

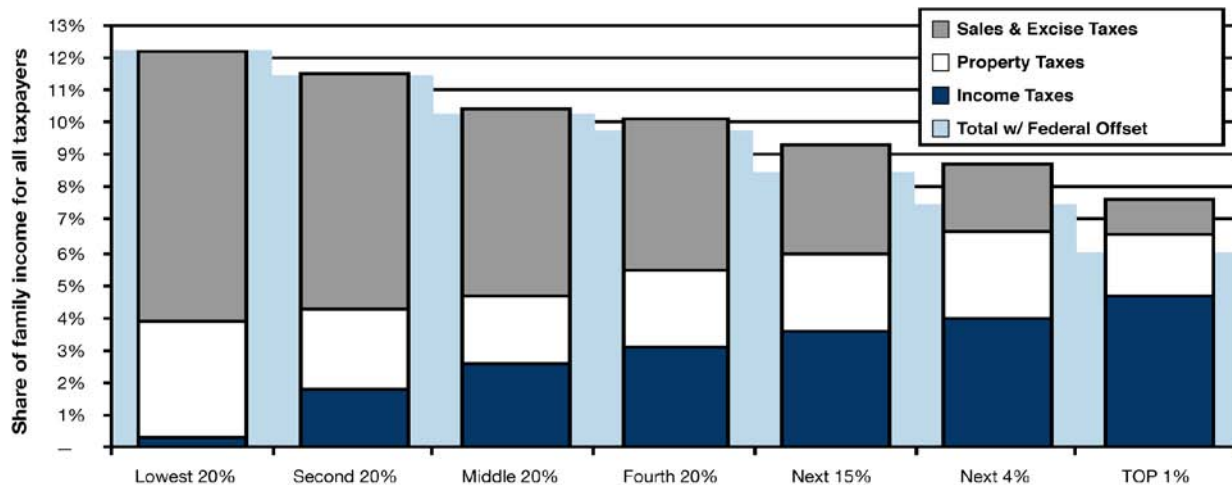


Moving Closer to Proportional

Georgia's tax system takes more from those residents who have the least.

The combination of state and local sales, income, and property taxes is regressive — meaning, low- and moderate-income Georgians pay a higher share of income in taxes than higher income Georgians do. While the income tax is progressive (i.e. higher tax rates on higher incomes), the sales and property taxes are regressive.

Georgia State and Local Tax Burden by Income Group, 2004



Source: Institute on Taxation and Economic Policy

Georgia can do better.

We believe everyone would agree that, at a minimum, taxes should be proportional. Georgia lawmakers can move the system from being regressive to being proportional through several measures, including:

- **Increasing the progressivity of the income tax.** The income tax is progressive since it places a higher tax rate on higher levels of income. Lawmakers could make the tax even more progressive by enacting new top tax rates on higher levels of income and by creating an earned income tax credit, which would reduce the tax obligation of low-income residents. Making the income tax more progressive will allow it to further offset the regressivity found in the sales and property tax.
- **Lessening the reliance on sales taxes.** Over the past few decades, Georgia has become more reliant on the sales tax, both at the state and local level. This increased reliance has made Georgia's tax system more regressive, since sales taxes take a higher share of income from low- and moderate-income residents. Georgia could make the tax system more proportional by lowering the sales tax rate.