



January 19, 2011

An Open Letter to the Georgia State Legislature Regarding the Special Council on Tax Reform and Fairness for All Georgians

Dear Legislator:

On behalf of the National Taxpayers Union's (NTU's) more than 8,200 members in Georgia, I write to express support for recent proposals to reduce and flatten the state's income tax rates, but to also raise some concerns about the plan's potential lack of revenue neutrality at the beginning of implementation as well as proposals to increase the cigarette tax and impose an excise tax on communication services. These recommendations are contained in a report from the Special Council on Tax Reform and Fairness for All Georgians.

Several parts of the Special Council's blueprint would put Georgia on the path to a simpler, fairer, and pro-growth tax system. Through painstaking research and numerous public hearings, the Council learned how Georgia's antiquated and distorted revenue-raising structure has discouraged saving and investment, while giving the government the ability to pick winners and losers. With these findings, the Council has formulated several solid plans for reform that, if implemented, will benefit the state.

Among the positive recommendations is a proposal to reduce the personal and corporate income tax rates. The report calls for the elimination of the current six tax brackets and a substantial reduction in the personal income tax (from the current highest marginal rate of 6 percent) over time. The Council envisions a rate that does not exceed 4 percent in 2014, at which point the income tax changes should (by the Council's estimates) be revenue neutral. Additionally, the report calls for the corporate income tax rate to maintain parity with the personal income tax. Flattening, simplifying, and reducing the income tax rates will help spur investment, lead to more job growth, and provide more revenue stability.

Although NTU supports the income tax reductions, there are several aspects of the Council's report that, in our view, are problematic for taxpayers. We are concerned that the plan's recommendation of an income tax rate higher than the revenue-neutral level of 4 percent for several years after the plan's adoption would lead to substantially higher tax collections, an outcome that we cannot support because it is not fair for taxpayers. Furthermore, a flat communications service excise tax fails to take into account the unique aspects of how each service is delivered. Communications taxes differ because the communications technologies themselves differ in how they interact with public resources. Satellite television, for example, does not utilize public rights of way, so imposing a 7 percent tax on over one million satellite television subscribers in Georgia to pay for something they don't use makes no sense. Additionally, the proposal to increase the cigarette tax is misguided because it can disproportionately harm the poor and small retailers without raising the projected revenue. Such has been the case in numerous places, among them New Jersey and the District of Columbia.

Georgians are counting on their elected officials to remove obstacles to an economic recovery, and burdensome taxes are among the most daunting of them. A tax reform plan should work to stabilize revenue and reduce the overall tax bite, not increase it. While NTU would gladly support a tax simplification bill that does not add to existing burdens, we simply cannot support an approach that leads to heavier tax loads on hard-working Georgians. Therefore, our members urge you to pursue

changes that make the plan revenue neutral, including scrapping the communications and cigarette tax proposals.

Sincerely,

A handwritten signature in black ink, appearing to read "John Stephenson". The signature is fluid and cursive, with a long horizontal flourish at the end.

John Stephenson
State Government Affairs Manager

Cc: Governor Nathan Deal

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