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Comparing Georgia's Revenue Portfolio to Regional and National Peers

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ANDREW YOUNG SCHOOL
OF POLICY STUDIES

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Comparing Georgia's Revenue Portfolio to Regional and National Peers

I. Introduction

Over the past two years, Georgia has been disproportionately affected by the recession compared to other states. During Fiscal Year (FY) 2009, the state's Gross State Product declined by 1.44 percent, the 5th largest decline in the nation. In part this was driven by Georgia's reliance on industries that were closely associated with the national housing industry as well as its own internal housing "bubble." (Hawley 2010) The impact of the recession (as well as state level decisions not to raise taxes), has had a significant impact on the state's relative rank in terms of tax burden per capita relative to other states. In FY2008, prior to the recession, the state of Georgia ranked 44th in the nation in state tax revenues per capita. Based on the U.S. Census's quarterly report on state revenues, in FY2010, Georgia has moved to 49th in the nation in tax revenues per capita.¹

In general, Georgia's state and local tax portfolio has the following characteristics.

- 1) In FY2008, prior to the recession, Georgia was 50th in the nation in total state government revenues per capita, and as mentioned, has now moved to 49th in the nation in tax revenues per capita in FY2010.² However, the FY2008-10 rankings are not driven by core taxes – sales and income taxes – but by low corporate taxes, low charges and miscellaneous revenues, low selective sales taxes such as tobacco and motor fuel, and generally low (or non-existent) other sources of revenues.
- 2) In Georgia, in FY2008, local government revenues made up a much more significant share of the total state-local revenue portfolio than in most other states. In fact, in only three states, Florida, Colorado and New York, did local revenues make up a larger share of the state-local revenue mix.
- 3) Georgia's local governments, in aggregate, rank 24th in the nation in per capita tax revenues, and when combined, state and local revenues per capita were around the southeastern average or 38th in the nation (in FY2008).

¹ This may be subject to some change as the US Census finalizes its numbers; however, Georgia's numbers as reported by the Census are similar to those reported in Georgia's audited financial statements. Barring major changes in *other* state reporting we would expect this ranking to hold or be close as the Census refines its numbers.

² Non-tax revenue numbers are not yet available for FY2009 and FY2010. Also, local revenues both tax and non-tax are not yet available for FY2009 and FY2010.

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- 4) An analysis of local revenues suggests that a major driver of higher than average local taxes per capita is the local use of the sales tax, which is partly used for local government operations but is also used to finance local and school district capital projects.
- 5) In 2002-2003, there was a notable shift in Georgia's state government tax revenues with a widening gap between Georgia's taxes per capita and national and peer state tax average revenues per capita. Although 2009 and 2010 data is limited to the state-level only, it appears that Georgia's revenues continue to decline on a per capita basis.
 - Georgia dropped from 37th in the nation in per capita sales tax revenues in FY2008 to 39th in FY2009 and now to 42nd in the nation in FY2010.
 - Georgia dropped from 23rd in the nation in per capita income tax revenues in FY2008, to 25th in FY2009, and now to 28th in FY2010.
- 6) At the same time, average local sales and property tax revenues per capita have grown. The trend in sales tax revenues appears to be partly driven by opportunities to finance infrastructure on a cash basis through the state's education local option sales tax (ELOST), the special purpose local option sales tax (SPLOST) and municipal option sales tax (MOST).

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II. Methodology

This report updates FRC report No. 201 from December 2009, describing Georgia's FY2007 revenue and expenditure portfolio as compared to regional and national peers (Buschman 2009). The report uses updated 2008 U.S. Census data and, where available, 2009 and 2010 Census data. The 2009 and 2010 data are only available for state level taxes and do not include local revenues or expenditures or combined state and local revenues or expenditures. The FY2010 data is an estimate constructed by the Fiscal Research Center based on state quarterly reports of their tax revenues.

The analysis primarily uses "per capita" rankings as a way of assessing Georgia's relative standing as compared to other states. These are only meant to give policy-makers a relative benchmark. There are other important metrics such as revenues and expenditures as a percentage of gross state product, personal income, or adjusted for cost of living. However, this report provides some insight on these metrics by comparing Georgia to other southeastern states. Neighbor states have a similar demographic profile and so provide some "control" for these other variables.³ The report also compares Georgia to states which have AAA bond ratings by at least two of the three major bond rating agencies as a way of assessing how Georgia measures up against other states that are judged by the financial community to be "well managed."⁴

In this analysis, the tables show the top three and bottom three states, as well as the national average (50-state mean) and median, the AAA state average, and the southeastern state average. Also, for comparative purposes all of the southeastern states are shown regardless of where they rank. The southeastern states are shaded grey.

³ The southeastern states for purposes of this analysis are Alabama, Florida, Georgia, Mississippi, North Carolina, South Carolina, Tennessee, and Virginia.

⁴ Since this report uses 2008 Census data, we use the 2008 bond ratings from Moody's, Standard and Poor's and Fitch. States with AAA ratings were Delaware, Georgia, Maryland, Minnesota, North Carolina, South Carolina, Utah, and Virginia. Note that these states are the same as those used in the previous FRC report that used 2007 Census data and so can be used for comparative purposes.

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Finally, this analysis takes advantage of “trend” data to show how Georgia’s revenues have changed over time relative to national averages, southeastern state averages, and AAA state averages. Local government numbers by state are not available for 2001 and 2003, and so the figures that show local revenues or expenditures or combined state and local revenues and expenditures will have gaps for these dates. All trend data are adjusted for inflation using the Gross Domestic Product price index (The Bureau of Economic Analysis' National Income Product Accounts (NIPA) Table 1.1.4). When the trend runs out to 2010, population growth is assumed to be zero in calculating real per capita revenues since FY2010 population data is not yet available from the U.S. Census.

Comparing Georgia's Revenue Portfolio to Regional and National Peers

III. Revenues

A. Own Source Revenues

Own Source Revenues (State and Local)

Table 1 reports the per capita rank of Georgia's state and local own source revenue in FY 2008. This amount includes all sources of revenue that the state raises, including tax revenues as well as a fees and charges, but does not include grants and other revenue from other levels of government or state level utilities. Compared to 2007, Georgia dropped from 42nd to 43rd switching places with Alabama. Georgia falls in the bottom quintile of states, 21 percent or \$1,402 below the 50-state average.

**TABLE 1. FY2008 OWN SOURCE
GENERAL REVENUE
(STATE AND LOCAL)**

| Rank | State | \$ per capita |
|-----------------------------|----------------|----------------|
| 1 | Alaska | \$23,118 |
| 2 | Wyoming | \$11,332 |
| 3 | New York | \$9,457 |
| Top Quintile Cutoff | | \$7,280 |
| 50-State Mean | | \$6,542 |
| 20 | Virginia | \$6,234 |
| 23 | Florida | \$6,122 |
| Nat'l Median | | \$6,116 |
| AAA Mean | | \$5,941 |
| SE Mean | | \$5,421 |
| 38 | South Carolina | \$5,388 |
| 39 | North Carolina | \$5,340 |
| 40 | Alabama | \$5,216 |
| Last Quintile Cutoff | | \$5,212 |
| 43 | Georgia | \$5,141 |
| 45 | Mississippi | \$5,066 |
| 48 | South Dakota | \$4,921 |
| 49 | Tennessee | \$4,864 |
| 50 | Arkansas | \$4,756 |

**TABLE 2. FY2008 OWN SOURCE
GENERAL REVENUE (STATE ONLY)**

| Rank | State | \$ per capita |
|-----------------------------|----------------|----------------|
| 1 | Alaska | \$19,886 |
| 2 | Wyoming | \$6,491 |
| 3 | Delaware | \$5,968 |
| Top Quintile Cutoff | | \$4,638 |
| 50-State Mean | | \$4,031 |
| 20 | Virginia | \$3,686 |
| AAA Mean | | \$3,614 |
| Nat'l Median | | \$3,559 |
| 34 | North Carolina | \$3,184 |
| 38 | Alabama | \$3,049 |
| 39 | South Carolina | \$2,998 |
| 40 | Mississippi | \$2,997 |
| Last Quintile Cutoff | | \$2,969 |
| SE Mean | | \$2,956 |
| 45 | Tennessee | \$2,703 |
| 48 | Missouri | \$2,638 |
| 49 | Florida | \$2,597 |
| 50 | Georgia | \$2,432 |

**TABLE 3. FY2008 OWN SOURCE
GENERAL REVENUE
(LOCAL ONLY)**

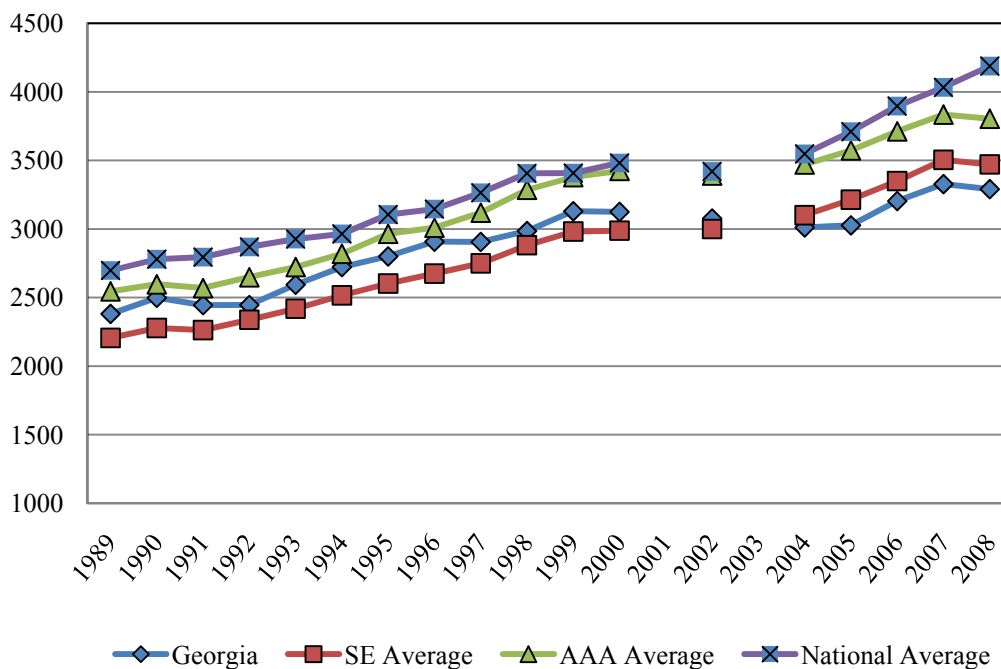
| Rank | State | \$ per capita |
|-----------------------------|----------------|----------------|
| 1 | New York | \$5,020 |
| 2 | Wyoming | \$4,841 |
| 3 | Florida | \$3,526 |
| Top Quintile Cutoff | | \$2,955 |
| 15 | Georgia | \$2,709 |
| 21 | Virginia | \$2,547 |
| 50-State Mean | | \$2,511 |
| Nat'l Median | | \$2,468 |
| SE Mean | | \$2,466 |
| 28 | South Carolina | \$2,390 |
| AAA Mean | | \$2,327 |
| 35 | Alabama | \$2,167 |
| 36 | Tennessee | \$2,161 |
| 38 | North Carolina | \$2,155 |
| 39 | Mississippi | \$2,070 |
| Last Quintile Cutoff | | \$1,973 |
| 48 | West Virginia | \$1,464 |
| 49 | Arkansas | \$1,190 |
| 50 | Vermont | \$1,047 |

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Compared to its peer groups, Georgia is \$800 or 13 percent below the AAA average and \$281 or 5 percent below the southeastern state average. Although the percentage may seem small, if Georgia were to raise state and local own source revenues to the southeastern average, this would be equivalent to \$2.7 billion in additional revenues.

Figure 1 shows the revenue trends from 1989 through 2008 for own source state and local revenues per capita and compares Georgia to three different peer groups, the 50 state average, the AAA rated state average, and the southeastern state average. The figure shows all groups (including Georgia) trending upward over the past 20 years; however, prior to 2004 Georgia was above the southeastern average and now has dropped below.

FIGURE 1. PER CAPITA STATE PLUS LOCAL OWN SOURCE REVENUE (1989 DOLLARS)



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This upward trend in real per capita own source revenues is driven by increased local revenues in aggregate, not increased state revenues. Tables 2 and 3 show the division between *state* own source and *local* own source revenues. Although Georgia's governmental sector is generally "low revenue" compared to other states, Georgia's state-local revenue mix is weighted more towards local revenues than other states. In FY2008, the state of Georgia ranked 50th nationally, while in aggregate, local governments in Georgia ranked 15th in per capita own source revenues.

In 2008, Georgia's own source revenues per capita for state government was \$1,600 or 40 percent below the 50-state average, \$1,183 or 33 percent below AAA rated states, and \$524 or 18 percent below the southeastern states. Local own source revenues per capita are higher than in other states, but do not fully compensate for the low state per capita numbers. In terms of local own source revenues per capita, Georgia was \$198 or 8 percent above the 50 state mean, \$382 or 10 percent above the southeastern state average and \$382 or 16 percent above the AAA state average.

Own Source Revenues (State versus Local)

A comparison of state-local share of revenues measured as a percentage of total revenues (Tables 4 and 5), shows that states on average split state-local revenues 60-40, whereas Georgia's split is 47-53. Georgia is one of the few states in the nation where local own source revenues in the aggregate exceed state revenues. The only states with a larger local share of revenues are New York, Colorado and Florida. Although requiring additional analysis, a heavy reliance on local governments may have distributional implications because counties with a strong tax base can raise more revenues than those with a weak tax base.

