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Georgia Budget and Policy Institute

Thoughtful Analysis...Responsible Policy

Press Statement: Revenue Increases Help Balance the Budget in the Short Term, but Tax Cuts Will Lead to Deficits in the Long Term

By Sarah Beth Gehl, M.U.P.P., Deputy Director

The Georgia House of Representatives and Senate took some positive steps to address the \$5 billion budget deficit, such as passing bills to raise almost \$375 million in new revenues and to improve tax collections and transparency. The General Assembly also created a 2010 Tax Reform Council to examine Georgia's tax structure and recommend improvements.

However, despite record revenue declines, the General Assembly once again passed long-term tax cuts (\$624 million a year when fully implemented), disregarded other revenue options, and shifted the cost of government services onto middle class and low-income Georgians.

Governor Perdue has been a good fiscal manager, and we hope he will exercise similar prudence this year as he reviews tax legislation. The governor has until June 8th to sign or veto these bills that could enact permanent revenue drains on future budgets.

Changes to our tax structure should not be debated and decided in the final hour of legislative session, especially ones with such a negative impact on the poorest Georgians. The Tax Reform Council is the vehicle to consider such fundamental long-term changes to the tax code.

GBPI's Latest Analysis

Adding Up the Fiscal Notes for Tax Bills Passed in the 2010 Legislative Session

Commentary

General Assembly Passes Another Bill With Tax Cuts for the Wealthiest, Gov Perdue Should Veto HB 1055

By Alan Essig, Exec Dir

House Bills 1023 and 1069 of Major Concern

HB 1023 includes a tax break primarily for Georgians with the top five percent of incomes, costing the state more than \$350 million annually when fully implemented. Read more [here](#).

HB 1069 eliminates the refundable portion of the Low Income Tax Credit, reducing its value by two-thirds. The low-income tax credit, intended to offset sales taxes for the poor, refunds up to \$104 to a family of four.

Ironically, HB 1069 includes a new tax credit for investors and gives them

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the ability to carry forward any unused credits to use for future tax years. Put simply, wealthy investors can use excess tax credits, but Georgians earning under \$20,000 cannot use their excess tax credits.

If the governor vetoes House Bills 1023 and 1069, he will prevent revenue drains on future budgets and prevent shifting taxes onto Georgians earning the lowest 20 percent of incomes.

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Details are available in the Georgia Budget and Policy Institute's latest report, [Adding Up the Fiscal Notes 2010](#).

Read the report [House Bill 1198 Eliminates \\$21 Million in Tax Credits for \\$1 Million of the Poorest Georgians](#). (Note: The provision was originally part of HB 1198, but now is in HB 1069.)

Read the Institute on Taxation and Economic Policy's [analysis](#) about the effects of several tax changes made this legislative session. It includes a chart illustrating how tax obligations increase and decrease for different income groups based on the changes.

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