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GEORGIA'S TAXES PER CAPITA AND PER \$1,000 OF INCOME: COMPARISONS AND TRENDS

An important tax policy issue is Georgia's tax level relative to other states. Taxes are one factor in determining a state's economic competitiveness. Two commonly used measures of a state's tax level are taxes per capita and taxes per \$1,000 of income. These are measures that allow easy comparisons over time and across states. But they do mask how taxes might differ by categories of households and firms. For example, taxes per capita could be the same in two states, but differ in how high-income versus low-income households are taxed, or in how businesses versus individuals are taxed. This brief examines the trends in Georgia tax revenues from 1981-2002. Georgia's experience is compared to the average U.S. state as well as other southeastern neighbor states.

Georgia's Tax Revenue-Summary

Georgia has seen tremendous growth in its economy over the last 21 years.¹ With this growth has also come an increase in state tax revenues. Georgia collected \$1,691 in total state and local taxes per capita in 1981.² However, by 2002 Georgia collected \$2,816 in total state and local taxes per capita, a 67 percent increase. Total local tax collections grew by 102 percent in the

period while state tax collections grew at a rate of 47 percent.

Total state and local taxes per \$1,000 of personal income have grown at a much more modest rate in the period. Georgia's state and local tax collections per \$1,000 of income rose from \$91 to \$98, an increase of only 8 percent in the same period. The difference in growth rates is obviously explained by the differential growth rates of personal income and population.

Tax Levels in Georgia and It's Neighbors

In the past 21 years, Georgia state and local tax revenue per capita has increased at a greater rate than most of its southeastern neighbors.³ Georgia's state and local per capita tax revenue increased by 67 percent, second only to North Carolina's 70 percent. The lowest percent increase was Alabama which increased by 48 percent. This is considerably higher than the U.S. state average of 31 percent.

In terms of taxes per \$1,000 of personal income Georgia also ranks high among its five neighbors. Georgia collects \$98 in state and local taxes per

\$1,000 of personal income. This ranks highest among its five neighbors. Georgia collects \$37 per \$1,000 of personal income in state taxes. This ranks Georgia fourth of the six states.

State Share of Total State and Local Tax Revenue

The trend among five of the six states is for the state share of total state and local tax revenue to decline over time. Georgia follows this trend, with state share of total state and local revenue declining from 65 percent in 1981 to 57 percent in 2002. Georgia's state tax share of total state and local revenue now ranks sixth. Only Tennessee has increased its share of state taxes.

State and Local Tax Composition 2002

Tax composition is the share of total revenue the state collects from all of its various taxes. The taxes examined here are the individual income tax, corporate income tax, property tax, sales tax, and other taxes. Georgia has a fairly balanced approach to raising revenue, utilizing all of the above taxes. This is not the case with some of the other neighbor states. Florida has no income tax and Tennessee only has a very limited income tax that accounts for 1 percent of total state and local tax revenue. In contrast Georgia raises 27 percent of total state and local revenue from income taxes. Corporate income tax represents the smallest share of total state and local revenue. Georgia only collects 2 percent of total state and local revenue from the corporate income tax. Tennessee is the leader in state and local corporate income tax with a revenue share of 4 percent.

Georgia Catches Up to the U.S. State Average

Georgia and the southeastern states have traditionally been low tax states. In 1981, Georgia ranked 37th nationally in per capita total taxes collected at the state and local level and collected 74 percent of the average U.S. state and local tax revenue per capita. Yet in the past 21 years, Georgia has been catching up to the rest of the country. In 2002 Georgia ranked 29th in total tax collections per capita and collected over 90 percent of the average state and local tax revenue per capita.

Conclusion

Over the past 21 years Georgia has increased tax collections compared to the average U.S. state. Georgia now collects close to the national average in state and local tax revenue per capita. This convergence has been brought about predominantly through higher sales tax revenues. While taxes

per capita have risen dramatically in the period, taxes per \$1,000 of personal income have stayed relatively the same.

Notes

1. In the period 1981-2002 Georgia increased its overall employment by 3.8 percent annually compared with 2.2 percent for the nation as a whole (U.S. Bureau of the Census 2005).
2. All relevant 1981 data is inflation adjusted, with 2002 being the base year.
3. The list of southeastern states includes all of the states that share a border with Georgia: Alabama, Florida, South Carolina, North Carolina, and Tennessee.

Reference

U.S. Bureau of the Census (2005). <http://www.census.gov/>

About the Author

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