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TABLE 4. FY2008 SHARE OF OWN SOURCE REVENUE (STATE ONLY)

| Rank | State | % of Total |
|-----------------------------|----------------|--------------|
| 1 | Alaska | 86.0% |
| 2 | Vermont | 84.1% |
| 3 | Delaware | 79.8% |
| Top Quintile Cutoff | | 66.2% |
| 50-State Mean | | 60.2% |
| AAA Mean | | 59.9% |
| 21 | North Carolina | 59.6% |
| 22 | Mississippi | 59.2% |
| 23 | Virginia | 59.1% |
| 25 | Alabama | 58.5% |
| Nat'l Median | | 58.2% |
| 33 | South Carolina | 55.6% |
| 34 | Tennessee | 55.6% |
| SE Mean | | 54.7% |
| Last Quintile Cutoff | | 52.7% |
| 47 | Georgia | 47.3% |
| 48 | New York | 46.9% |
| 49 | Colorado | 46.4% |
| 50 | Florida | 42.4% |

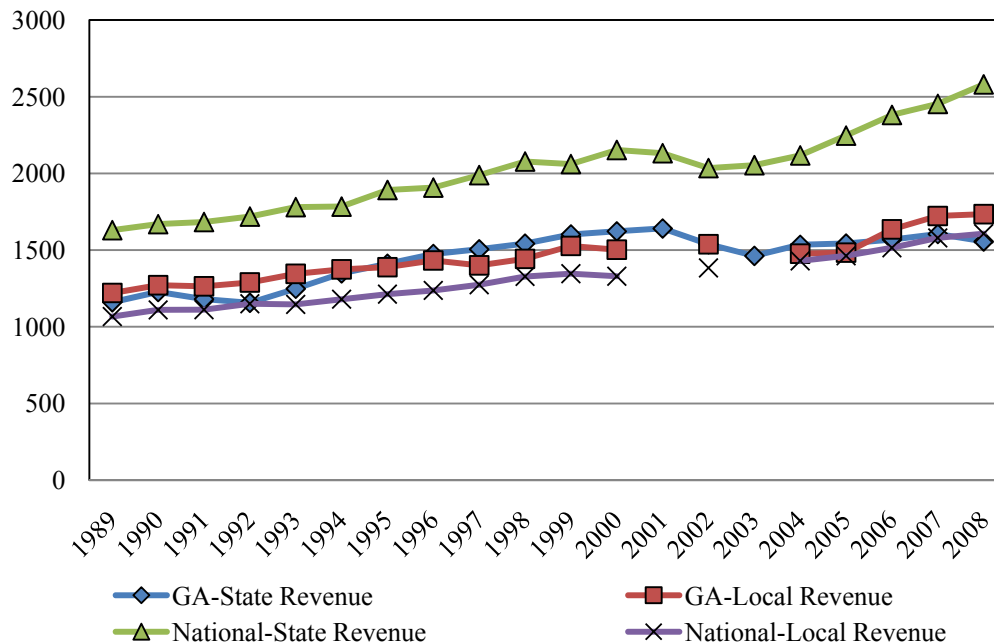
TABLE 5. FY2008 SHARE OF OWN SOURCE REVENUE (LOCAL ONLY)

| Rank | State | \$ per capita |
|-----------------------------|----------------|---------------|
| 1 | Florida | 57.6% |
| 2 | Colorado | 53.6% |
| 3 | New York | 53.1% |
| 4 | Georgia | 52.7% |
| Top Quintile Cutoff | | 47.3% |
| SE Mean | | 45.3% |
| 17 | Tennessee | 44.4% |
| 18 | South Carolina | 44.4% |
| Nat'l Median | | 41.8% |
| 26 | Alabama | 41.5% |
| 28 | Virginia | 40.9% |
| 29 | Mississippi | 40.8% |
| 30 | North Carolina | 40.4% |
| AAA Mean | | 40.1% |
| 50-State Mean | | 39.8% |
| Last Quintile Cutoff | | 33.8% |
| 48 | Delaware | 20.2% |
| 49 | Vermont | 15.9% |
| 50 | Alaska | 14.0% |

Figure 2 shows how this trend has changed over time as well as how Georgia compares to national state and local averages on a per capita inflation adjusted basis. Most noticeable is the widening gap between Georgia's state-level revenues and state level revenues nationally. On average nationally, state real revenues per capita have grown over the past decade while Georgia's revenues have been flat. Georgia's 2008 own source revenues are roughly equivalent to 1998 revenues by this measure adjusted for inflation. Georgia's local revenues were mostly flat from 1997-2005, but then grew in 2006 and surpassed state revenues. Georgia's local revenues have been above the national average for the past 20 years.

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FIGURE 2. STATE VS. LOCAL PER CAPITA OWN SOURCE REVENUE (1989 DOLLARS)



B. Revenue from the Federal Government

Table 6 shows state and local per capita revenue from the federal government in FY 2008. Here Georgia ranks 34th—above the bottom quintile but 16 percent below the 50-state average. Georgia has fallen in this ranking from 31st in 2007, which in turn was a dramatic increase from 46th in 2006. Based on this measure, Georgia is almost exactly at the AAA state mean, but is 10 percent below the southeastern state average.

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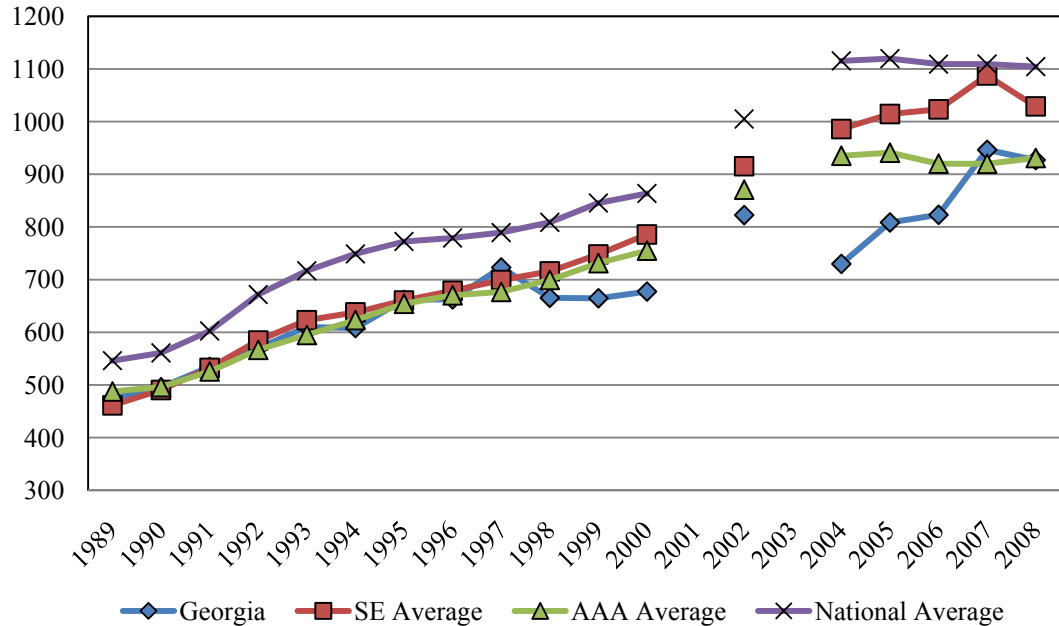
**TABLE 6. FY2008 REVENUE FROM
FEDERAL GOVERNMENT
(STATE AND LOCAL)**

| Rank | State | \$ per capita |
|-----------------------------|----------------|-----------------------|
| 1 | Wyoming | \$3,921 |
| 2 | Alaska | \$3,551 |
| 3 | Louisiana | \$3,402 |
| 4 | Mississippi | \$2,785 |
| <i>Top Quintile Cutoff</i> | | <i>\$1,967</i> |
| <i>50-State Mean</i> | | <i>\$1,725</i> |
| 15 | Alabama | \$1,723 |
| 18 | North Carolina | \$1,642 |
| <i>SE Mean</i> | | <i>\$1,607</i> |
| 25 | South Carolina | \$1,556 |
| <i>Nat'l Median</i> | | <i>\$1,552</i> |
| <i>AAA Mean</i> | | <i>\$1,454</i> |
| 34 | Georgia | \$1,448 |
| 36 | Tennessee | \$1,418 |
| <i>Last Quintile Cutoff</i> | | <i>\$1,352</i> |
| 47 | Florida | \$1,263 |
| 48 | Colorado | \$1,141 |
| 49 | Virginia | \$1,022 |
| 50 | Nevada | \$864 |

Figure 3 shows Georgia's unusual trend line as compared to other states. Further analysis is needed to better understand what is driving this trend. From 1989 through 1997, Georgia tracks almost exactly the same as its peers in the southeast and other AAA states. In 1998, the state drops below its peer states, a trend that continues until 2007 and 2008 where federal receipts dramatically move upward. The spike in federal funds in 2002 likely reflects the federal stimulus funds distributed to assist states through that recession.

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FIGURE 3. PER CAPITA REVENUE FROM FEDERAL GOVERNMENT (1989 DOLLARS)



C. Analysis of General Revenues from Own Sources

The Census breaks down state and local own source revenue into two categories: 1) taxes and 2) charges and miscellaneous general revenue. Table 7 shows per capita taxes and Table 8 shows per capita current charges and miscellaneous revenues in FY 2008. Georgia's state plus local taxes are well below national and AAA averages but are almost exactly at the southeastern state average. Georgia places 38th (down from 34th in FY 2007) in per capita tax revenues and 4th among the eight southeastern states.⁵ The per capita tax burden in Georgia is \$892 or 20 percent below the 50-state average, \$399 or 10 percent below AAA ranked states, and \$51 or 1 percent above the southeastern state average. Figure 4 shows that from 1989 through 2004, Georgia's real per capita total taxes were several hundred dollars above the southeastern average; however, since 2004, the state has narrowed the gap almost to parity.

⁵ We also examined Georgia's rank in terms of taxes as a percentage of personal income and found that the state's rank was exactly the same.

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**TABLE 7. FY2008 ALL TAXES
(STATE AND LOCAL)**

| Rank | State | \$ per capita |
|-----------------------------|----------------|----------------|
| 1 | Alaska | \$14,147 |
| 2 | New York | \$7,103 |
| 3 | Wyoming | \$6,930 |
| Top Quintile Cutoff | | \$4,887 |
| 50- State Mean | | \$4,360 |
| 22 | Virginia | \$4,196 |
| Nat'l Median | | \$4,007 |
| 26 | Florida | \$3,981 |
| AAA Mean | | \$3,867 |
| 33 | North Carolina | \$3,591 |
| 38 | Georgia | \$3,468 |
| SE Mean | | \$3,417 |
| Last Quintile Cutoff | | \$3,336 |
| 46 | Mississippi | \$3,133 |
| 48 | Tennessee | \$3,045 |
| 49 | Alabama | \$3,002 |
| 50 | South Carolina | \$2,923 |

**TABLE 8. FY2008 CHARGES &
MISCELLANEOUS GENERAL REVENUE
(STATE AND LOCAL)**

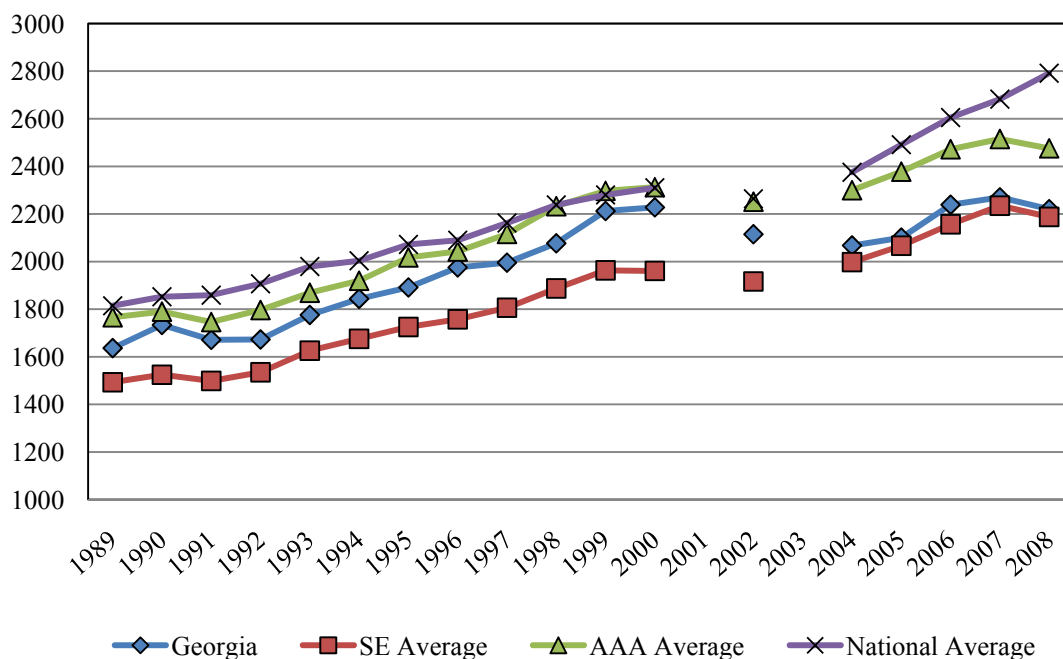
| Rank | State | \$ per capita |
|-----------------------------|----------------|----------------|
| 1 | Alaska | \$8,971 |
| 2 | Wyoming | \$4,402 |
| 3 | Delaware | \$3,239 |
| 6 | South Carolina | \$2,465 |
| Top Quintile Cutoff | | \$2,299 |
| 13 | Alabama | \$2,214 |
| 50- State Mean | | \$2,182 |
| 15 | Florida | \$2,141 |
| AAA Mean | | \$2,074 |
| 24 | Virginia | \$2,038 |
| SE Mean | | \$2,004 |
| Nat'l Median | | \$2,001 |
| 28 | Mississippi | \$1,933 |
| 37 | Tennessee | \$1,819 |
| 40 | North Carolina | \$1,749 |
| Last Quintile Cutoff | | \$1,686 |
| 43 | Georgia | \$1,673 |
| 48 | Arizona | \$1,572 |
| 49 | Arkansas | \$1,476 |
| 50 | Connecticut | \$1,310 |

In terms of state plus local charges and miscellaneous revenue⁶ per capita, Georgia places in the bottom quintile at 43rd (same ranking as in FY2007). The state is below the 50-state average by 23 percent, below the AAA rated state average by 19 percent, and below the southeastern state average by \$331 or 17 percent.

⁶ Current charges for services and miscellaneous revenues include tuition and fees at state colleges, municipally-owned hospital revenues, school lunch sales, airport and seaport fees, and other charges, as well as interest earnings, lottery and other miscellaneous revenues.

