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'Robin Hood in reverse'

Pending legislation could drain much needed revenue and hurt low-income families.

By Patrick Rodgers

Included amongst the stack of bills passed by the Georgia legislature this session are several that could have a significant negative impact on the state's revenue, shifting even more of the tax burden onto low–income families.

There are currently 369 bills awaiting the Governor's signature or veto, and action must be taken on all of them within 40 days after the close of the legislative session, according to the Governor's Director of Communications, Bert Brantley.

The Governor signed an initial batch of legislation two weeks ago, including House Bill 1055, which contains several key revenue gains for the state in the form of a new temporary tax on hospitals and permanent increases in fees for courts, specialized license plates and various permits.

The bill also includes several tax cuts, eliminating the state–levied property tax and taxes on retirement income for wealthy senior citizens.

"The pressure was on," says Brantley, for the bill to be enacted as quickly as possible so that the state courts and agency offices would be able to update the fees in a timely manner.

"Signing this bill ensures a balanced budget and lays the groundwork for economic recovery," said Governor Perdue in a press release issued by his office two weeks ago.

"We are also finally getting the state completely out of the property tax business and at the same time providing property tax relief for nearly all Georgians."

Despite ongoing complaints by legislators about revenue loss during the recession, state officials weren't dissuaded from playing politics with HB 1055 – offering up short term revenue gains to balance next year's budget, but serving them to their constituents with a spoonful of sugar in the form of tax cuts.

The bill nets a $325 million gain for the FY2011 budget.

The $400 million in "tax relief" provided by HB 1055 will not only neutralize revenue gains, but will create an ongoing revenue drain by 2014 that will cost the state an additional several hundred million dollars per year – a serious gamble if the economy doesn't improve significantly.

“From my perspective, it’s a political decision for them to be able to say in effect, we cut taxes this legislative session,” says Sarah Beth Gehl, the Deputy Director of the Georgia Budget and Policy Institute (GBPI). “From a policy perspective, there’s really no justification for it.”

There are several other tax bills that are still sitting on the Governor’s desk, which he and his policy staff are in the process of reviewing. Among them are HB 1023, known as the “JOBS Act,” which includes a triggered cut in the state’s capital gains tax, and HB 1069, which would eliminate the low–income tax credit in the state.

HB 1069 would recoup about $21 million per year for the state’s coffers but would force low–income families to shoulder more of Georgia’s tax burden.

If the remaining bills are signed, it will “shift the cost of government services on to middle– and low–income Georgians,” according to a budget analysis done by the GBPI.

In a report issued last month, the Institute on Taxation and Economic Policy in Washington D.C. concurred.

“These changes would increase the taxes paid by the poorest ninety–five percent of Georgians, while cutting taxes for the best–off five percent,” said their report, which calls Georgia’s tax system “Robin Hood in reverse.”

The lowest 20 percent of earners pay about 11.5 percent of family income in taxes, while the top one percent pay only about 6.5 percent, according to GBPI analysis.

The deadline for the Governor to act on pending legislation is June 8.