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Biz leaders pushing for tax incentives

Atlanta Business Chronicle - by [Dave Williams](#) Staff Writer

When the state legislative session begins Jan. 11, Georgia corporate leaders will for the second year in a row try to get Gov. Sonny Perdue to approve a package of tax cuts as a form of economic stimulus.

High on the Georgia Chamber of Commerce's priority list for the session are business tax reductions and credits aimed at fostering job creation in the midst of a recession.

The Republican-controlled House of Representatives and Senate passed the measure last April by solid margins. But the GOP governor vetoed it as too big a hit on state revenue already on a downward spiral because of the economy.

While most economists agree the recession has bottomed out, state tax collections were down about \$1 billion, or more than 15 percent, through the first five months of the state's 2010 fiscal year, which began July 1.

House Bill 481 called for comprehensive changes in Georgia's business tax laws, including:

- Reducing long-term capital gains subject to federal taxation in Georgia by 50 percent.
- Providing tax credits of \$2,400 per employee to businesses that hire unemployed Georgians and keep them on their payroll for at least two years.
- Repealing the corporate net-worth tax.
- Eliminating a requirement that businesses estimate and pre-pay a portion of their sales taxes.

At issue is a philosophical debate over the role of tax policy in jolting a sluggish economy.

The bill's supporters say tax relief frees business owners to grow their companies.

"The No. 1 concern throughout Georgia is how we expand the private sector," said Rep. Tom Graves, R-Ranger, the 2009 bill's chief sponsor. "The way to do it is not through the government but by allowing entrepreneurship."

"Eliminating these taxes could produce jobs or set the stage for when the economy turns around to recover faster," added Joe Fleming, the chamber's senior vice president for government affairs.

But opponents say tax cuts only work to create jobs at the federal level because Congress can and does run up deficits. At the state level, where budgets must be balanced, it's a zero-sum game.

"If the state creates a job with a credit, they lose a job by laying off a teacher," said Alan Essig, executive director of the nonpartisan Georgia Budget and Policy Institute. "It's bad public policy."

Perdue takes a middle ground on tax relief. He believes philosophically in cutting taxes, said Bert Brantley, the governor's spokesman.

In fact, Perdue signed several tax relief bills following last year's legislative session. The list included tax credits for buyers of single-family homes, a constitutional amendment abolishing Georgia's tax on business inventories, and legislation giving larger tax breaks to companies that bring high-paying jobs to Georgia.

But Perdue drew the line at the omnibus HB 481 and its estimated fiscal impact of \$1.43 billion when fully implemented in fiscal 2012.

"It was more than the state could afford ... too big of a chunk all at once," Brantley said.

Brantley said the fiscal climate hasn't changed since Perdue issued his veto.

As a result, lawmakers returning to the Capitol for the 2010 session likely will need to cut state spending by \$1.2 billion to \$1.5 billion to make up this year's shortfall and balance the fiscal 2011 budget.

"The same reasons for the governor's veto are relevant today," Essig said. "It's irresponsible."

Brantley held out the possibility that Perdue might consider portions of the tax relief package if it were broken into separate bills. As an omnibus measure last year, Perdue could only sign HB 481 in its entirety or veto it.

Graves said Republican legislative leaders have been discussing potentially separating the various tax relief proposals with the governor's staff.

"We're open to all options," he said.

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