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FIGURE 4. PER CAPITA TOTAL STATE AND LOCAL TAXES (1989 DOLLARS)



Taxes (State versus Local)

Georgia's rank in state versus local own source revenues (Tables 2 and 3) show a low rank for the state and high rank for local government. Tables 9 and 10 repeat this theme, as the same type of split is reflected in state versus local taxes. Examining state-level taxes first, in FY2008, Georgia state government ranked 44th in per capita taxes. Georgia is significantly lower than the national average—\$942 or 34 percent below the 50-state mean and well below its peer groups. Georgia is 6th out of the 8 southeastern states, which themselves are among the lowest tax states.

Tables 11 and 12 show that Georgia's ranking has declined even further to 48th in the nation in FY2009 and 49th in the nation in FY2010. The nominal dollar decline between FY2008 and FY2010 is 19 percent for Georgia. Equivalent numbers for FY2009 and FY2010 are not yet available at the local level.

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**TABLE 9. FY2008 ALL TAXES
(STATE ONLY)**

| Rank | State | \$ per capita |
|-----------------------------|----------------|----------------|
| 1 | Alaska | \$12,245 |
| 2 | Wyoming | \$4,512 |
| 3 | Connecticut | \$4,167 |
| Top Quintile Cutoff | | \$3,348 |
| 50- State Mean | | \$2,805 |
| Nat'l Median | | \$2,475 |
| AAA Mean | | \$2,463 |
| 27 | North Carolina | \$2,464 |
| 31 | Virginia | \$2,362 |
| 34 | Mississippi | \$2,303 |
| SE Mean | | \$2,062 |
| Last Quintile Cutoff | | \$1,926 |
| 41 | Florida | \$1,946 |
| 42 | Alabama | \$1,939 |
| 44 | Georgia | \$1,863 |
| 45 | Tennessee | \$1,849 |
| 48 | South Carolina | \$1,772 |
| 49 | New Hampshire | \$1,703 |
| 50 | South Dakota | \$1,641 |

**TABLE 10. FY2008 ALL TAXES
(LOCAL ONLY)**

| Rank | State | \$ per capita |
|-----------------------------|----------------|----------------|
| 1 | New York | \$3,746 |
| 2 | New Jersey | \$2,675 |
| 3 | Connecticut | \$2,431 |
| 7 | Florida | \$2,035 |
| Top Quintile Cutoff | | \$2,005 |
| 15 | Virginia | \$1,834 |
| 24 | Georgia | \$1,605 |
| Nat'l Median | | \$1,557 |
| 50-State Mean | | \$1,555 |
| AAA Mean | | \$1,404 |
| SE Mean | | \$1,355 |
| 37 | Tennessee | \$1,196 |
| 38 | South Carolina | \$1,151 |
| 39 | North Carolina | \$1,128 |
| Last Quintile Cutoff | | \$1,063 |
| 41 | Alabama | \$1,063 |
| 48 | Mississippi | \$831 |
| 49 | Arkansas | \$654 |
| 50 | Vermont | \$630 |

During FY2009 and FY2010, the gap widened between Georgia's revenues per capita and the national average. In FY2009, Georgia was \$897 or 35 percent below the 50-state mean, \$609 or 27 percent below the AAA states and \$214 dollars or 12 percent below the southeastern states. The FY2010 numbers are estimates based on the state's quarterly reported revenues and may change somewhat as the Census completes its estimates. However, these numbers give some sense of the magnitude of the recession on the state's revenues: Georgia is now \$912 dollars or 38 percent below the 50-state average, \$707 dollars or 32 percent below the AAA states and \$322 or 18 percent below its southeastern peers.

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| TABLE 11. FY2009 ALL TAXES (STATE ONLY) | | | TABLE 12. FY2010 ALL TAXES ESTIMATE (STATE ONLY) | | |
|--|----------------|----------------|---|----------------|----------------|
| Rank | State | \$ per capita | Rank | State | \$ per capita |
| 1 | Alaska | \$7,096 | 1 | Alaska | \$6,464 |
| 2 | Wyoming | \$5,080 | 2 | North Dakota | \$4,089 |
| 3 | Vermont | \$4,028 | 3 | Vermont | \$3,786 |
| Top Quintile Cutoff | | \$3,122 | Top Quintile Cutoff | | \$2,978 |
| 50- State Mean | | \$2,533 | 50- State Mean | | \$2,404 |
| Nat'l Median | | \$2,321 | 22 | North Carolina | \$2,290 |
| AAA Mean | | \$2,245 | AAA Mean | | \$2,199 |
| 32 | Mississippi | \$2,207 | Nat'l Median | | \$2,192 |
| 33 | North Carolina | \$2,185 | 27 | Mississippi | \$2,131 |
| 36 | Virginia | \$2,055 | 31 | Virginia | \$2,063 |
| SE Mean | | \$1,849 | SE Mean | | \$1,814 |
| 40 | Alabama | \$1,764 | 40 | Alabama | \$1,703 |
| Last Quintile Cutoff | | \$1,728 | Last Quintile Cutoff | | \$1,701 |
| 43 | Florida | \$1,724 | 41 | Florida | \$1,701 |
| 45 | Tennessee | \$1,659 | 42 | Tennessee | \$1,661 |
| 48 | Georgia | \$1,636 | 48 | Texas | \$1,538 |
| 49 | New Hampshire | \$1,604 | 49 | Georgia | \$1,492 |
| 50 | South Carolina | \$1,567 | 50 | South Carolina | \$1,473 |

Figure 5 shows the longitudinal trend of the tax burden per capita at the state government level from 1989 through 2010. While Georgia mirrored the southeastern average from 1989 through 2002, in 2003, the state declined below the southeastern average. The gap between Georgia and the southeastern average has continued to widen over the past seven years. This divergence represents a marked difference from other states. On a real per capita basis, from 1989 to 2008, the southeastern states taxes grew by 16 percent, the AAA states grew by 17 percent, and nationally revenues grew by 31 percent. In contrast, real per capita revenues in Georgia declined by 5 percent over this period. Only two other states in the nation had an actual decline in real per capita revenues over this period—Arizona and South Carolina. Over the past decade, Georgia state government has declined more than any other state in the nation with a drop in real per capita tax revenues of 27 percent (see Appendix Table A-1 for data).

Comparing Georgia's Revenue Portfolio to Regional and National Peers

FIGURE 5. PER CAPITA STATE TAXES (1989 DOLLARS)

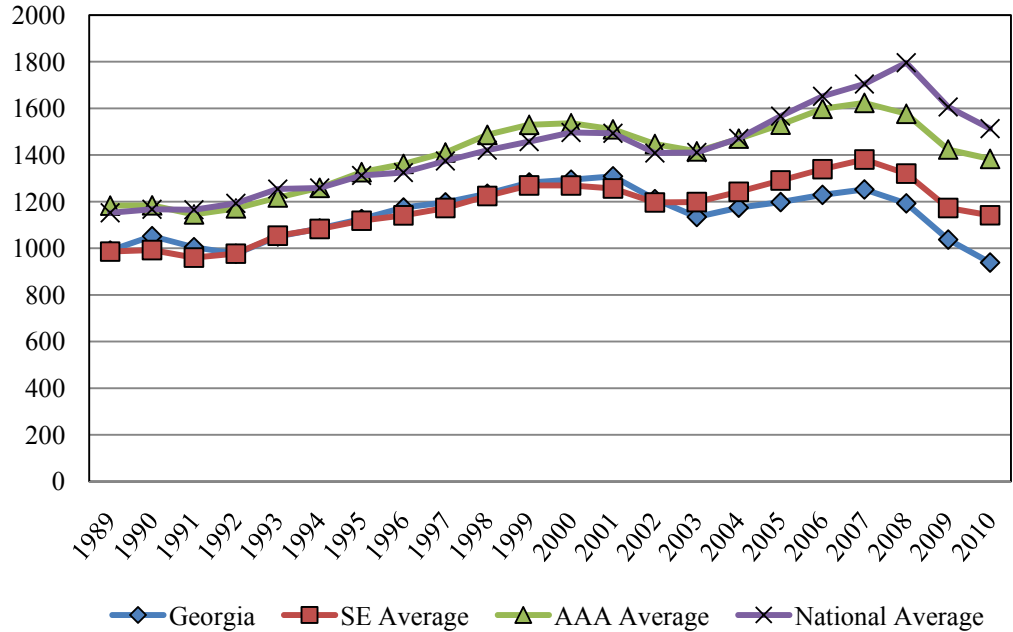
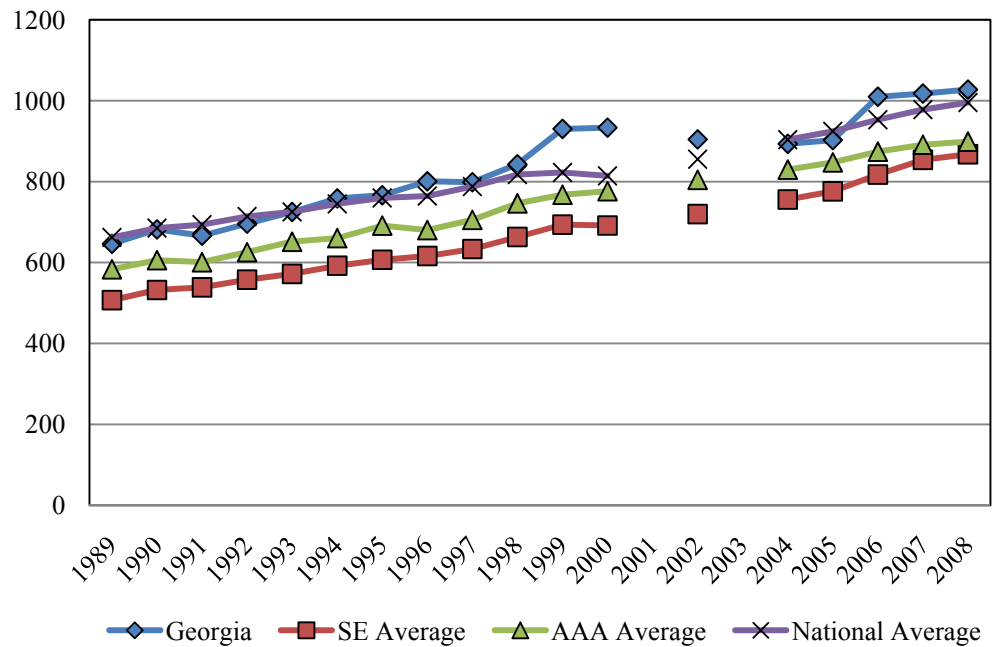


FIGURE 6. PER CAPITA LOCAL TAXES (1989 DOLLARS)



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In terms of taxes at the local level, Table 10 shows that Georgia ranked slightly above average in FY2008. Georgia was 24th nationally and 3rd among the southeastern states. This is \$50 (3 percent) above the 50-state average, \$201 (14 percent) above AAA rated states, and \$250 (18 percent) above the southeastern states. Figure 6 shows the trend of tax burden at the local level. Through FY1998, Georgia's local revenues mirrored the national average. In FY1998 and FY2006, the tax burden jumped—a similar pattern is reflected in the local sales tax trends suggesting that this jump is at least partly attributable to passage of legislation allowing an additional local sales tax increment for education-related infrastructure investment in 1996 as well as renewed local SPLOSTs and the City of Atlanta's sales tax increase after the 2003 recession.

Charges and Miscellaneous General Revenues

In FY2008, Georgia ranked 43rd in the nation in charges and miscellaneous general revenues as shown previously in Table 8. Tables 13 and 14 show state government per capita ranking relative to local government (in aggregate) ranking. Again, the state-local divide is visible. In FY2008, the state government ranked 49th in the nation, while Georgia's local governments ranked 15th. For the state-only charges at \$568 per capita, Georgia is 54 percent or \$658 below the 50 state average. Local charges are \$148 or 16 percent above the 50-state average – larger than the national average, but in no way making up for the very low state charges.

Comparing Georgia's Revenue Portfolio to Regional and National Peers

**TABLE 13. FY2008 CHARGES &
MISCELLANEOUS GENERAL REVENUE
(STATE)**

| Rank | State | \$ per capita |
|-----------------------------|----------------|----------------|
| 1 | Alaska | \$7,644 |
| 2 | Delaware | \$2,624 |
| 3 | Wyoming | \$1,979 |
| Top Quintile Cutoff | | \$1,431 |
| 12 | Virginia | \$1,325 |
| 14 | South Carolina | \$1,226 |
| 50- State Mean | | \$1,226 |
| AAA Mean | | \$1,151 |
| 18 | Alabama | \$1,110 |
| Nat'l Median | | \$1,042 |
| SE Mean | | \$894 |
| 38 | Tennessee | \$854 |
| Last Quintile Cutoff | | \$785 |
| 43 | North Carolina | \$721 |
| 44 | Mississippi | \$694 |
| 48 | Florida | \$651 |
| 49 | Georgia | \$568 |
| 50 | Nevada | \$545 |

**TABLE 14. FY2008 CHARGES &
MISCELLANEOUS GENERAL REVENUE
(LOCAL)**

| Rank | State | \$ per capita |
|-----------------------------|----------------|----------------|
| 1 | Wyoming | \$2,422 |
| 2 | California | \$1,615 |
| 3 | Florida | \$1,490 |
| Top Quintile Cutoff | | \$1,267 |
| 11 | South Carolina | \$1,239 |
| 12 | Mississippi | \$1,239 |
| SE Mean | | \$1,110 |
| 15 | Georgia | \$1,104 |
| 16 | Alabama | \$1,104 |
| 21 | North Carolina | \$1,028 |
| 23 | Tennessee | \$965 |
| 50- State Mean | | \$956 |
| AAA Mean | | \$923 |
| Nat'l Median | | \$917 |
| 37 | Virginia | \$713 |
| Last Quintile Cutoff | | \$616 |
| 48 | Hawaii | \$446 |
| 49 | Connecticut | \$418 |
| 50 | Vermont | \$417 |

Figures 7-9 show the trend. State and local charges and miscellaneous revenues combined are going up, but are well below the national average or peer states. This trend is driven almost entirely by local changes (Figure 9), while the state revenues have remained flat (Figure 8). Also interesting is that the southeastern states on average are more dependent on local charges overall as compared to the national average or the AAA states. In FY2011, Georgia raised user fees systematically for the first time since 1992. Future trends should show increases in this revenue source at the state government level.⁷

⁷ For further information on Georgia's charges and miscellaneous revenues, see Bluestone (2009).

