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TAX REFORM FACTS

LAWMAKERS SHOULD EXAMINE TAX BREAKS WHEN PRIORITIZING STATE SPENDING

There is an “our hands are tied” attitude under the Gold Dome toward the state’s continued shortage of resources. Policymakers are choosing to limit their responses to cuts in services followed by still more cuts.

In speaking to the Special Tax Council last summer, Majority Leader Larry O’Neal noted:

“Exemptions, tax credits and all preferences at all levels of government actually could be considered preferred appropriations essentially concealed year after year from the sunshine of the appropriation process.”

As resources remain low and demands brought on by a growing population and a severe recession remain high, this spending through the tax code must be evaluated and weighed against the direct spending that continues to be cut. ***Scaling back tax breaks needs to be considered alongside scaling back basic services like education, health, and public infrastructure.*** Here are a few examples:

Insurance company tax credits vs. State Health Benefit Plan

Georgia will provide about \$80 million in tax breaks for insurance companies through the Insurance Premium Tax Credit and the High Deductible Health Plan Premiums Exemption in FY 2012. At the same time, lawmakers are grappling with a \$250 million shortfall in the State Health Benefit Plan (SHBP). The House proposes to create a nearly \$70 million hole in the Medicaid program to help fill the SHBP shortfall. Should the shortage be filled with employee premium increases and a \$70 million grab from Medicaid, or should there be some service cuts and some scaling back of insurance tax breaks?

R E C O M M E N D A T I O N

Lawmakers must bring indirect appropriations — tax breaks — into the budget discussions to ensure we are prioritizing spending on the functions most essential to state government.

Sales tax exemption for airline jet fuel vs. State airport aid program

Lawmakers are considering renewing the \$23 million sales tax exemption on jet fuel for major airlines. At the same time, they are considering a budget that eliminates the \$15 million state airport aid program that assists smaller airports, which are not eligible for federal funds. This program assists smaller airports in maintenance and runway expansion. In these tough times, should we focus on helping the operating costs of major airlines or maintaining our airport infrastructure?

Student scholarship donation tax credit vs. State K-12 education funding

Tax credits for donations to private school scholarship programs are expected to reach their cap of \$50 million this year. Proposed cuts to formula funding for public K-12 education is about \$60 million for 2012 compared to 2011, and overall cuts total more than \$1 billion compared to 2009. An additional \$50 million could restore the proposed QBE cut, bring back graduation coaches, or restore cuts to school nurses.

More examples exist -- the \$18 million in historic rehabilitation tax credits vs. loss of state funding for historic preservationists at Regional Commissions -- and need to be brought into the discussion.

THOUGHTFUL ANALYSIS...RESPONSIBLE POLICY

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