

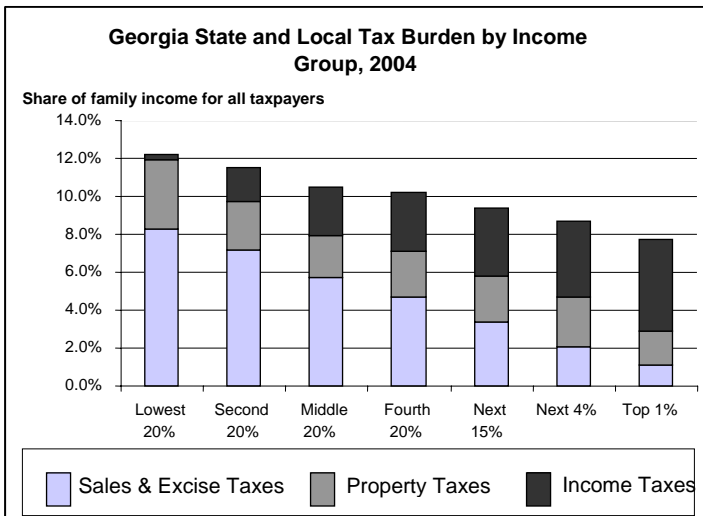
**WOMEN'S
POLICY
GROUP**

*Focus
Series*

Georgia Needs Tax Reform: To Protect the Middle Class and Invest in Education

Georgia is a low tax state. We rank 44th in state taxes, and 40th in combined state and local taxes.

Georgia's tax structure is NOT fair. Although a low tax state, the current structure takes more from those residents who have the least. Granting an income tax credit to offset increases in sales tax is only valuable to those who already make enough money to pay income taxes; it does nothing to alleviate the tax burden on the poorest who spend most of their income on housing and groceries.



Georgia's budget funds critical public services.

Approximately 89% of the state's FY2007 budget was spent on basic traditional government services such as education, healthcare, public safety, transportation, and social services (such as child protective services, aging services, and mental health). Georgia is currently the 4th fastest growing economy in the state; this trend increases the need for new classrooms, law enforcement personnel, health and social services, and new roads and bridges. These services drive budget growth and often increase faster than overall inflation and population growth

State funding for education has decreased. Since 2001, the state contribution to education has decreased from 60% to 55%, which places greater pressure on local governments to increase revenue sources. If the state was contributing the same percentage to education it did in 2001, *local school districts* could implement at \$575 million property tax reduction.

A quality education requires consistent and adequate state funding. \$1.4 billion in cumulative Quality Basic Education funding cuts have shifted state obligations to local taxpayers, causing many Georgia school systems to exhaust reserves, cut programs, lay off employees and/or raise property taxes. If not addressed, the funding gap between high and low wealth systems regarding the equality and adequacy of education funding will widen.

Local funding decisions should be made by local officials and tax payers. Studies show that state aid to localities decreases over time, especially during economic downturns. Local communities need the ability and flexibility to raise revenue through locally appropriate measures.

Tax reform in Georgia is needed, but should be rational and balanced. As our lawmakers, you can end the undue state and local tax burden on the least able to pay while ensuring adequate education funding through several measures, including:

- Increasing the progressivity of the income tax by modernizing income tax brackets and rates, and creating an earned income tax credit, which would reduce the tax obligation of low-income residents. Making income tax more progressive off sets the regressivity found in property and sales taxes.
- Make Georgia's tax system more proportional and stable by lessening the reliance on sales taxes. Sales taxes are the most unstable source of revenue compared to property and income tax. Georgia can ensure stable education funding and relieve the undue tax burden on our poorest by lowering the sales tax rate.

Thank you for your support in this matter of extreme importance to Georgia's future.

SOURCES: Georgia Budget and Policy Institute (www.gbpi.org), The Institute on Taxation and Economic Policy (www.ctj.org/itpe), Georgia Parent/Teacher Association (www.georgiapta.org), Association County Commissioners of Georgia (www.accg.org), Georgia Municipal Association (www.gmanet.com).

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