

## Some changes can improve tax plan

By Sarah Beth Gehl

The Special Council on Tax Reform and Fairness took a swing at fixing Georgia's outdated tax system and hit a triple.

The Council's recommendations would help align Georgia revenues with the 21<sup>st</sup> century economy and meet the current and future needs of Georgians – very important for our state's ability to offer competitive jobs and be a good place to raise a family.

In calling for the state sales tax to extend to more services – people today spend more on services than things – and for a reduction in income tax exemptions, deductions, and credits, the Council recognized the need for a more productive, sustainable tax system. The fastest growing elements of consumer spending and personal income would be incorporated into the tax base.

But what kept the Council from hitting a home run is the way it would accomplish these commendable aims.

The Council's recommendations would shift taxes away from those most able to pay and onto the rest of Georgians.

The best-off one percent of Georgians, those making more than \$389,000 in 2010, would receive an almost \$7,800 average yearly tax decrease. In the case of a Georgian making around \$40,000, taxes would rise by about \$400

a year, according to preliminary estimates by the Institute on Taxation and Economic Policy.

In baseball, once you put the ball in play you don't get another chance. But fortunately the negative aspects of the Council's recommendations can be changed while still keeping the basic principles.

Legislators could make the following adjustments to the Council's recommendations to lessen the tax shift:

- Maintain the sales tax exemption on groceries rather than eliminating the exemption as the Council recommends;
- Reduce the top income tax rate from the current 6 percent to a flat 4.5 percent rate rather than the 4 percent recommended by the Council;
- Re-craft the proposed personal income tax credit to give more protection to seniors and working families.

These kinds of adjustments would preserve the Council's achievements in modernization and simplification and improve the overall tax system. Options exist to move forward with tax reform – inaction cannot be one of those options.

*Sarah Beth Gehl is deputy director of the Georgia Budget & Policy Institute. Analysis and recommendations for comprehensive tax reform can be found at [www.GBPI.org](http://www.GBPI.org).*