Comparing Georgia's Revenue Portfolio to Regional and National Peers

FIGURE 7. PER CAPITA STATE AND LOCAL CHARGES & MISCELLANEOUS REVENUE (1989 DOLLARS)

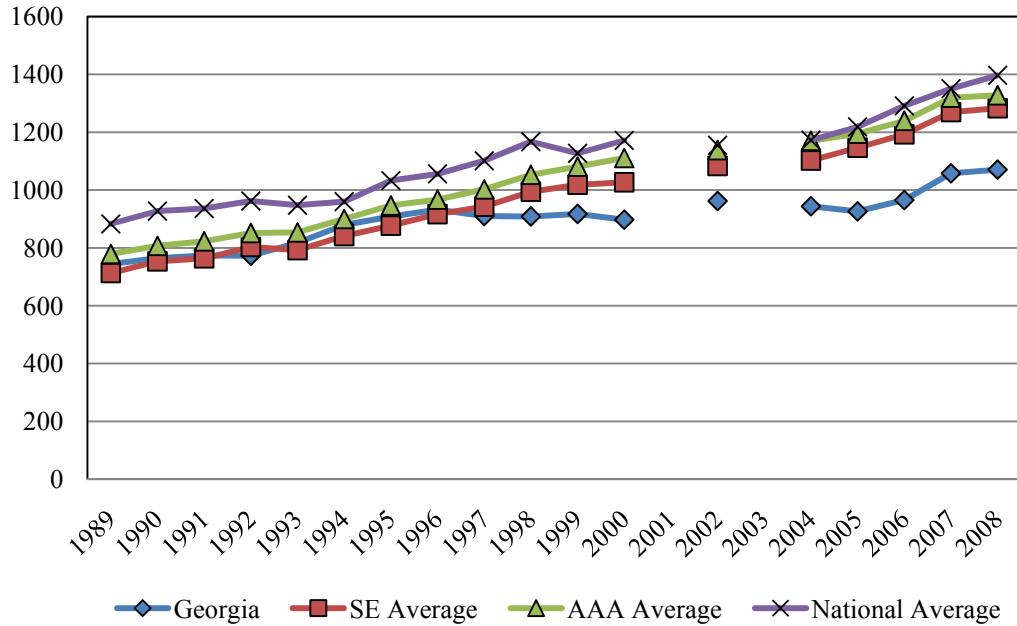
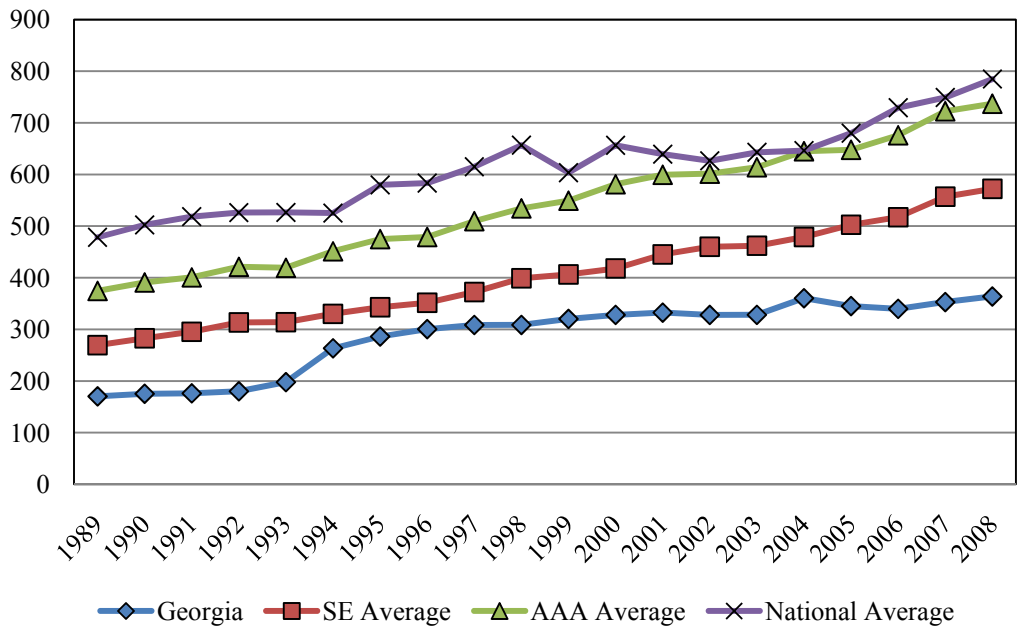
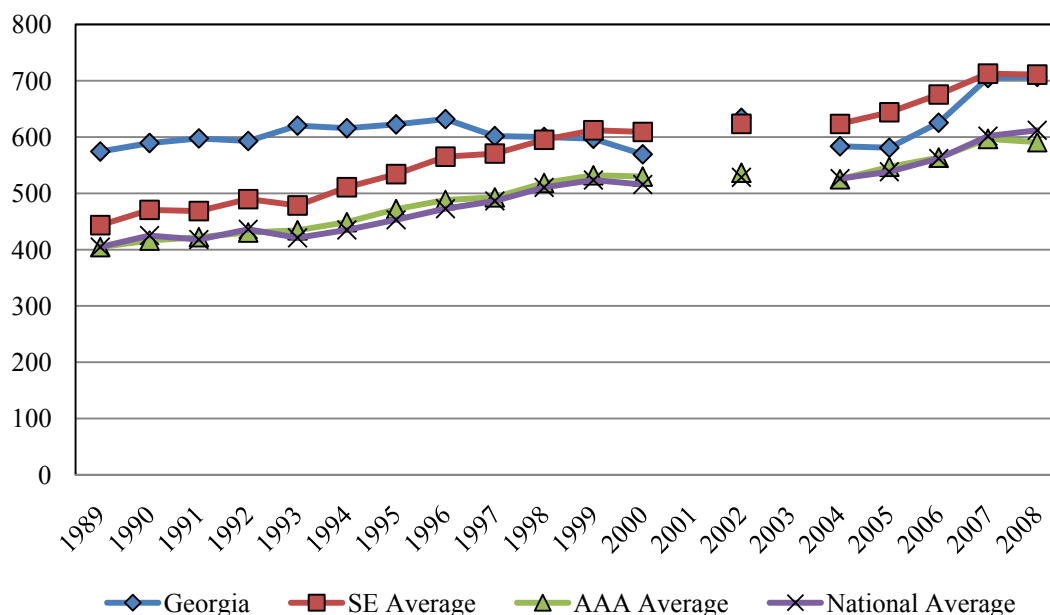


FIGURE 8. PER CAPITA STATE CHARGES & MISCELLANEOUS REVENUE (1989 DOLLARS)



Comparing Georgia's Revenue Portfolio to Regional and National Peers

FIGURE 9. PER CAPITA LOCAL CHARGES & MISCELLANEOUS REVENUE (1989 DOLLARS)



D. Comparative Core Taxes

Georgia's Tax Portfolio

Most state and local governments rely on three core taxes: sales, personal income, and property taxes (sometimes corporate income is also included since it overlaps with the personal income tax). Nationally, most states have an income and sales tax, while almost all local governments are in some measure dependent on the property tax. States vary in the extent to which local governments can access the sales, income (or corporate income) taxes to supplement their property tax revenues or the extent to which the state relies on property taxes.

Recall that Georgia ranked 38th out of 50 states in per capita state and local tax burden in FY2008. Tables 15, 16, and 17 show Georgia's rank for per capita sales, income and property taxes. Given Georgia's overall lower rank, these higher rankings in the core taxes suggest that Georgia is more dependent on these core taxes than other states.

Comparing Georgia's Revenue Portfolio to Regional and National Peers

TABLE 15. FY2008 GENERAL SALES TAX (STATE AND LOCAL)

| Rank | State | \$ per capita |
|-----------------------------|----------------|----------------|
| 1 | Wyoming | \$2,282 |
| 2 | Washington | \$2,091 |
| 3 | Hawaii | \$2,035 |
| 5 | Tennessee | \$1,409 |
| Top Quintile Cutoff | | \$1,247 |
| 11 | Florida | \$1,240 |
| 16 | Mississippi | \$1,066 |
| 21 | Georgia | \$1,008 |
| <i>SE Mean</i> | | <i>\$963</i> |
| <i>50- State Mean</i> | | <i>\$944</i> |
| <i>Nat'l Median</i> | | <i>\$895</i> |
| 27 | Alabama | \$887 |
| 36 | North Carolina | \$781 |
| <i>AAA Mean</i> | | <i>\$718</i> |
| 39 | South Carolina | \$705 |
| Last Quintile Cutoff | | \$663 |
| 44 | Virginia | \$608 |

Zero GST: DE, MT, NH, OR.

TABLE 16. FY2008 PERSONAL INCOME TAX (STATE AND LOCAL)

| Rank | State | \$ per capita |
|-----------------------------|----------------|----------------|
| 1 | New York | \$2,386 |
| 2 | Connecticut | \$2,142 |
| 3 | Maryland | \$1,977 |
| 9 | Virginia | \$1,298 |
| Top Quintile Cutoff | | \$1,216 |
| 13 | North Carolina | \$1,189 |
| <i>AAA Mean</i> | | <i>\$1,176</i> |
| <i>Nat'l Median</i> | | <i>\$930</i> |
| 27 | Georgia | \$912 |
| <i>50- State Mean</i> | | <i>\$894</i> |
| 36 | Alabama | \$682 |
| <i>SE Mean</i> | | <i>\$661</i> |
| 37 | South Carolina | \$636 |
| 39 | Mississippi | \$528 |
| Last Quintile Cutoff | | \$495 |
| 43 | Tennessee | \$47 |
| 44T | Florida | \$0 |

Zero PIT: AK, FL, V, SD, TX, WA, WY.

TABLE 17. FY2008 PROPERTY TAX (STATE AND LOCAL)

| Rank | State | \$ per capita |
|-----------------------------|----------------|----------------|
| 1 | New Jersey | \$2,621 |
| 2 | Connecticut | \$2,377 |
| 3 | Wyoming | \$2,364 |
| Top Quintile Cutoff | | \$1,642 |
| 10 | Florida | \$1,642 |
| 18 | Virginia | \$1,356 |
| <i>50- State Mean</i> | | <i>\$1,256</i> |
| <i>Nat'l Median</i> | | <i>\$1,202</i> |
| 33 | Georgia | \$1,054 |
| <i>AAA Mean</i> | | <i>\$1,008</i> |
| <i>SE Mean</i> | | <i>\$985</i> |
| 36 | South Carolina | \$955 |
| 38 | North Carolina | \$851 |
| 40 | Mississippi | \$782 |
| Last Quintile Cutoff | | \$773 |
| 42 | Tennessee | \$748 |
| 48 | New Mexico | \$566 |
| 49 | Arkansas | \$510 |
| 50 | Alabama | \$493 |

Table 18 confirms Georgia's relatively high dependency on these core taxes compared to the national average and national "median" state. The median gives a better indication of tax mix since some states are heavily reliant on less common taxes such as gaming or severance taxes and may skew the average.

TABLE 18. STATE AND LOCAL TAX MIX (2008)

| | National Average Per Capita | | National Median Per Capita | | Georgia Average Per Capita | |
|-----------------------|--------------------------------|-----|-------------------------------|-----|-------------------------------|-----|
| General Sales Tax | \$944 | 22% | \$895 | 23% | \$1,008 | 29% |
| Individual Income Tax | \$894 | 21% | \$930 | 24% | \$912 | 26% |
| Property Tax | \$1,256 | 29% | \$1,202 | 31% | \$1,054 | 30% |
| Corporate Income Tax | \$187 | 4% | \$139 | 4% | \$97 | 3% |
| Other Taxes | \$520 | 12% | \$211 | 5% | \$70 | 2% |
| Selective Sales Tax | \$480 | 11% | \$447 | 11% | \$297 | 9% |
| Motor Vehicle License | \$78 | 2% | \$68 | 2% | \$31 | 1% |

Comparing Georgia's Revenue Portfolio to Regional and National Peers

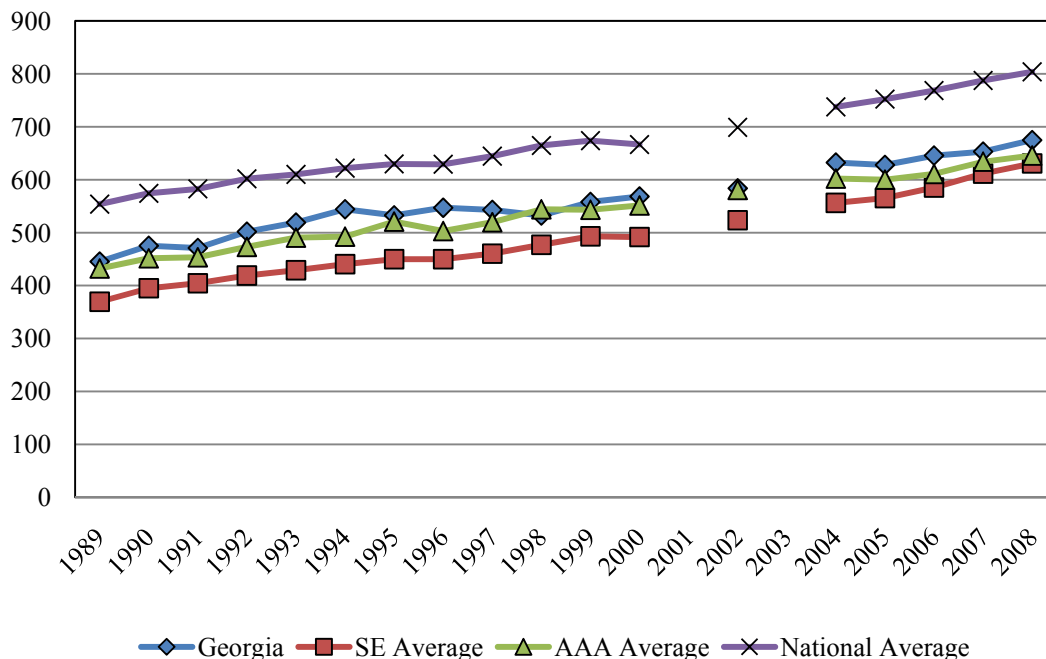
Nationally, sales taxes made up 23 percent of the median state overall tax portfolio in FY2008, the individual income tax made up around 24 percent and property taxes made up 31 percent. Five percent was composed of “other taxes,” 11 percent was composed of “selective sales” such as tobacco taxes and motor fuel taxes, and corporate income taxes made up around four percent (totaling 20 percent “non-core”). In contrast, in Georgia, sales taxes made up 29 percent of the total tax portfolio in FY2008, the income tax was 26 percent and the property tax was 30 percent of total revenues for state and local government. “Other taxes” made up two percent of Georgia’s portfolio, selective sales were nine percent and corporate income was three percent (or 14 percent “non-core” taxes).

