



## POLICY TALKING POINTS

### Modernizing the Income Tax System

**Georgia needs a tax system that reflects the 21st Century economy.**

Georgia's income tax structure has not changed significantly since 1937, a time when \$10,000 of income was a decent living. Today's incomes are much greater than in the 1930s, and yet, they are taxed under the same structure as 70 years ago. Georgia's income tax system does not reflect the 21st century economy and needs modernization.

**Broadening the tax brackets can restore the income tax's progressivity.**

Since Georgia's income tax structure has not changed in 70 years, the top tax rate of 6 percent begins at a low income level (\$7,000 taxable income for singles and \$10,000 taxable income for married filing jointly). With such narrow brackets, the income tax is virtually a flat tax, rather than a progressive tax. Lawmakers can restore the progressive nature of the income tax by broadening the brackets.

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### Georgia could modernize the income tax system to make it more progressive and more applicable to 21st century incomes.

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**Creating a new top tax rate can protect the adequacy of revenues.**

Broadening the income tax brackets will cause a decrease in revenues since certain levels of income will be taxed at a lower rate. Lawmakers can protect the adequacy of funds by creating a new top tax rate on high levels of income. This new top rate will further enhancing the progressivity of the income tax by placing a higher rate on higher income levels.

**Lawmakers can protect their modernization steps by adjusting for inflation.**

Broadening tax brackets and creating a new top rate will increase fairness, while protecting revenues. However, if lawmakers do not account for inflation, those modernization gains will be eroded over time. Inflation is the rising cost of goods and services. Without accounting for this gradual rise in costs, the income tax structure will become out-dated again. Lawmakers can avoid this by indexing tax brackets, personal exemptions, standard deductions, and low income tax credits for inflation so they retain their value in the future.

**Tax modernization is a benefit to Georgians that everyone can support.**

Citizens understand that today's economy is not the same as it was in the 1930s. Bringing Georgia's tax system into modern times should not be a partisan issue, but rather part of good government measures to make sure our government runs as efficiently, effectively, and fairly as possible.