

## Six Reasons Why Georgians Should Protect the Income Tax Proposals Would Hurt Families, Businesses, Communities and the Economy

By Wesley Tharpe, Policy Analyst

**Raises taxes on up to 80 percent of families.** Eliminating or drastically reducing Georgia's income tax in favor of higher sales taxes would increase total taxes for as many as four in five Georgia taxpayers, depending on details of the final plan. Swapping income taxes for sales taxes shifts the cost of government services from affluent taxpayers and large profitable corporations onto the middle class and poor families.

**Boosts sales tax rates as high as 14.5 percent.** Fully swapping income taxes for higher sales taxes would require an impractically high state sales tax of as much as 11.5 percent, for a combined state and local rate of up to 14.5 percent in most counties. That would more than double Georgia's current average state and local sales tax rate of 7 percent. If lawmakers halve Georgia's income tax rather than eliminate it entirely, the average state and local sales tax would still need to be at least 9.6 percent to recover the lost revenue.

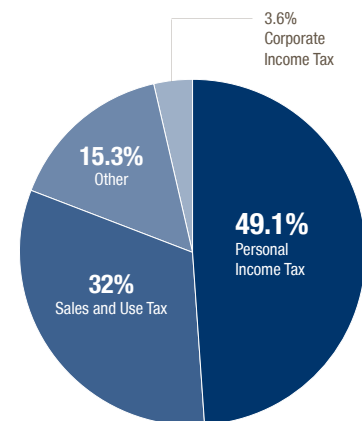
**Increases the cost of food and other basic necessities.** Some groups propose cutting sales tax exemptions for items such as groceries and prescription drugs as a way of recovering lost income tax revenue. That would raise the annual grocery bill for an average Georgia family of four by an estimated \$547 and Georgia's average cost per prescription by nearly \$8.

**Cuts vital services even further.** Personal and corporate income taxes account for more than half of Georgia's state tax revenue. Because it is politically difficult to raise the sales tax high enough to completely pay for income tax cuts, slashing income taxes would mean fewer dollars for schools, hospitals, roads and other state investments stacked on top of cuts already enacted in recent years.

**Weakens Georgia's economy.** Big income tax cuts are not a roadmap to boosting the economy or creating jobs, nor do states that lack income taxes outperform their peers. States with an income tax have higher family incomes, better wages and more Fortune 500 companies on average than their no-income-tax peers. Slashing income taxes would, in fact, likely hobble Georgia's economy by leading to deep cuts in the pillars of economic growth, such as education, transportation and public safety.

**Hurts, not helps, Georgia businesses.** Contrary to popular belief, a radical shift away from the income tax would likely raise taxes on most businesses, since sales taxes would skyrocket and property taxes could rise in some communities. A similar proposal in Louisiana would have raised businesses' taxes by an estimated \$500 million per year. New sales taxes would also shrink the income consumers have to spend in local shops and drive more Georgians to shop across state lines or online.

### Georgia Income Taxes Generate More Than Half of Tax Revenues \$8.7 billion out of \$16.6 billion, 2012



Source: U.S. Census Bureau 2012 State Government Tax Collections

For more information download the full report, [Tax Shift Plans Threaten Georgia's Future](#).