Property Tax

Property taxes made up Georgia’s largest source of tax revenue at the state and local level. Property taxes are predominantly local in Georgia, although the state collects a quarter mill. The state amount will be phased out starting in 2012. In FY2008, the AAA states and the southeastern states had a similar property tax burden on average (Table 17). Georgia is slightly above these peer states. Georgia ranked 33rd nationally (down from 32nd in 2007), which is \$202 (7.9 percent) below the 50-state average, above the southeastern state average by \$69 (5.5 percent) and above the AAA average by \$45 or 4.3 percent. Figure 10 shows steady growth in the property tax on a real per capita basis, both in Georgia and across the country.

Comparing Georgia's Revenue Portfolio to Regional and National Peers

FIGURE 10. PER CAPITA PROPERTY TAX (STATE & LOCAL) (1989 DOLLARS)

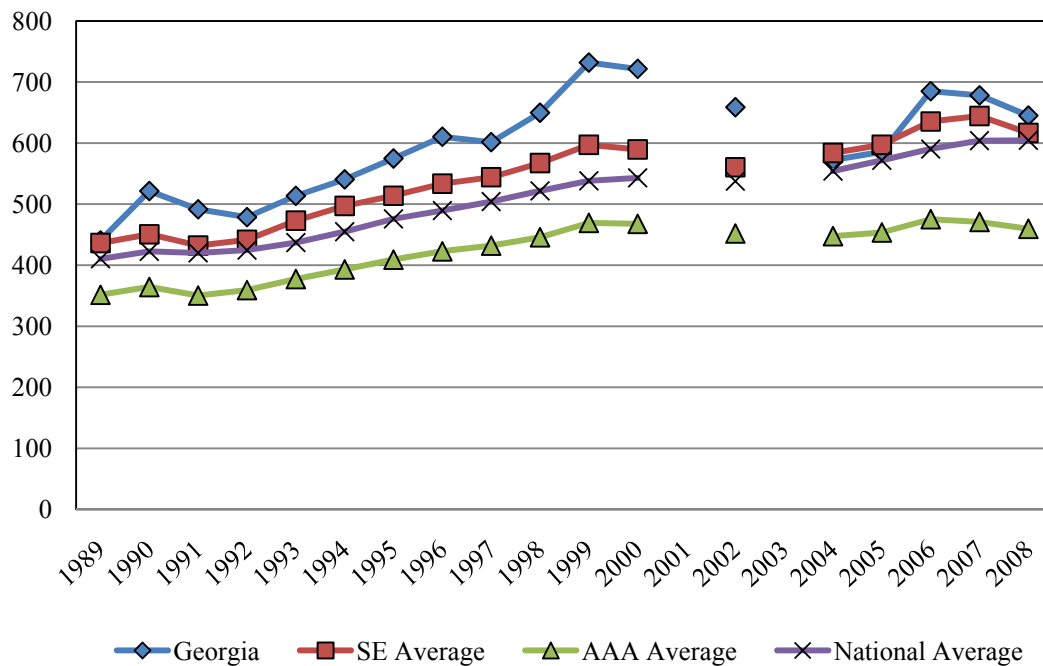


General Sales Tax

The general sales tax was the second largest tax revenue generator in Georgia in FY 2008 (see Table 18) for state and local governments combined. In rank, Georgia was 21st in FY2008 down from 18th in FY2007. AAA states are less dependent on sales tax (and more dependent on income tax) than the southeastern states which have the opposite trend. Georgia falls in the middle of both sets of peer states. Georgia's sales taxes were slightly above the 50-state average by \$63 (7 percent), above the southeastern state average by \$45 (5 percent), but \$289 dollars above the AAA mean or 40 percent in FY2008. Figure 11 shows Georgia's historic reliance on the sales tax, which has generally been greater than the national average or peer states.

Comparing Georgia's Revenue Portfolio to Regional and National Peers

FIGURE 11. PER CAPITA STATE AND LOCAL GENERAL SALES TAX (1989 DOLLARS)



As with own source revenues, taxes generally, and charges and miscellaneous revenue, the state's relatively high overall ranking is largely driven by the local sales tax. Tables 19 and 20 show that the state government's general sales tax revenue brings in \$598 per capita which ranks 37th in the country and 5th in the southeast. In aggregate, local sales tax revenues are \$410 per capita, which ranks 8th in the nation and 1st in the southeast. Also, the FY2009 and estimated FY2010 state-only data allows us to see the decline in state sales tax revenue and the decline in Georgia's ranking in sales tax per capita as the state has absorbed the impact of the recession. Measuring state level sales taxes only, in FY2008 (Table 19) Georgia ranks 37th in the nation, this is \$168 (22 percent) below the national average (which is almost exactly the same as the southeastern state average) and \$30 or 5 percent above the AAA mean. The FY2009 and FY2010 data in Tables 21-22 shows that Georgia's sales tax revenues and relative rank have continued to decline. In FY2009, Georgia was \$10 above the AAA average but had slipped below the 50 state mean by \$190 or 26 percent and was below the southeastern average by \$166 or 24 percent. By FY2010, the state had fallen further, below even the AAA average. The relative

Comparing Georgia's Revenue Portfolio to Regional and National Peers

**TABLE 19. FY2008 GENERAL
SALES TAX (STATE ONLY)**

| Rank | State | \$ per capita |
|-----------------------------|----------------|---------------|
| 1 | Hawaii | \$2,035 |
| 2 | Wyoming | \$1,841 |
| 3 | Washington | \$1,728 |
| 5 | Florida | \$1,168 |
| 6 | Tennessee | \$1,095 |
| 7 | Mississippi | \$1,066 |
| <i>Top Quintile Cutoff</i> | | \$990 |
| <i>Nat'l Median</i> | | \$768 |
| <i>SE Mean</i> | | \$767 |
| <i>50-State Mean</i> | | \$766 |
| 30 | South Carolina | \$678 |
| 37 | Georgia | \$598 |
| 40 | North Carolina | \$570 |
| <i>AAA Mean</i> | | \$568 |
| <i>Last Quintile Cutoff</i> | | \$546 |
| 43 | Alabama | \$489 |
| 44 | Virginia | \$469 |
| 45 | Colorado | \$469 |

**TABLE 20. FY2008 GENERAL
SALES TAX (LOCAL ONLY)**

| Rank | State | \$ per capita |
|-----------------------------|----------------|---------------|
| 1 | Louisiana | \$820 |
| 2 | New York | \$603 |
| 3 | Colorado | \$597 |
| 8 | Georgia | \$410 |
| 9 | Alabama | \$398 |
| <i>Top Quintile Cutoff</i> | | \$364 |
| 13 | Tennessee | \$314 |
| 20 | North Carolina | \$212 |
| <i>SE Mean</i> | | \$196 |
| <i>50-State Mean</i> | | \$178 |
| <i>AAA Mean</i> | | \$150 |
| 25 | Virginia | \$138 |
| <i>Nat'l Median</i> | | \$126 |
| 28 | Florida | \$72 |
| 30 | South Carolina | \$27 |
| 35 | Mississippi | \$0 |
| <i>Last Quintile Cutoff</i> | | \$0 |

Zero GST: AK, DE, MT, NH, OR.

rankings for the other states are similar, except that North Carolina jumped from 40th to 31st (or by \$95 per capita) in part because the state raised its sales tax rate in response to the recession.

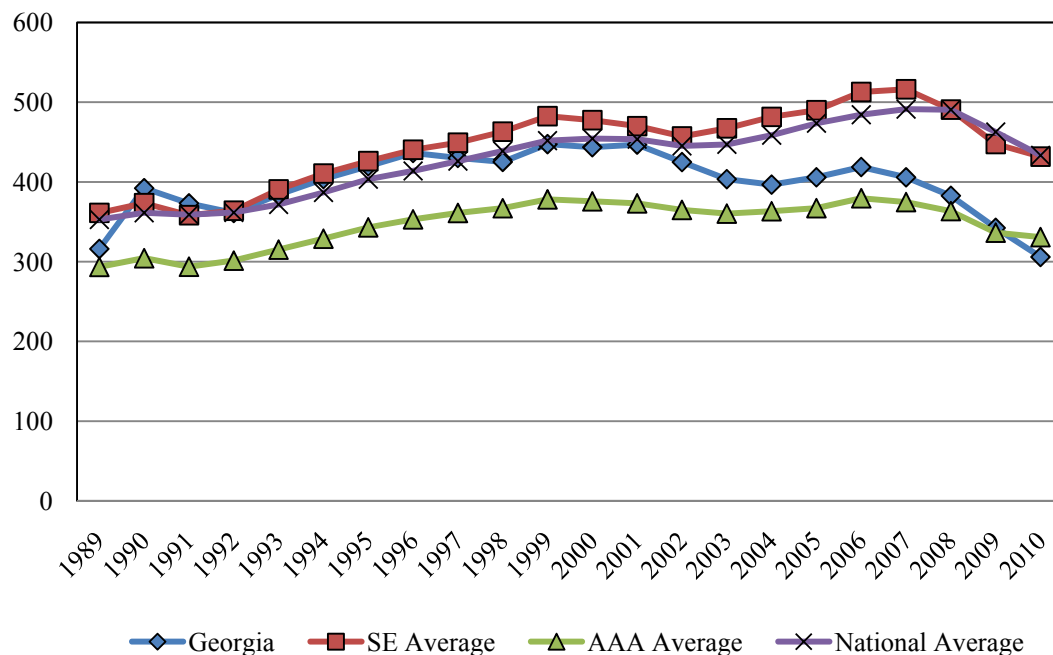
Comparing Georgia's Revenue Portfolio to Regional and National Peers

| TABLE 21. FY2009 GENERAL SALES TAX (STATE ONLY) | | | TABLE 22. FY2010 GENERAL SALES TAX (STATE ONLY) | | |
|---|----------------|---------------|---|----------------|---------------|
| Rank | State | \$ per capita | Rank | State | \$ per capita |
| 1 | Hawaii | \$1,901 | 1 | Hawaii | \$1,822 |
| 2 | Wyoming | \$1,819 | 2 | Washington | \$1,422 |
| 3 | Washington | \$1,506 | 3 | Wyoming | \$1,112 |
| 4 | Florida | \$1,037 | 4 | Tennessee | \$981 |
| 5 | Mississippi | \$1,025 | 6 | Mississippi | \$965 |
| 7 | Tennessee | \$1,010 | 7 | Florida | \$946 |
| <i>Top Quintile Cutoff</i> | | \$950 | <i>Top Quintile Cutoff</i> | | \$925 |
| <i>50-State Mean</i> | | \$730 | <i>50-State Mean</i> | | \$689 |
| <i>Nat'l Median</i> | | \$727 | <i>SE Mean</i> | | \$686 |
| <i>SE Mean</i> | | \$706 | <i>Nat'l Median</i> | | \$685 |
| 31 | South Carolina | \$638 | 31 | North Carolina | \$624 |
| 39 | Georgia | \$540 | 34 | South Carolina | \$597 |
| <i>AAA Mean</i> | | \$530 | <i>AAA Mean</i> | | \$526 |
| 40 | North Carolina | \$529 | <i>Last Quintile Cutoff</i> | | \$487 |
| <i>Last Quintile Cutoff</i> | | \$516 | 42 | Georgia | \$486 |
| 43 | Alabama | \$439 | 43 | Virginia | \$449 |
| 44 | Virginia | \$428 | 44 | Alabama | \$439 |
| 45 | Colorado | \$423 | 45 | Colorado | \$406 |

Figure 12 shows that Georgia's state level sales tax revenues have declined on a per capita inflation adjusted basis since 2001. Prior to 2001, Georgia's sales tax revenues tracked closely with the national and southeastern average. Currently, the state is collecting fewer sales tax revenues on a real per capita basis than it did in 1989.

Comparing Georgia's Revenue Portfolio to Regional and National Peers

FIGURE 12. STATE ONLY PER CAPITA GENERAL SALES TAX (1989 DOLLARS)



Looking at the underlying influences on the southeastern states, it appears that, on average, neighboring states have raised sales taxes, expanded their base, or otherwise taken action to keep their sales tax revenues growing over the past decade. Over the same period, Georgia has adopted incremental tax reductions (such as minor exemptions and sales tax holidays). In 2003, Tennessee raised its sales tax revenues by 1 percentage point. South Carolina first allowed the sales tax reduction on food to expire from 2002 through 2003 which kept revenues up during the recession, but then phased it out from 2004-2007. North Carolina raised the sales tax by half a cent in 2005, dropped it by 0.25 percentage point in 2006, and then raised it again by one percent in 2009. In 2005, Virginia increased its sales tax by a 0.5 percentage point. Although there have been some sales tax cuts as well among peer states, the overall effect has been adjustments to raise sales tax revenues.⁸

⁸ See Buschman (2010) for more detail.

