114(b)(4) reads as rewritten:

- Tax shifts push the tax load to middle and low-income taxpayers and give the greatest benefit to wealthy taxpayers.
- The public does not like a tax cut that benefits the wealthy and profitable corporations and puts at risk public education.
- The state's reputation and long-term competitiveness are at risk.



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