

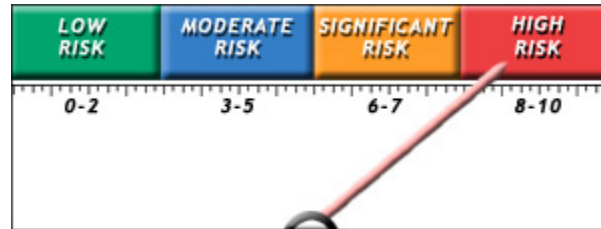


CENTER ON BUDGET AND POLICY PRIORITIES

820 First Street, NE, Suite 510, Washington, DC 20002
Tel: 202-408-1080 Fax: 202-408-1056 center@cbpp.org www.cbpp.org

GEORGIA

Most states have structural weaknesses in their tax systems that put them at risk of experiencing gaps between revenues and necessary expenditures in coming years. The Center evaluated each state's likelihood of facing a structural deficit by determining how many of ten "risk factors" applied to each state. Georgia is rated as having a high risk of a structural deficit based on its score of eight on the risk scale for structural deficits.



- In Georgia, the percent of sales subject to sales tax declined by 17.3 percentage points from 1990-2003, exceeding the US median decline of 8.0 percentage points. Moreover, Georgia's sales tax covers less household services than the average state.
- In Georgia, corporate income taxes as a share of total taxes declined by more than the US average from 1989-2002.
- Georgia could lose an estimated \$723 million to \$1.1 billion in revenue a year due to the growth of e-commerce. This loss is greater than the national average as a share of total revenue.
- Georgia's income tax preferences for its seniors exceed the US average.
- The top bracket of Georgia's income tax starts at a relatively low level making it a less progressive tax. An individual earning \$30,000 in Georgia pays income tax at the same rate as someone earning \$300,000.
- During 2001-2004, Georgia enacted a substantial increase in its cigarette tax and a much smaller increase in its sales tax, while at the same time reducing its corporate income tax. This is problematic since income taxes provide stronger growth over the long term than sales and excise taxes.
- Georgia remains linked to the federal phase-out of the estate tax, which eliminates a rapidly growing revenue source and costs the state an estimated \$121 million per year.
- Two other national studies (Hovey 1998 and Boyd 2002) found that Georgia has a structural gap.
- Lastly, although this paper did not categorize Georgia as having unusually high spending needs, it does face some spending pressures from: a growing elderly population and the number of high school graduates potentially entering college.