Comparing Georgia's Revenue Portfolio to Regional and National Peers

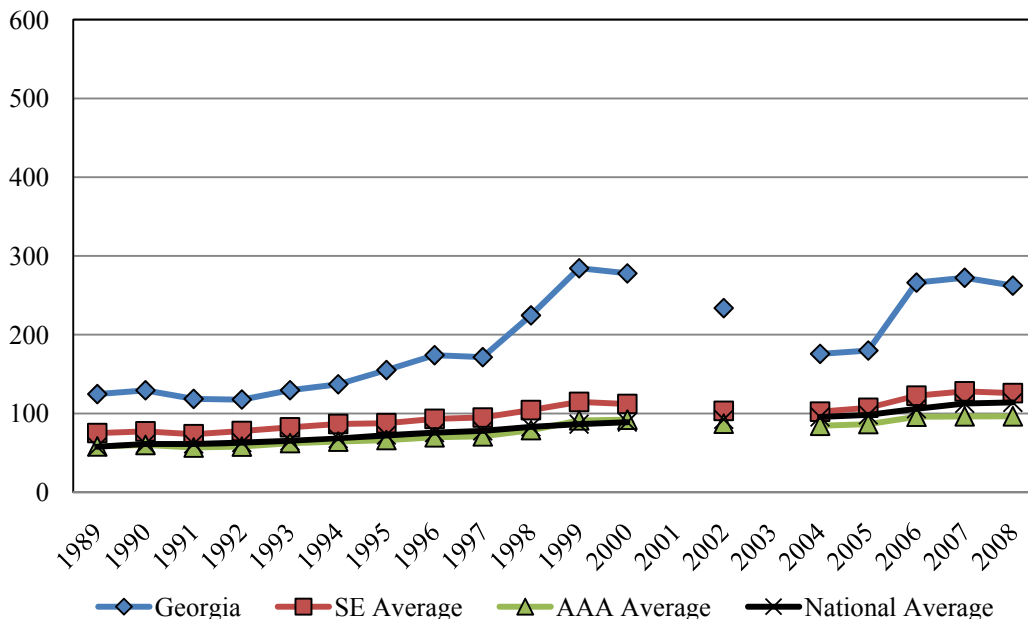
Compared to states nationally, other states have trended down as well, particularly over the last four or five years, but most have not trended downward as significantly as Georgia. Over the past 22 years, Georgia's state real sales tax revenues per capita declined by three percent, the 6th largest decline in the nation. Over the past decade, Georgia's real sales tax revenues per capita declined by 31 percent, the 2nd largest decline in the nation (see Appendix Table A-2 for details).

While sales tax revenues per capita have declined at the state level, Georgia's local government sales tax revenues per capita have increased. This growth appears to be driven by local use of the sales tax for capital investment. In FY2008, local level sales taxes in Georgia ranked 8th nationally, and 1st among the southeastern states (Table 20). Although high relative to peer states, it is important to keep in mind that only 30 states actually permit a local sales tax. In FY2008 Georgia was \$259 (172 percent) above the AAA state average, \$232 (130 percent) above the 50-state mean, and \$213 (109 percent) above the southeastern state average.

Figure 13 shows that for the past 20 years, local sales taxes have always been above the national, southeastern, and AAA averages. The trends in local sales tax revenues also are much "lumpier," with significant increases in 1998 and 1999 followed by a period of decline and then another sharp increase in 2006. These jumps in revenues per capita reflect the extensive use of sales tax revenues for capital investment at the local level. For instance, the sharp jump upward in 1996-97 reflects state approval of the education local option sales tax (ELOST). The more recent increase in 2006 reflects a combination of factors including economic growth as well as the adoption of the municipal option sales tax for the City of Atlanta and the resumption of special local option sales taxes (SPLOST) after a number of counties let theirs lapse during the 2002-2003 recession.

Comparing Georgia's Revenue Portfolio to Regional and National Peers

FIGURE 13. LOCAL PER CAPITA GENERAL SALES TAX (1989 DOLLARS)



Individual Income Tax

The individual income tax is collected only at the state level in Georgia (although this is not so for some other states). Based on Table 16, the state ranked 27th in FY2008 (down from 25th in FY2007) and was slightly above the 50-state average by \$18 or 2 percent in terms of state plus local income tax revenue. Georgia ranked 3rd in the southeast. Georgia is above the southeastern state average by \$251 or 38 percent and below the AAA average by \$264 or 22 percent.

Tables 23-25 show the *state only* ranking from FY2008 through FY2010. Once we drop out states with local income taxes, Georgia's relative ranking climbs to 23rd. However, the trends show that Georgia's income tax burden, relative to other states, continues downward, with the state ranking 25th in FY2009 and 28th in FY2010. Figure 14 shows that Georgia's income tax revenues per capita originally tracked fairly consistently just below the AAA average until around 2004, at which point Georgia's income tax revenues began to trend downward relative to the AAA average until in FY2010 Georgia's income tax revenues nearly equal the 50-state

Comparing Georgia's Revenue Portfolio to Regional and National Peers

TABLE 23. FY2008 INDIVIDUAL INCOME TAX (STATE ONLY)

| Rank | State | \$ per capita |
|-----------------------------|----------------|----------------|
| 1 | Connecticut | \$2,142 |
| 2 | Massachusetts | \$1,910 |
| 3 | New York | \$1,878 |
| 8 | Virginia | \$1,298 |
| Top Quintile Cutoff | | \$1,200 |
| 11 | North Carolina | \$1,189 |
| AAA Mean | | \$1,079 |
| 23 | Georgia | \$912 |
| Nat'l Median | | \$857 |
| 50- State Mean | | \$845 |
| SE Mean | | \$658 |
| 36 | Alabama | \$658 |
| 37 | South Carolina | \$636 |
| 39 | Mississippi | \$528 |
| Last Quintile Cutoff | | \$495 |
| 43 | Tennessee | \$47 |

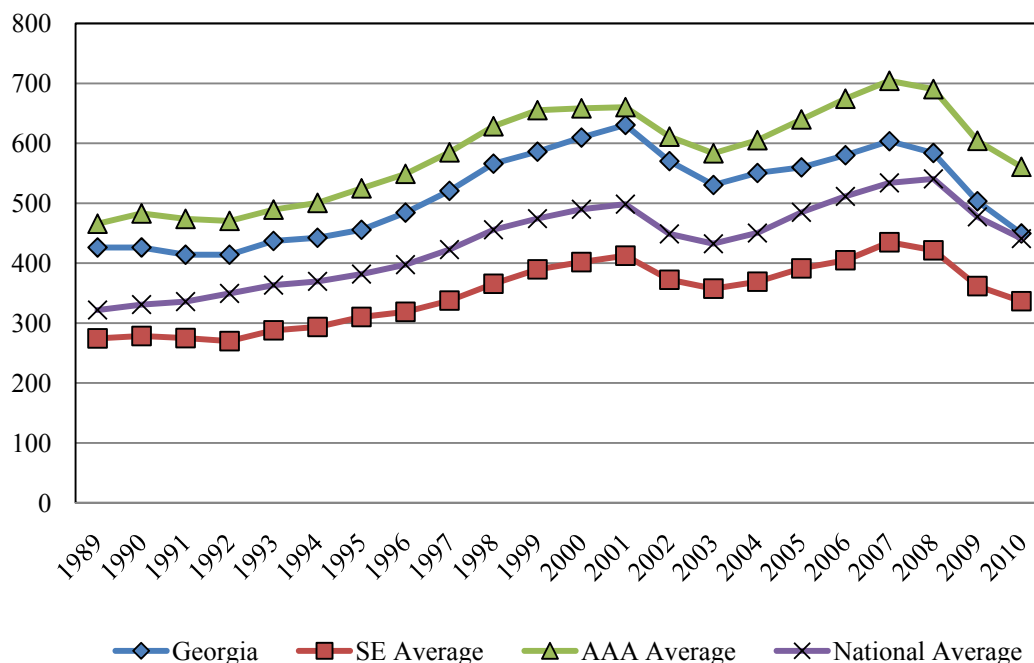
TABLE 24. FY2009 INDIVIDUAL INCOME TAX (STATE ONLY)

| Rank | State | \$ per capita |
|-----------------------------|----------------|----------------|
| 1 | New York | \$1,885 |
| 2 | Connecticut | \$1,813 |
| 3 | Massachusetts | \$1,607 |
| 9 | Virginia | \$1,131 |
| Top Quintile Cutoff | | \$1,100 |
| 14 | North Carolina | \$1,019 |
| AAA Mean | | \$953 |
| 25 | Georgia | \$794 |
| Nat'l Median | | \$784 |
| 50- State Mean | | \$753 |
| SE Mean | | \$570 |
| 37 | Alabama | \$565 |
| 38 | South Carolina | \$516 |
| 39 | Mississippi | \$503 |
| Last Quintile Cutoff | | \$297 |
| 43 | Tennessee | \$35 |

TABLE 25. FY2010 INDIVIDUAL INCOME TAX (STATE ONLY)

| Rank | State | \$ per capita |
|-----------------------------|----------------|----------------|
| 1 | New York | \$1,789 |
| 2 | Massachusetts | \$1,516 |
| 3 | Connecticut | \$1,504 |
| 9 | Virginia | \$1,098 |
| Top Quintile Cutoff | | \$1,088 |
| 14 | North Carolina | \$974 |
| AAA Mean | | \$891 |
| Nat'l Median | | \$728 |
| 28 | Georgia | \$714 |
| 50- State Mean | | \$701 |
| SE Mean | | \$535 |
| 35 | Alabama | \$528 |
| 37 | South Carolina | \$478 |
| 39 | Mississippi | \$458 |
| Last Quintile Cutoff | | \$319 |
| 43 | Tennessee | \$27 |

FIGURE 14. PER CAPITA INDIVIDUAL INCOME TAX (STATE ONLY) (1989 DOLLARS)



Comparing Georgia's Revenue Portfolio to Regional and National Peers

average. Georgia's real income tax revenues per capita in FY2010 are almost exactly equal to Georgia's revenues in FY1995.

This trend appears to be more a function of the economy than of significant changes in tax rates by other states or by Georgia (Buschman 2010). From 1989-2010, Georgia's real per capita income tax revenues have grown by 5 percent. The state's real income tax revenues per capita grew in the 1990s; however, in the past decade, most of the gains were erased as Georgia's real per capita income tax revenues declined by 26 percent – the 8th largest decline in the nation (see Appendix Table A-3 for details).

Corporate Income Tax

The corporate income tax is a relatively small tax generator in Georgia at \$97 per capita (3.9 percent of all taxes). Table 26 provides the rankings and per capita tax burden for the corporate income tax in FY 2008. Georgia ranks 41st nationally and 7th out of the 8 southeastern states. Georgia is \$90 (48 percent) below the 50-state average, \$46 (32 percent) below the AAA rated states, and \$18 (16 percent) below the southeastern state average. Given that four states do not have a corporate income tax, this makes Georgia's corporate income tax revenues per capita 4th lowest in the nation.

Comparing Georgia's Revenue Portfolio to Regional and National Peers

**TABLE 26. FY2008 CORPORATE
INCOME TAX (STATE AND LOCAL)**

| Rank | State | \$ per capita |
|-----------------------------|----------------|------------------|
| 1 | Alaska | \$1,427 |
| 2 | New York | \$582 |
| 3 | New Hampshire | \$465 |
| Top Quintile Cutoff | | \$243 |
| 50- State Mean | | \$187 |
| 18 | Tennessee | \$161 |
| AAA Mean | | \$143 |
| Nat'l Median | | \$139 |
| 28 | Mississippi | \$131 |
| 30 | North Carolina | \$130 |
| 34 | Florida | \$120 |
| SE Mean | | \$115 |
| 37 | Alabama | \$112 |
| 39 | Virginia | \$101 |
| Last Quintile Cutoff | | \$97 |
| 41 | Georgia | \$97 |
| 45 | South Carolina | \$71 |
| 46 | Missouri | \$64 |
| 47 | Nevada | \$0 |
| 47 | Texas | \$0 |
| 47 | Washington | \$0 |
| 47 | Wyoming | \$0 |

Zero CIT: NV, TX, WA, WY.

For the corporate income tax, FY2009 and FY2010 estimated numbers are available at the state level only (Table 28-29). In Georgia, only the state has access to the corporate income tax, but this is not necessarily the case in other states. When other states' local corporate income taxes are removed, Georgia still retains its 41st ranking in FY2008 (Table 27). In FY2009 Georgia's ranking rose to 38th and in FY2010 it appears that Georgia will again move up to 34th – this has occurred even though the per capita value of Georgia's corporate income tax dropped from \$97 to \$70.

