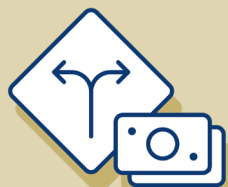


Georgia Can't Afford Another Lost Decade: Options to Increase State Revenues to Close Budget Shortfalls

As a result of the COVID-19 pandemic, Georgia is facing an economic and fiscal crisis that threatens the state's ability to fund critically needed programs and services. A state budget shortfall of \$3.5 to \$4 billion is projected in fiscal year 2021, but cutting our way out of this crisis is not our only option. Adjusted for inflation, Georgia spends less per resident than it did before the 2008 recession. If drastic spending cuts are implemented, Georgia will fall even further behind with cuts likely to affect nearly every state employee. K-12 public education, higher education, behavioral health and public safety will see the steepest cuts, and people of color and Georgians in rural communities will likely bear the brunt.

Steep cuts to an already-thin state budget will accelerate the state's economic downturn and inflict significant damage on communities in every corner of the state. These cuts could harm Georgia families for years, if not decades. However, painful budget cuts are not the only option available to the state. While federal aid to help close state shortfalls is needed, Georgia's state leaders must also tap into bipartisan, common-sense proposals to increase revenue that would not impact the amount of taxes paid by the vast majority of families and would actually level the playing field for most Georgians.



Following are several options that could immediately lift state tax collections by **\$1.275 billion** to soften the impact of declining revenues caused by the global coronavirus pandemic, soaring unemployment levels and a severe public health crisis that continues to impact the lives of all Georgians.

Revenue Option	Potential Revenue Raised	Details
Lift the tobacco tax from 37 cents per pack to the national average, \$1.81, and tax vaping products at an equal level. Index the tobacco tax to CPI to ensure adequate revenue collections in future years.	+ \$600 million per year	<ul style="list-style-type: none"> Georgia's tax currently ranks No. 48 out of 50 states The state will raise only \$230 million in tobacco taxes in FY 2020, but will spend over \$650 million in Medicaid costs caused by smoking. Annual health care costs directly caused by tobacco will amount to over \$3 billion.
Trim back the \$9.8 billion in annual tax expenditures, credits and loopholes offered in Georgia by: Restricting transferability of tax credits and preventing the use of credits from being deferred for more than one year Capping the annual value of the film tax credit* to \$100 million Eliminating the \$60 million rural health tax credit in favor of direct investment in the state's health care	+ \$500 million per year	<ul style="list-style-type: none"> State estimates show that taxpayers will send \$545 million in film tax subsidies to companies in FY 2021.¹ A recent state audit found that the economic impact of state film tax credits has been "overstated" and that the credit's net cost per job is approximately \$65,950. Just 12 percent of the credits administered went to companies with permanent Georgia locations, while 88 percent of credits went to companies based in other states in 2016 (the most recently available year analyzed) -- with nonresident labor accounting for \$245 million or 37 percent of total credits claimed.² For every dollar of film tax credit granted, the audit found that Georgia generates approximately 10 cents in revenue. Because of the state's deferred use provision, as of March 2019, more than \$1.7 billion in credits were outstanding, creating a potential fiscal cliff in the years ahead. In the year analyzed in depth by the state's audit, about \$80 million of film tax credits went to Georgia companies.
Eliminate Georgia's itemized tax break for state taxes paid , also known as the "double deduction" ³	+ \$175 million per year	<ul style="list-style-type: none"> Georgia is one of only four states that allow taxpayers to claim a tax break for state income taxes paid. Only taxpayers who itemize can take advantage of the double deduction; it is only available to about 14 percent of Georgia filers who earn an average of \$240,000 per year.⁴

*How the film tax credit currently works: In addition to allowing all qualified productions to receive a 30 percent, dollar-for-dollar tax credit, the state of Georgia allows these credits to be transferred or sold on the open market and for recipients to carry forward the balance of unused credits for up to five years. In the most recent year analyzed, about \$80 million of film tax credits went to Georgia companies with permanent locations.

Endnotes

¹ Department of Audits and Accounts, prepared by the Fiscal Research Center of the Andrew Young School of Policy Studies at Georgia State University, "Georgia Tax Expenditure Report for FY 2021," December 2019.

² Georgia Department of Audits and Accounts, Performance Audit Division. "Impact of the Georgia Film Tax Credit: Credit's impact on economy, jobs is less than reported," January 2020.

³ \$175 million calculated as the average cost estimate. James Salzer, March 9, 2020. "Ralston announces plan to cut the Georgia income tax rate again," Atlanta Journal-Constitution.

⁴ Institute on Taxation and Economic Policy, June 2019.