

News from GATES...

Georgia Association of Training, Employment and Supports



Political Power Struggles and Tax Policy Collide



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The Georgia General Assembly has three voting days left in the 2011 legislative session. They are taking Spring Break this week (April 4-8) and will be back in session on April 11th for the 38th Day. The next day will be day 39 and then sine die is scheduled for April 14th, or the 40th day.

Last week was a highly charged political environment with many bills getting caught in the crossfire or put on hold until cooler heads could prevail or a compromise could be reached on the Tax Reform legislation.

Tax Reform

As planned the *Special Joint Committee on Georgia Revenue Structure* met at the end of the day on Monday, March 28th to swap HB 385 with HB 387. Rep. Channell reviewed the elements of the bill but acknowledged that it was just off the press and committee members were looking at it for the first time. He said a financial analysis by Georgia State was very close to revenue neutral for the state. He then went on to review it section by section:

Section 1 - Income Tax

- Moved the state income tax for individuals from 6% to 4.5% beginning in January 2012
- There are adjustments for itemized deductions, eliminating most
- Seniors will maintain an income tax exclusion

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Special Announcements



GATES Board Meeting
Friday, Apr. 29
9:30 AM
Location - TBA

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Section 2 - Sales and Use Tax

- Adds auto repair, maintenance and services sales tax
- Exempts energy tax used during manufacturing and agricultural production
- Adds sales tax to casual sales of motor vehicles, boats and aircraft, with exemption of sales between family members.

Section 3- Telecommunications Tax

- Places a 7% sales tax on all telecommunications, including satellite and cell services replacing the current franchise fees.

Effective date would be January 1, 2012

So this proposal was fairly close to what Rep. Channell had covered the previous Thursday with plans to get it voted on by the House on Wednesday.

Not so fast, Rep. Stacey Abrams, Democratic Minority Leader and a Tax Attorney, continued to question the confidence in the revenue projections as well as the impact on middle class tax filers. By Tuesday morning the Democratic caucus released an analysis from the Georgia State Fiscal Policy Center showing that wage earners making between \$20,000 and \$180,000 would see a tax increase between \$44-\$419 a year as the result of lost itemized deductions on their Georgia tax filing. While the analysis showed those earning over \$180,000 would pay fewer taxes and those making over \$300,000 could benefit \$1,000 or more. Then Wednesday morning the Tea Party officially stated their opposition to the legislation declaring it would hurt the middle class. A meeting of the Joint Committee was called for later in the morning and then cancelled. Finally, the Georgia Baptist Convention joined the chorus expressing their displeasure with removing charitable donations to church organizations as a deduction. Then word came the Senate was divided and another coup was brewing over Senate Republican Leadership between Lt. Governor Casey Cagle (who had been stripped of most of his power after the election) and Senators Tommy Williams and Chip Rogers.

By Thursday the chaos required the leadership to decide to change the final days of the legislative session so they would be out on Friday and move the 38th day to Monday, April 11th. There is still no official word on a new bill, but revamping the proposals in HB 387 is being considered with Speaker Ralston stating to reporters, "had we not adjourned tomorrow [Friday], I think tax reform would have been extremely difficult to pass this session." He indicated that the Senate feud made negotiating a challenge in moving the issue forward.

The back-story to all this appears to be political power struggle within the Senate Republican Caucus. When the Senate Republicans created an 8-person committee to steer the workings of the Senate and left the Lt. Gov with no power to negotiate with the House, creating a question of accountability. However, they did leave just enough power with the Lt. Governor that he could forge some alliances with newly elected Republicans and possible a few Democrats, although there have been few opportunities until now to test the vulnerability of the special Senate Committee. The Lt. Governor exercised one of his remaining powers to appoint conference committees and choose to appoint Senators Renee

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Unterman and Ross Tolleson over the traditional placement of Senator Tommie Williams and Chip Rogers on the Budget Conference Committee.

Now Republican Leaders have given themselves a week to work out their issues. One thing is certain, if the Tax Reform legislation can move forward in some fashion it cannot be amended by either Chamber. They will have one day when they return to get this on the House Floor and then over to the Senate before the session finishes up on April 14th. Ironically, just one day before annual tax filings are due.

FY 2012 Budget

So where has this left the budget? The Senate proceeded to pass out the FY2012 budget from its Chamber on Wednesday. The Speaker appointed the usual conference committee leadership members, Appropriations Chairman Terry England, Speaker Pro tem Jan Jones and Majority Leader Larry O-Neal. With all the political upheaval in the Senate the Lt. Governor saw an opening and took action appointing two new conferees, Senator Renee Unterman and Ross Tolleson over the traditional choice of Speaker Pro tem Tommie Williams and Majority Leader Chip Rogers. Only Senate Appropriations Chairman Jack Hill remained with the three appointments.

The conference committee met Monday morning, April 4th to review their differences in the very tight budget. Over the past five months Georgia revenue has been growing 7-10 percent over the previous period the year before. The Governor sets the revenue projections and there is speculation that if the March revenue numbers show the same growth pattern the Governor could raise the revenue projections and potentially save some of the cuts to Medicaid. Unfortunately it would only be between \$100 million to \$300 million and not enough to restore the over \$3 billion in cuts to state programs and services Georgia has experienced in two years.

So this week is all about waiting; waiting to see if March revenues provide enough increase to give the Governor a strong assurance of increasing the revenue projections; waiting to see if a tax proposal can meet the expectations of many and varied interests; and waiting to see who will rise to the challenge and lead.

Links for your reference:

AJC Article on the insolvency of the Unemployment Trust Fund
<http://www.ajc.com/business/georgia-has-no-plan-884852.html>

Special Council on Tax Reform and Fairness for Georgians
<http://fiscalresearch.gsu.edu/taxcouncil/>

Georgia General Assembly
<http://www.legis.ga.gov>

Georgia Budget and Policy Institute

<http://www.gbpi.org/>

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