Comparing Georgia's Revenue Portfolio to Regional and National Peers

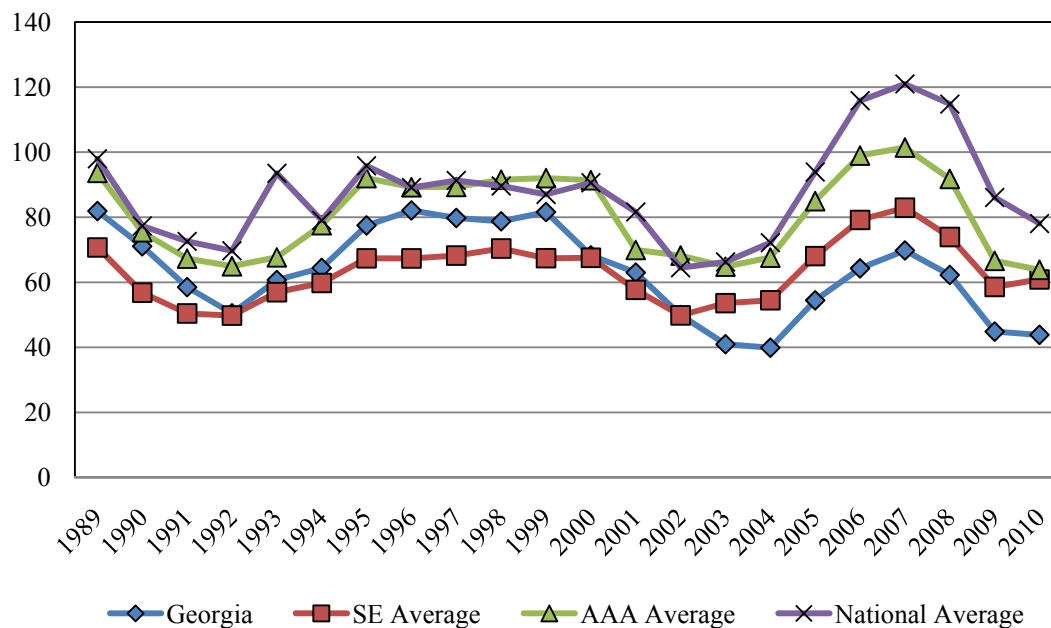
| TABLE 27. FY2008 CORPORATE INCOME (STATE ONLY) | | | TABLE 28. FY2009 CORPORATE INCOME (STATE ONLY) | | | TABLE 29. FY2010 CORPORATE INCOME (STATE ONLY) | | |
|--|----------------|---------------|--|----------------|---------------|--|----------------|---------------|
| Rank | State | \$ per capita | Rank | State | \$ per capita | Rank | State | \$ per capita |
| 1 | Alaska | \$1,427 | 1 | Alaska | \$906 | 1 | Alaska | \$921 |
| 2 | New Hampshire | \$465 | 2 | New Hampshire | \$372 | 2 | New Hampshire | \$377 |
| 3 | Delaware | \$352 | 3 | New Jersey | \$275 | 3 | Massachusetts | \$257 |
| Top Quintile Cutoff | | \$243 | Top Quintile Cutoff | | \$200 | Top Quintile Cutoff | | \$156 |
| 50- State Mean | | \$179 | 50- State Mean | | \$136 | 11 | Tennessee | \$143 |
| 18 | Tennessee | \$161 | 19 | Tennessee | \$130 | 13 | North Carolina | \$138 |
| AAA Mean | | \$143 | 24 | Mississippi | \$110 | 50- State Mean | | \$124 |
| Nat'l Median | | \$134 | Nat'l Median | | \$107 | 22 | Mississippi | \$107 |
| 26 | Mississippi | \$131 | AAA Mean | | \$105 | AAA Mean | | \$101 |
| 28 | North Carolina | \$130 | 26 | Alabama | \$105 | 24 | Virginia | \$100 |
| 34 | Florida | \$120 | 29 | Florida | \$99 | Nat'l Median | | \$97 |
| SE Mean | | \$115 | 30 | North Carolina | \$96 | SE Mean | | \$97 |
| 37 | Alabama | \$112 | SE Mean | | \$92 | 26 | Florida | \$97 |
| 39 | Virginia | \$101 | 37 | Virginia | \$80 | 30 | Alabama | \$91 |
| Last Quintile Cutoff | | \$97 | 38 | Georgia | \$71 | 34 | Georgia | \$70 |
| 41 | Georgia | \$97 | Last Quintile Cutoff | | \$65 | Last Quintile Cutoff | | \$44 |
| 44 | South Carolina | \$71 | 44 | South Carolina | \$48 | 44 | South Carolina | \$28 |
| 45 | Ohio | \$65 | 45 | Missouri | \$47 | 45 | New Mexico | \$27 |
| 46 | Missouri | \$64 | 46 | Ohio | \$45 | 46 | Ohio | \$11 |

Examining the underlying data suggests that part of the issue is simply economic rather than any particular tax change (states that fell below Georgia include Arizona, Colorado and Idaho which were significantly affected by the recession). However, there may also be different aspects of the corporate income tax structures such as requirements around the timing of recognizing losses that creates more variability in revenues per capita during a recession across states.

Figure 15 shows the trend over time. Georgia's per capita corporate income tax revenues were higher or equal to the southeastern state average until FY 2002 but have been consistently lower from 2003 to current. Overall, corporate income tax revenues per capita are volatile but ultimately trend downward in Georgia. Georgia's real per capita corporate income taxes have declined by 46 percent, 9th in the nation, from 1989 to 2010, and revenues declined by 36 percent or 10th in the nation over the past decade (see Appendix Table A-4 for details).

Comparing Georgia's Revenue Portfolio to Regional and National Peers

FIGURE 15. PER CAPITA CORPORATE INCOME TAXES (STATE ONLY) (1989 DOLLARS)



Selective Sales Tax

As noted earlier, while Georgia is in middle of the state rankings in its core taxes, in selective sales and other smaller taxes, Georgia ranks near the bottom. Examining “selective sales” taxes overall, Georgia ranked 48th in the nation and last in the southeast for combined state and local per capita selective sales taxes (Table 30). At \$297 per capita, Georgia’s tax burden was \$183 (38 percent) below the 50-state average, \$141 (32 percent) below AAA rated states, and \$133 (31 percent) below the southeastern states average in FY 2008. Figure 16 shows that selective sales for Georgia have historically been well below the national average as well as below peer states and has been more or less flat in terms of real per capita growth over time.

Comparing Georgia's Revenue Portfolio to Regional and National Peers

**TABLE 30. FY2008 SELECTIVE
SALES TAXES (STATE AND LOCAL)**

| Rank | State | \$ per capita |
|-----------------------------|----------------|----------------------|
| 1 | Nevada | \$965 |
| 2 | Vermont | \$842 |
| 3 | Illinois | \$776 |
| 8 | Florida | \$631 |
| <i>Top Quintile Cutoff</i> | | \$581 |
| 21 | Alabama | \$520 |
| 23 | Virginia | \$493 |
| <i>50- State Mean</i> | | \$480 |
| <i>Nat'l Median</i> | | \$447 |
| <i>AAA Mean</i> | | \$438 |
| <i>SE Mean</i> | | \$430 |
| 30 | North Carolina | \$424 |
| 32 | Mississippi | \$406 |
| 39 | Tennessee | \$353 |
| <i>Last Quintile Cutoff</i> | | \$339 |
| 43 | South Carolina | \$315 |
| 48 | Georgia | \$297 |
| 49 | Oregon | \$290 |
| 50 | Idaho | \$278 |

Comparing Georgia's Revenue Portfolio to Regional and National Peers

FIGURE 16. PER CAPITA STATE AND LOCAL SELECTIVE SALES TAX (1989 DOLLARS)

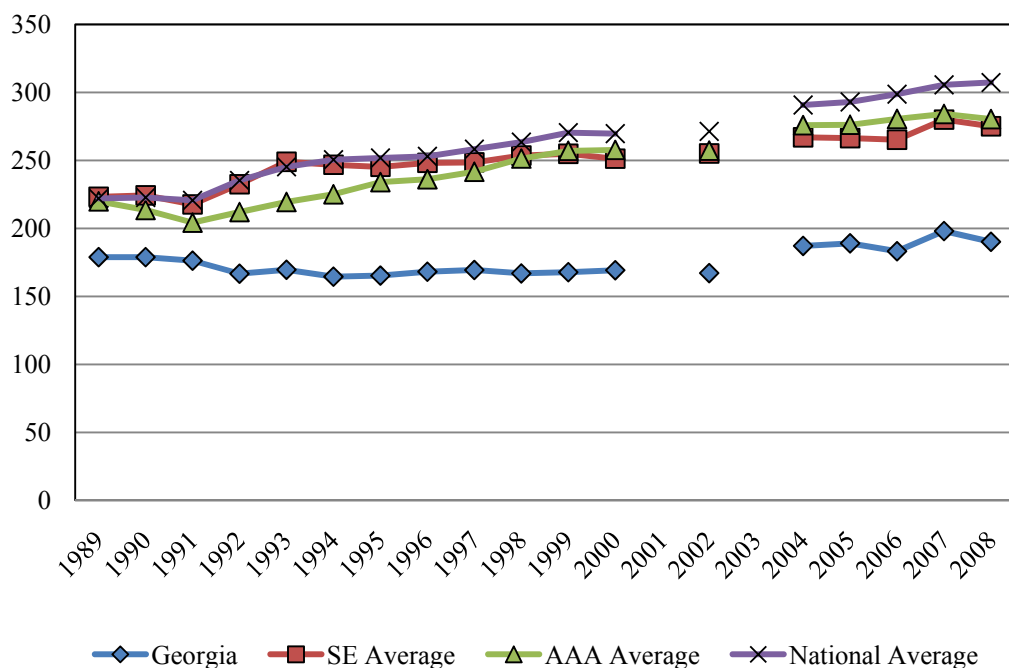


Table 31 shows the breakdown of Georgia's rank by type of selective sales tax. Two of the major drivers of Georgia's low relative rank are the motor fuel tax and the tobacco tax, where Georgia ranks 43rd and 46th in the nation, respectively.

TABLE 31. GEORGIA'S RANK FOR SELECTIVE SALES (FY 2008)

| | Amount | 50-State | Southeast |
|--------------------|--------|----------|-----------|
| Motor Fuel | \$104 | 43th | 8th |
| Tobacco Product | \$24 | 46th | 6th |
| Alcoholic Beverage | \$30 | 12th | 6th |
| Public Utilities | \$29 | 38th | 5th |
| Other | \$110 | 38th | 7th |

Comparing Georgia's Revenue Portfolio to Regional and National Peers

State-only data is available for FY2009 and FY2010 and is shown in Tables 32-34. These indicate that again Georgia as a state is at the bottom in these taxes, ranking 50th in the nation. Figure 17 shows that after an uptick during the past decade the state selective sales tax revenues per capita are now trending downward and are at a 20 year low.

**TABLE 32. FY2008 SELECTIVE
SALES TAXES (STATE ONLY)**

| Rank | State | \$ per capita |
|-----------------------------|----------------|---------------|
| 1 | Vermont | \$831 |
| 2 | Nevada | \$708 |
| 3 | Connecticut | \$647 |
| Top Quintile Cutoff | | \$536 |
| 18 | Alabama | \$459 |
| 23 | Florida | \$422 |
| Nat'l Median | | \$416 |
| 26 | Indiana | \$416 |
| 50- State Mean | | \$413 |
| 28 | North Carolina | \$396 |
| 30 | Mississippi | \$372 |
| AAA Mean | | \$359 |
| SE Mean | | \$339 |
| 35 | Virginia | \$313 |
| 38 | Tennessee | \$285 |
| 40 | South Carolina | \$273 |
| Last Quintile Cutoff | | \$264 |
| 48 | California | \$214 |
| 49 | Oregon | \$201 |
| 50 | Georgia | \$195 |

**TABLE 33. FY2009 SELECTIVE
SALES TAXES (STATE ONLY)**

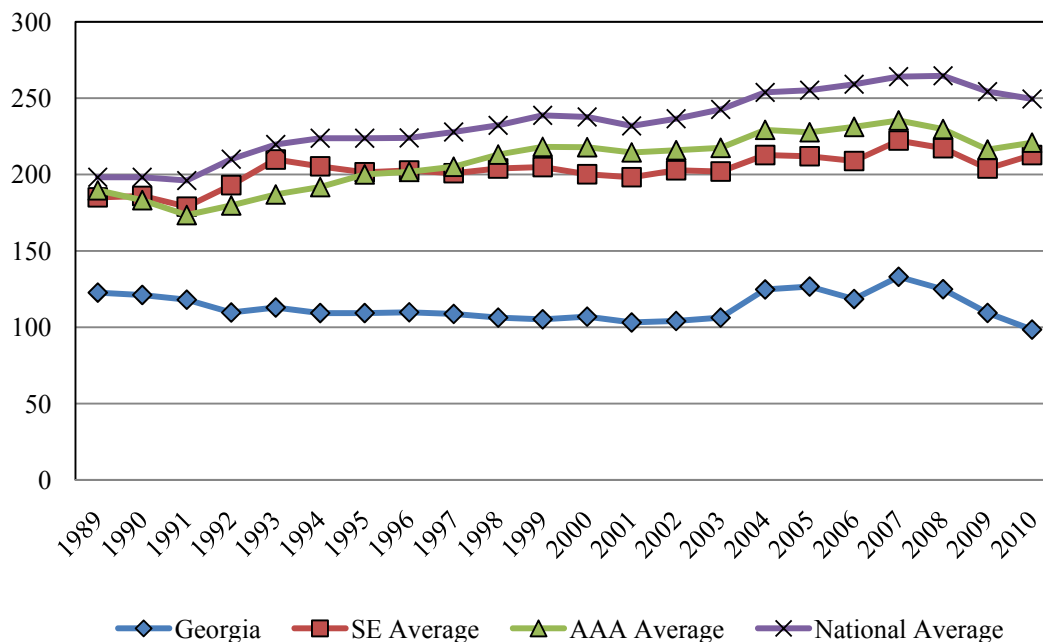
| Rank | State | \$ per capita |
|-----------------------------|----------------|---------------|
| 1 | Vermont | \$805 |
| 2 | Nevada | \$627 |
| 3 | New Hampshire | \$626 |
| Top Quintile Cutoff | | \$536 |
| 18 | Alabama | \$453 |
| 24 | Florida | \$412 |
| Nat'l Median | | \$404 |
| 50- State Mean | | \$401 |
| 28 | Mississippi | \$377 |
| 29 | North Carolina | \$370 |
| AAA Mean | | \$341 |
| SE Mean | | \$321 |
| 38 | Virginia | \$271 |
| Last Quintile Cutoff | | \$261 |
| 41 | Tennessee | \$261 |
| 43 | South Carolina | \$256 |
| 48 | California | \$200 |
| 49 | Oregon | \$195 |
| 50 | Georgia | \$172 |

**TABLE 34. FY2010 SELECTIVE
SALES TAXES (STATE ONLY)**

| Rank | State | \$ per capita |
|-----------------------------|----------------|---------------|
| 1 | Minnesota | \$656 |
| 2 | Nevada | \$649 |
| 3 | Vermont | \$642 |
| Top Quintile Cutoff | | \$546 |
| 14 | Florida | \$473 |
| 16 | Alabama | \$448 |
| 21 | Mississippi | \$409 |
| 50- State Mean | | \$396 |
| 25 | North Carolina | \$381 |
| Nat'l Median | | \$380 |
| AAA Mean | | \$351 |
| SE Mean | | \$338 |
| 36 | Tennessee | \$292 |
| 40 | Virginia | \$276 |
| Last Quintile Cutoff | | \$271 |
| 41 | South Carolina | \$271 |
| 48 | California | \$200 |
| 49 | Oregon | \$198 |
| 50 | Georgia | \$156 |

Comparing Georgia's Revenue Portfolio to Regional and National Peers

FIGURE 17. PER CAPITA STATE SELECTIVE SALES TAXES (1989 DOLLARS)

