

The banner features a blue background with a white outline of the Georgia State Capitol dome on the left. To the right, there is a photograph of five diverse young people smiling. The text "GSBA CAPITOL WATCH ONLINE" is written in a white, serif font across the top of the banner.

GSBA CAPITOL WATCH ONLINE

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Speaker Unveils Phase In of Tax Reform by Angela Palm on 12/5/2007

Speaker of the Georgia House of Representatives Glenn Richardson unveiled the latest revision to his tax reform initiative on Friday, November 30th, at the GSBA/GSSA Annual Conference in Atlanta. In a speech before about 700 school board members, superintendents and others, the Speaker told the audience that he would now initially target only school property taxes. This is not good news for Georgia's school children or for local communities who want a greater say in funding their schools.

While this latest version of the tax reform initiative appears to veer from the *elimination* of property taxes for schools to the *limitation* on school boards to generate revenue through their use, it still nonetheless significantly impairs the ability of school boards to adequately fund education at the level each of their local communities desire. [Details of the latest plan are provided below, but they include both millage and digest limitations]

GSBA remains firmly opposed to taking away the ability of local school boards to determine local budgets based on local needs and the wishes of the communities they represent.

Just Where, Then, Does GSBA Stand on Tax Reform?

That question was answered by the GSBA Board of Directors in a unanimous decision on Wednesday, November 28, 2007. Here is part of what the Board approved:

"The Georgia School Boards Association supports tax reform that is done right. GSBA believes that a Commission on Comprehensive Tax Reform should be convened to conduct a *complete* and *open* study of the implications of tax reform."

In addition to calling for a comprehensive tax reform commission, the following are reforms that GSBA's legislative positions support:

- Authorizing alternative revenue sources for local boards [such as the Local Option Sales Tax for operational purposes];
- Maintaining the property tax as basic to education funding;
- Authorizing development impact fees;
- Removal of the motor fuel sales tax for local board purchases;
- Implementing a state tax policy that addresses the annual passage of sales tax exemptions;
- Resisting Taxpayer Bill of Rights legislation that limit revenue for state government; and
- Resisting ad valorem tax assessment limitations.

What Is The Latest Plan?

Following are the details as given by the Speaker at the GSBA/GSSA Annual Conference with some clarifications from his office. A video of his speech is on his website, www.thegreatplanforgeorgia.com.

There are three major changes to the previous plan, all of which require Constitutional amendments.

1. Homestead values could increase from the 2007 level no more than 1% per year. The value would be reset upon sale of the property. Appeals may be made at the time the bill is delivered. [IMPACT: The tax digest growth will be *limited* because residential property values do not increase until the property changes hands (or is improved); thus, with inflation and continued underfunding of programs by the state, the likelihood of a need for additional millage will increase.]
2. Millage rate increases would be *limited* no more than the government consumer price index (the current estimate by the Speaker is 3.5%-4%) without a referendum. [IMPACT: The Constitutional authority to levy up to 20 mills without limitation would be lost. In its place would be a *limitation* which would work like this: If a board's current millage rate is 15, and if inflation is at 4 percent, that board could set a millage only up to 15.6 without a referendum. If more funding is needed, then the General Assembly would have to authorize a referendum and voters would have to approve it.]
3. The plan will be phased in with the first step being to totally exempt the school portion of property taxes on:
 - a. Residences claimed for homestead exemptions. [IMPACT: Loss of revenue, estimated to be \$1.3 billion.]
 - b. Personal vehicles. [IMPACT: Loss of revenue, the amount of which is unknown at this time.]

The local board will go through its budget process and set the millage with the above restrictions. Property taxes for schools would still apply to residences not claimed as homesteads and all other classes of property such as businesses, rentals, etc. Business vehicles would still be taxed.

The property tax bill would show the amount levied and the amount exempted. The state would pay the school system the amount of these two exemptions. Cities and counties would continue to tax all properties; however, they would also have to do so with the same millage limitations that apply to school boards.

The revenue would be replaced by extending the sales tax to groceries, lottery tickets, and consumer services such as attorneys, architects, accountants, plumbers, electricians, mechanics, and hair stylists. However, no medical services would be taxed. There will be no distribution formula. Also, there is no longer any mention of providing an income tax credit for the grocery tax for low-income citizens.

All local sales taxes (SPLOST, LOST, etc.) will be returned to the place earned.

All current exemptions will remain. There are no limitations placed on the LOST, SPLOST, E-SPLOST at this time. In addition, the Speaker has not discussed changing the bond referendum process under this phase-in plan.

Finally, if, after one year, the revenue is available, the plan is, according to the Speaker, to "come up with a formula to eliminate all education taxes for all classes of property so the school district gets the money you should get at today's rate and a per student rate in the future."