Georgia Budget & Policy Institute

Policy Report

Adding Up the Fiscal Notes: Final 2015 Tax Recap

Governor Approves Big Transportation Package, Slew of Smaller Bills

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Overview

Gov. Nathan Deal approved several pieces of legislation that affect Georgia's ability to meet its needs like roads and schools in future years. Georgia's House and Senate passed 11 different tax bills this year, and the governor approved 10 of them. The largest by far is House Bill 170, a package of mostly sound reforms designed to raise additional money for transportation. The other nine measures signed into law include new corporate tax breaks, exemptions for nonprofits and a housekeeping bill lawmakers must pass each year. The governor vetoed one tax bill, which if signed would have spent $110 million over eight years on two programs intended to help Georgia businesses.

Georgia lawmakers acted more responsibly on tax policy than in some prior years. Passage of the transportation package acknowledges the fact new revenues are critical to solve Georgia's most difficult challenges. This year's critical issue is roads and bridges, but equally bold actions are needed in the future to improve K-12 schools, rescue rural hospitals and strengthen opportunities for workers. The governor also prudently chose to veto House Bill 439, a complex and costly tax break proposal that included some poorly designed components. Setting aside the package with a veto gives lawmakers the chance to separate the good and bad aspects of that bill before possibly reconsidering it in future years.

Transportation Package Imperfect but Raises Considerable Revenue

The most significant tax change lawmakers enacted this year is HB 170, a comprehensive package of tax measures designed to raise additional money for transportation. The bill should generate nearly $900 million in new transportation funding in the 2016 budget year, rising above $1 billion in subsequent years. That total includes about $170 million shifted from Georgia's general fund, the state's main bank account for funding schools, public safety and general services.

Specific revenue-raisers include an increase in Georgia's motor fuel tax of about 7 cents per gallon of gasoline and 8 cents per gallon of diesel; a new $5 per night fee on hotel stays; new fees on electric vehicles and heavy duty trucks; and the elimination of tax breaks for Delta Air Lines and for electric cars. Annual revenue estimates are included in the table below. Additional details on these reforms are available in an earlier report on the topic, "Adding Up the Fiscal Notes: 2015 Session Recap."

Transportation Package Raises Revenue, Also Shifts Money from General Fund

(Estimated revenue effects of House Bill 170 as passed, in millions)

	2016	2017	2018	2019	2020
New Motor Fuel Revenue	$498	$585	$631	$657	$663
New User Fees	$167	$167	$167	$167	$168
Reclaimed Tax Breaks	$38	$116	$153	$186	$219
NEW STATE REVENUES	**$702**	**$868**	**$951**	**$1,010**	**$1,050**
Money Shifted from General Fund	*$168*	*$156*	*$161*	*$167*	*$174*
TOTAL ADDITIONAL TRANSPORTATION FUNDS	**$870**	**$1,024**	**$1,112**	**$1,177**	**$1,224**

Source: Georgia Department of Transportation 2015 Legislative Overview, presented at April 2015 GDOT Board meeting

Governor Approves Slew of Mostly Modest Tax Breaks

The General Assembly and the governor approved a variety of non-transportation tax bills as well. One is a collection of housekeeping measures Georgia enacts each year to conform to changes in federal tax law. The other eight create or extend tax breaks for the benefit of a few industries or specific policy goals. The most expensive measure is an expanded income tax credit for historic rehabilitation of large-scale commercial properties. That credit will cost an estimated $88 million over the next five years and $125 million over the full eight-year life of the program. Combined, the nine non-transportation tax bills cost an estimated $121 million over the next five years and $161 million over the next eight years. More details on each bill's goals are available in "Adding Up the Fiscal Notes: 2015 Session Recap."

Lawmakers Enact Several Tax Breaks Including Costly Historic Rehab Credit

(Estimated revenue change, in millions, by fiscal year)

Bill	Purpose	2016	2017	2018	2019	2020	Five Year Total (2016-2020)
HB 63	Companies that pay for employee GEDs, income tax credit	($0.5)	($1.0)	($1.0)	($1.0)	($0.5)	($4.0)
HB 200	Electric car charging stations, income tax credit	($0.8)	($0.8)	($0.8)	($0.8)	($0.8)	($3.8)
HB 202	Mercedes and private college tax breaks	($0.8)	($0.6)	($0.5)	($0.5)	($0.4)	($2.8)
HB 237	"Angel Investor" income tax credit	$0.0	$0.0	($2.5)	($5.0)	($5.0)	($12.5)
HB 292	Annual conformity to federal tax changes	($14.0)	$22.0	$26.0	$22.0	$0.0	$56.0
HB 308	Large historic rehabilitation projects, income tax credit	$0.0	($12.5)	($25.0)	($25.0)	($25.0)	($87.5)
HB 339	Videogame companies, income tax credit	($6.3)	($12.5)	($12.5)	($6.3)	$0.0	($37.5)
HB 426	Nonprofit health centers & food banks, sales tax exemption	($5.2)	($5.3)	($5.6)	($5.7)	($5.9)	($27.8)
HB 428	Atlanta Aquarium & Atlanta Zoo, sales tax exemptions	($0.5)	($0.4)	($0.2)	$0.0	$0.0	($1.1)
	Total Non-Transportation Tax Bills	**($28)**	**($11)**	**($22)**	**($22)**	**($38)**	**($121)**

Sources: GBPI analysis of bill text and, when available, offical fiscal notes as presented by the Department of Audits and Accounts and prepared by the Georgia State University Fiscal Research Center.

Governor Vetoes Flawed Tax Break Proposal

The governor vetoed one piece of tax legislation. House Bill 439 would've sent $110 million over the next eight budget years to a pair of initiatives designed to generate private investment in Georgia companies. Half of the credits were planned for a new initiative called the Georgia "New Markets" program. The other half were for a program created in 2013 called "Invest Georgia."

The New Markets portion of HB 439 threatened to become a costly drain on the Georgia budget and posed serious accountability questions. It closely resembled a flawed program model from other states and lacked sufficient safeguards to protect taxpayers. That led to fraud and abuse in some similar programs elsewhere. The Invest Georgia half of the bill likely has a better chance to succeed. Lawmakers should consider putting a modest down payment on that effort in coming years, then closely monitoring its results to gauge whether the program works.