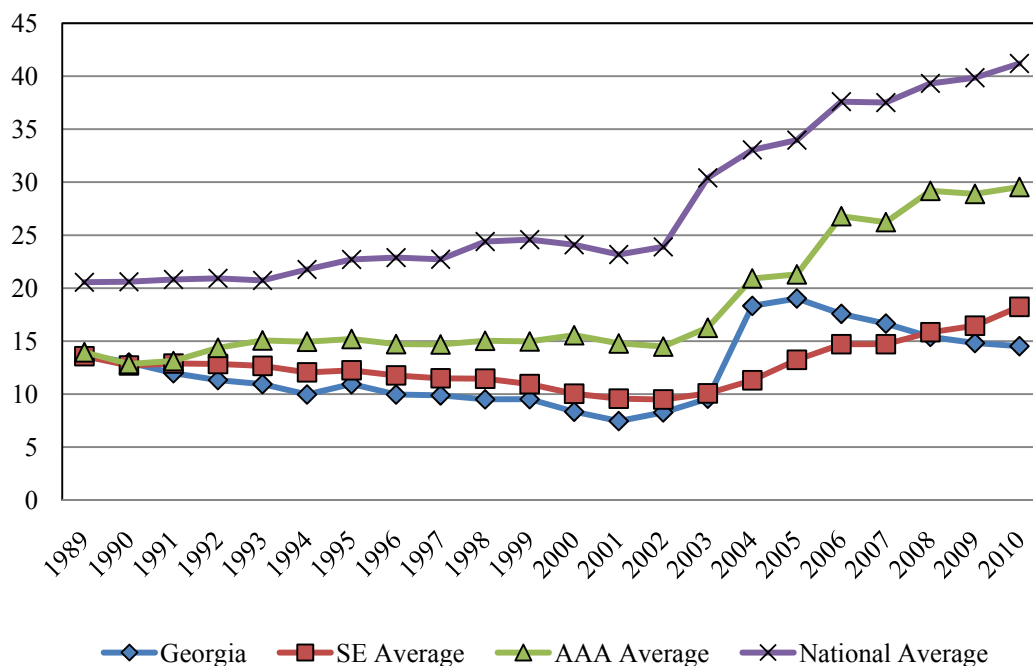


Tobacco

Motor fuel taxes and a host of "other taxes" are the main drivers of Georgia's selective sales ranking. Although tobacco makes up a small portion of the total selective sales taxes, Georgia's tobacco tax is low compared to its peer states. Figure 18 shows the trend over time for tobacco taxes. The tobacco tax in Georgia was below the southeastern average through 2003. In 2003, the state raised the tax by 25 cents; however, since then the tax has declined on a real per capita basis even as other states have raised their taxes. Nationally and among AAA states, there has been a concerted effort to raise this tax (Buschman 2010).

Comparing Georgia's Revenue Portfolio to Regional and National Peers

FIGURE 18. PER CAPITA TOBACCO PRODUCTS TAX (1989 DOLLARS)

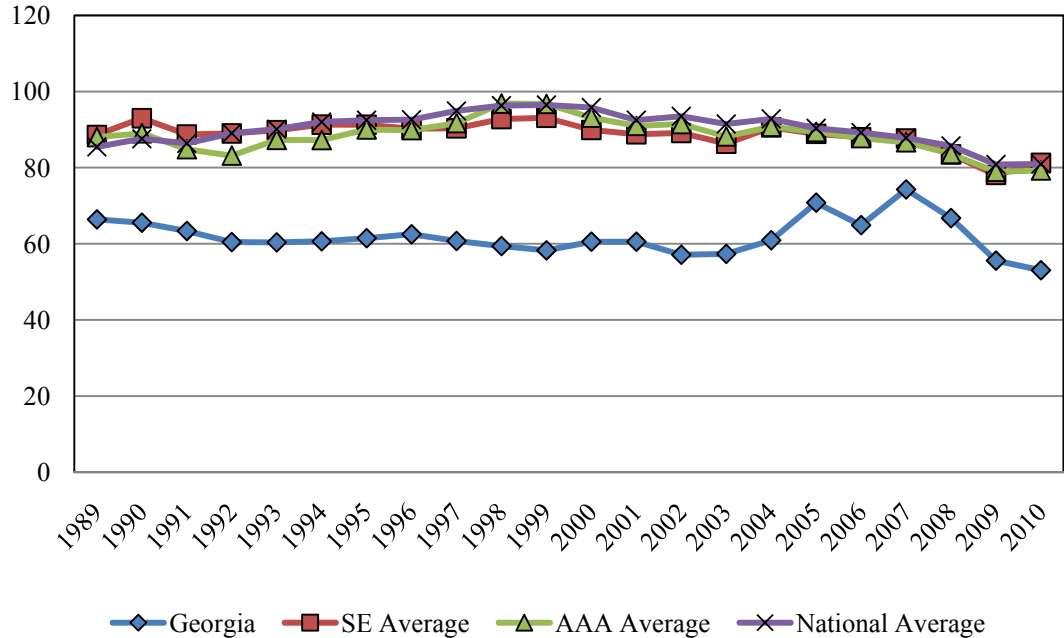


Motor Fuel

Motor Fuel taxes have also been declining, Georgia ranks last in the southeast and has some of the lowest revenue per capita from the gas tax in the country (Figure 19). In FY2010, Georgia's motor fuel tax revenues were \$44 per capita (35 percent) below the southeastern average.

Comparing Georgia's Revenue Portfolio to Regional and National Peers

FIGURE 19. PER CAPITA MOTOR FUEL (STATE ONLY) (1989 DOLLARS)



Other Selective Sales Taxes

Georgia also ranks fairly low (38th) in "other" selective sales taxes per capita. Other selective sales taxes include various health care related assessments, special sales taxes on motor vehicle purchases, and sales taxes intended to capture revenues from tourism such as taxes on car rentals and special hotel/motel taxes. These also include amusement sales taxes and taxes on gambling.

Comparing Georgia's Revenue Portfolio to Regional and National Peers

IV. Other Taxes

Finally, there are a variety of other taxes that other states utilize that Georgia is less reliant upon. Motor vehicle license fees are a small amount of revenue (Table 35) but Georgia is 49th in the nation, below all peer states and brings in less than half of the national median. "Other taxes" make up a larger percentage of most states' tax portfolios and include a variety of taxes such as severance taxes (a tax on natural resources extracted from the state—see Alaska for a good example), estate taxes, real estate transfer taxes, other taxes or fees on professional licenses, and documentary or stock transfer taxes. Again, Georgia ranks 50th (Table 36) and is 28 percent below the 49th state. Georgia is 75 percent below the southeastern average.

**TABLE 35. FY2008 MOTOR
VEHICLE LICENSE
(STATE AND LOCAL)**

| Rank | State | \$ per capita |
|-----------------------------|-----------------------|---------------|
| 1 | Hawaii | \$184 |
| 2 | Oklahoma | \$175 |
| 3 | Montana | \$156 |
| <i>Top Quintile Cutoff</i> | | \$103 |
| | <i>50- State Mean</i> | \$78 |
| 25 | North Carolina | \$70 |
| <i>Nat'l Median</i> | | \$68 |
| 27 | Tennessee | \$66 |
| 30 | Virginia | \$65 |
| | <i>AAA Mean</i> | \$64 |
| 32 | Florida | \$63 |
| | <i>SE Mean</i> | \$53 |
| 38 | Alabama | \$50 |
| <i>Last Quintile Cutoff</i> | | \$49 |
| 45 | Mississippi | \$42 |
| 48 | South Carolina | \$36 |
| 49 | Georgia | \$31 |
| 50 | Louisiana | \$20 |

**TABLE 36. FY2008 OTHER TAXES
(STATE AND LOCAL)**

| Rank | State | \$ per capita |
|-----------------------------|-----------------------|---------------|
| 1 | Alaska | \$10,246 |
| 2 | Wyoming | \$1,842 |
| 3 | North Dakota | \$1,382 |
| | <i>50- State Mean</i> | \$425 |
| <i>Top Quintile Cutoff</i> | | \$422 |
| | <i>AAA Mean</i> | \$405 |
| 18 | Florida | \$285 |
| <i>Nat'l Median</i> | | \$284 |
| 19 | Virginia | \$277 |
| | <i>SE Mean</i> | \$275 |
| 20 | Tennessee | \$260 |
| 21 | Alabama | \$259 |
| 26 | South Carolina | \$206 |
| 31 | Mississippi | \$178 |
| <i>Last Quintile Cutoff</i> | | \$149 |
| 42 | North Carolina | \$145 |
| 48 | Hawaii | \$98 |
| 49 | Arkansas | \$97 |
| 50 | Georgia | \$70 |

Comparing Georgia's Revenue Portfolio to Regional and National Peers

V. Conclusion

Overall Georgia's *state* taxes per capita are well below national, southeastern and AAA-state averages and for many specific taxes in the bottom quartile of states. Further, Georgia's relative rank as a state has been declining—a trend evident by the increasing gap between the national average and Georgia's real taxes per capita. In FY2008, Georgia was 50th in the nation in own source revenues per capita, while more recent data on taxes indicates that Georgia is now 49th in the nation in tax revenues per capita in FY2010. The addition of local taxes pushes Georgia more into alignment with southeastern averages but the state is still below AAA states and national averages across most tax types.

In part, the local growth in taxes appears to be driven by local use of sales tax dollars to finance capital investment. Georgia's reliance on local taxes needs further analysis for several reasons. First, it is possible that local per capita tax growth could be uneven. Because local government revenues from the Census are reported in aggregate, it is not clear whether certain regions of the state are driving the increases in local taxes per capita or whether the growth is evenly distributed across the state. Second, local governments are financing infrastructure on a cash basis using the sales tax revenues rather than using debt financing over longer periods. Debt financing may smooth investment over 20 years, but may also *underrepresent* total revenues being tapped by other states relative to Georgia. In other words, Georgia has a relatively higher tax burden now because it is paying for infrastructure upfront (with cash), but over the long term the burden will be lower because state and local governments are carrying a lower long-term debt burden as compared to peer states. Finally, reliance on local taxes raises issues of disparity across the state which may or may not be a desirable policy outcome. On the one hand, rural areas with low tax bases may not want or need the same amount of public services that more urban areas require. On the other hand, in areas such as education funding and infrastructure, local governments with low tax bases may fall significantly behind urban areas in terms of the services or the quality of services that they are able to provide. Financing government services at the state level tends (although not always) to create a more even distribution of services across the state.

Comparing Georgia's Revenue Portfolio to Regional and National Peers

Lastly, when considering Georgia's combined state and local tax portfolio, Georgia overall is more reliant on its core taxes than other states—sales tax, income tax and property tax – while Georgia ranks among the bottom ten for non-core taxes and charges and miscellaneous revenues. Georgia's relative rank for charges and miscellaneous revenues may increase in future years as a concerted effort was made to increase this source of revenue for FY2011. However, Georgia's non-core taxes have been relatively flat on a real per capita basis over the past 20 years, and in so far as the state is considering increasing taxes, may be an alternative to increases in core taxes.

Comparing Georgia's Revenue Portfolio to Regional and National Peers

TABLE 37. GEORGIA'S REVENUE PORTFOLIO: SUMMARY

| State-Only Revenue Portfolio FY08-FY10 | FY2008 | Rank | FY2009 | Rank | FY2010 | Rank | % Below/ Above National Average in FY2010 | National Average |
|---|----------------|-------------|----------------|-------------|----------------|-------------|--|-----------------------------|
| Income | \$912 | 23 | \$794 | 25 | \$714 | 28 | 1.9% | \$701 |
| General Sales | \$598 | 37 | \$540 | 39 | \$486 | 42 | -29.4% | \$689 |
| Property | \$8 | 22 | \$8 | 22 | \$9 | 22 | -90.6% | \$92 |
| Corporate Income | \$97 | 41 | \$71 | 38 | \$70 | 34 | -43.8% | \$124 |
| Selective Sales | \$195 | 50 | \$172 | 50 | \$156 | 50 | -60.5% | \$396 |
| Motor Vehicle License | \$31 | 48 | \$29 | 49 | \$29 | 48 | -59.5% | \$72 |
| Other Taxes | \$22 | 50 | \$22 | 50 | \$28 | 50 | -91.6% | \$330 |
| Total | \$1,863 | 44 | \$1,636 | 48 | \$1,492 | 49 | | |

States Without a Tax Type (State-only)

Zero IIT: AK, FL, NV,SD, TX, WA, WY

Zero GST: AK, DE, MT, NH, OR.

Zero PT: CO, CT, DE, HI, ID, IA, NY, NC, OH, OK, SD, TN, TX, UT

Zero CI: NV, TX, WA, WY.

| State and Local Revenue Portfolio FY06-FY08 | FY2006 | Rank | FY2007 | Rank | FY2008 | Rank | % Below/ Above National Average in FY2008 | National Average |
|--|----------------|-------------|----------------|-------------|----------------|-------------|--|-----------------------------|
| Income | \$862 | 24 | \$923 | 25 | \$912 | 27 | 2.0% | \$894 |
| General Sales | \$1,017 | 16 | \$1,037 | 18 | \$1,008 | 21 | 6.7% | \$944 |
| Property | \$959 | 33 | \$998 | 32 | \$1,054 | 33 | -16.1% | \$1,256 |
| Corporate Income | \$95 | 42 | \$107 | 40 | \$97 | 41 | -48.0% | \$187 |
| Selective Sales | \$272 | 50 | \$303 | 47 | \$297 | 48 | -38.1% | \$480 |
| Motor Vehicle License | \$30 | 50 | \$30 | 49 | \$31 | 49 | -60.9% | \$78 |
| Other Taxes | \$90 | 50 | \$72 | 50 | \$70 | 50 | -86.6% | \$520 |
| Total | \$3,325 | 35 | \$3,470 | 34 | \$3,468 | 38 | | |
| Other Charges and Miscellaneous Revenue | \$1,434 | 46 | \$1,617 | 42 | \$1,673 | 43 | -23.3% | \$2,182 |

States Without a Tax Type (State and Local)

Zero IIT: AK, FL, NV,SD,TX,WA,WY

Zero GST: DE, MT, NH, OR.

Zero CIT: NV, TX, WA, WY.

Comparing Georgia's Revenue Portfolio to Regional and National Peers

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Comparing Georgia's Revenue Portfolio to Regional and National Peers

Appendix

Comparing Georgia's Revenue Portfolio to Regional and National Peers

About the Authors

Carolyn Bourdeaux is an Associate Professor of Public Administration. She recently returned to the Andrew Young School after a leave of absence working as Director of the Georgia Senate Budget and Evaluation Office. Her recent research focuses on state budget decision-making, and program and performance based budgeting.

Sungman Jun is a graduate student working towards his Ph.D. in public finance in the Public Management and Policy Program at the Andrew Young School.

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