



# Tax reform effort dies as House adjourns

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In the end, state lawmakers could never answer the most burning question about a proposed overhaul of the state tax system -- what would it mean to you?

The much-debated tax reform plan to cut the state's personal income tax rate while charging consumption taxes on other goods and services needed to pass the House Monday to make it to a Senate vote by the end of the session. But House Speaker David Ralston, R-Blue Ridge, said he had no confidence how much Georgia residents would pay in taxes if the plan went forward.

Ralston said months of work on the bill had been plagued by shifting revenue projections from the Georgia State University Fiscal Research Center. When a new set of numbers arrived Monday afternoon, Ralston made the call to shelve the vote for now.

"We're going to call a time out," he said.

David Sjoquist, director of the GSU center, said there is uncertainty in complex economic forecasts, and the numbers underpinning the tax plan were especially complex.

Ralston said the legislation could be added to a planned redistricting session this summer or taken up next year.

"Tax reform is not dead. Tax reform is delayed," he said.

Rather than disappointment, the announcement generated a flood of relief from state leaders nervous about voting on the complicated bill amid the crush of the end of the session.

"I was really unsure as to whether I could support it or not," said Rep. Judy Manning, R-Marietta. "I'm so relieved that we are not put in a position to vote on it at this time. When in doubt, do nothing."

Gov. Nathan Deal, Lt. Gov. Casey Cagle and Senate President Pro Tem Tommie Williams all released statements praising the decision.

House Majority Leader Larry O'Neal, R-Bonaire, who worked most closely on the plan for the House, said he was working with "incomplete information" from the GSU center.

"I could not have confidence with how this is going to impact, not the state revenues, but every individual Georgian," he said. "We worked so hard to get to where we could honestly tell people how this is going to affect you."

O'Neal said there was suspicion that the projections were influenced by a philosophical objection on the part of GSU economists to the plan. Sjoquist said that is not the case.

"Our numbers are not driven by a preference for or against any legislation," he said. "We don't slant numbers or try to rig the data."

The center's only detailed source of information on Georgia's tax system comes from the 2005 tax year, he said. Sjoquist said researchers have to apply the tax changes to that data and then project them forward seven years to 2012.

"Which is why we gave a range of numbers," he said. Newer tax data has been withheld from the center because of privacy concerns, he said.

Sjoquist said lawmakers did get several revisions to the projections as the center continued to refine the data. Some revisions were errors made by the center in the rush to complete the project; others were caused by misunderstanding the intent of lawmakers, he said.

Deal spokesman Brian Robinson stopped short of saying whether the governor would include the tax package as part of his call for a special session this summer.

"By that time, we'll know the final numbers on our 2011 revenue growth, and we'll have more data on the fiscal impact of the tax package," he said in a statement.

The bill, HB 388, would have cut the state personal income tax rate from 6 percent to 4.6 percent in 2012 and 4.55 percent in 2013, while doing away with many deductions and adding sales taxes in other areas.

Republican leaders claim the plan would result in a smaller income tax bill for almost every Georgian. Democrats said most Georgians would end up paying more overall with tax increases in other areas.

House Minority Leader Stacey Abrams, D-Atlanta, expressed satisfaction that the speaker had decided not to rush the legislation in the final days of the session.

"I'm pleased we have decided to take adequate time to ensure tax reform doesn't mean tax increases for the average Georgian," said Abrams. "I'm proud of the Georgia Democrats working with our friends in the tea party to make sure we didn't enact legislation that could hurt our economy just as we're turning a corner."

The Georgia Tea Party Patriots was among the groups in a far-flung coalition voicing concerns about the bill. In addition, the plan concerned some nonprofits and religious groups because it does away with the itemized deduction for charitable giving.

Along with the cut in the tax rate, the plan would have charged sales tax to auto repair labor and on private sales of cars and included a new 7 percent communications tax on telephones, satellite and cable television, and other communication services. It also included exemptions for industry, including an energy tax exemption for manufacturers.

The bill was drawn from a larger set of recommendation unveiled in January by the Special Council on Tax Reform and Fairness. Council Chairman A.D. Frazier said he regrets the delay, especially on the energy tax exemption.

"The manufacturers will be all right, but the carpet industry is going to take it in the chops because we are so less competitive than South Carolina or Alabama when it comes to taxing energy," he said.

Had the measure passed the House, it faced an uncertain future in the Senate. Sen. Jim Butterworth, one of Deal's floor leaders, said he was concerned about "possible adverse impacts" from the plan and uncertainty about the projections.

"Now I have hopes that we can all deal with this in a good timely method rather than in a rushed method," the Cornelia Republican said.

Staff writer Christopher Quinn contributed to this article.

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