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Georgia Budget and Policy Institute

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## STATEMENT

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### **House Bill 388 Benefits Top Earners and Business Interests, While Reducing Revenues up to \$300 Million**

*The Georgia Budget & Policy Institute releases the following statement in response to House Bill 388.*

Georgia can't afford a tax overhaul that loses money, nor one that singles out the wealthiest Georgians for the biggest benefits. Unfortunately, that's what is being considered.

Legislators are making further tweaks to tax reform proposals in order to shield additional taxpayers from income tax increases. But no amount of tweaking can change the basic reality of this proposal: significant tax cuts for the wealthiest Georgians and a few business interests, while little or no change for most everyone else.

The tax changes in HB 388 will result in an annual revenue loss of \$200 million to \$300 million. HB 388 is a step backwards for two reasons: it gives the great majority of the tax benefit to the wealthiest Georgians; and it diminishes the state's ability to meet public needs by reducing annual revenue.

Georgia's long-term economic growth depends on a well educated workforce and a quality infrastructure. Additional budget cuts to necessities like education, health care, and public safety will hurt Georgia's economic prospects — not create jobs in the long run. Georgia already is among the lowest tax states in the nation; more tax cuts for the wealthiest Georgians won't make Georgia more attractive to businesses that need skilled workers, a good transportation system and other building blocks of a strong economy.

Tax reform should not be a revenue-loser; instead, comprehensive tax reform should at least keep revenues where they are, or provide additional revenues to assist the state in making the investments necessary to assure Georgia's economy prospers.

More than 46 percent of the income tax benefits included in HB 388 would go to those earning at least \$500,000 (0.6 percent of all tax filers) at an average tax break of nearly \$11,000. Those

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making under \$100,000 (89 percent of all tax filers) will receive an average income tax cut of only \$42. Many of those who make less than \$100,000 could actually see a tax increase if they get their car repaired, use telecommunication services, or purchase a used car from an individual.

Comprehensive tax reform as recommended by the Tax Council would have shored up Georgia’s tax system, helping it to better reflect today’s economy and meet the state’s growing needs into the future. House Bill 387, as passed by the Special Joint Committee, made the tax system *marginally* more sustainable over the long haul. But House Bill 388, the new version, removes this remaining bright spot of long-term sustainability.

It is better to do nothing this session and come back next year with true tax reform than pass a bill that gives large tax cuts to the wealthiest Georgians and a few favored businesses interests, resulting in further cuts to what is most needed for the broad business sector to prosper— education and basic infrastructure.

**Distribution of Income Tax Changes in HB 388**

| Income                 | Number of Filers | Percentage of Filers | Average Tax Change |
|------------------------|------------------|----------------------|--------------------|
| Less than \$100,000    | 3,134,894        | 89.3%                | (\$42.71)          |
| \$100,000 to \$240,000 | 307,272          | 8.8%                 | (\$292.06)         |
| \$240,000 to \$500,000 | 46,148           | 1.3%                 | (\$1,165.82)       |
| More than \$500,000    | 21,292           | 0.6%                 | (\$11,014.70)      |

*Source: GBPI calculations based on data from Georgia State University Fiscal Research Center*

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**About the Georgia Budget & Policy Institute**

The Georgia Budget & Policy Institute (GBPI) is the state’s leading independent, nonpartisan nonprofit engaged in research and education about the fiscal and economic health of the state of Georgia. GBPI provides reliable, timely analysis of Georgia’s budget and tax policies, and promotes greater state government fiscal accountability, improved services and an enhanced quality of life for all Georgians. For more information, including the most recent analysis or to make a tax-deductible donation, visit [www.gbpi.org](http://www.gbpi.org).