

# ***Jobs, Opportunity and Business Success Act of 2009***

Create....Expand...Attract

*“We in government should learn to look at our country with the eyes of the entrepreneur, seeing possibilities where others see only problems.” - Ronald Reagan, January 26, 1985*

In 1981, Ronald Reagan signed into law an immensely successful Economic Recovery Act. It was the largest tax cut in American history. After a brief recession in 1982, the U.S. economy turned around in 1983 and boomed for decades. In the spirit of Reagan’s remarkable presidential leadership, we offer the Jobs, Opportunity, and Business Success Act, a tax relief package to the people of Georgia.

The purpose of this JOBS Act initiative is to recognize that the greatest stimulus for a robust economy comes from an economic environment that encourages opportunity, productivity and innovation. We believe that it is the hard-working people of Georgia—not big government—that is the key to our economic prosperity.

If consumers and investors have confidence in the economic environment, then spending, investing, and jobs creation will occur.

Therefore, recognizing that these are challenging days for most families and businesses, we offer the following initiatives in a single legislative package that recognizes the people of our state as the driving economic force.

## **HB 481**

- Business Start-up Fee holiday
- Quarterly credit towards the unemployment insurance tax for each eligible employee hired
- Cuts the long-term capital gains tax in half for individuals and businesses by 2011
- \$2,400 Income tax credit for each eligible employee hired
- Phase out of the Sales Tax Deposit
- Abolishment of the Net Worth Tax

## **HB 482**

- Elimination of the State Inventory Tax on all Georgia businesses.

## Overall Talking Points:

- True sustainable job creation is the solution to economic recovery.
- If only 1 out of 3 businesses were to hire just one person this year, our unemployment would be cut in half!...and we are going to do everything possible to help them.
- This proposal is a stark contrast to the Washington stimulus. It empowers individuals and small business... not the government.
- What we are proposing is harnessing the greatness of Georgia...the intellectual capital, the entrepreneurial spirit, and the industrial grit of everyday Georgians.
- We believe that we will see economic recovery, but we have three options before us: we can wait for recovery, prolong it, or speed it up. The leadership in this state believes we must do all we can to speed up economic recovery in Georgia.
- We believe a less restrictive and constraining government will lead to a faster recovery.
- This initiative creates an environment that encourages the creation of jobs through the removal of governmental imposed barriers and provides incentives for job creation by independent businesses.
- Unlike the Georgia JOBS ACT, the federal stimulus proposal includes government sponsored spending projects create “work” not jobs. This work is temporary and the employment created by these projects will end when the projects end.
- Our plan spends no taxpayer’s money and allows the market to immediately respond.
- This bill creates an environment that makes Georgia attractive to new business startups as well as businesses seeking to expand in Georgia.

## Components of Initiative

- **Business Start-up Fee holiday (Sections 2, 3 and 4)**

### **Summary:**

Any new business that registers its name with the state is required to file a \$100 filing fee with the Secretary of State. This component would create a one year “holiday”, upon the Governor’s signature through June 30, 2010, on new filings for LLC’s, Limited Partnerships and For Profit Companies.

### **Talking Points:**

- We believe in the entrepreneurial spirit and determination of Georgians and want to encourage their creativity and pursuit of a better tomorrow.
- Small business is a true igniter of new job creation.
- It is time for Georgians to seek after that dream of opening that restaurant, selling goods, or starting their own business...whatever it may be.
- Historically, the Sec. of State’s office receives approx. 80,000 new registered businesses each year...this year is trending 20% below.

In 2008, according to the Secretary of State, the following new Corporate Entities were formed:

Limited Liability Company	55,048
Limited Partnership	679
Profit Corporation	<u>21,520</u>
<b>Grand Total</b>	<b>77,247</b>

- **Quarterly credit towards the unemployment insurance tax for each eligible employee hired (Section 5)**

### **Summary:**

An eligible employer would receive a quarterly credit for each eligible employee hired. This credit would be applied towards their future unemployment insurance contributions for up to 4 quarters. The amount of the credit each quarter would be a minimum of \$25 and no more than \$125 per new hire as determined by the Commissioner of Labor based on the stability of the Unemployment Trust Fund. For the employer to be able to receive the credit, the eligible employee that they hire must have been receiving unemployment benefits. Eligibility for this tax cut will be available beginning July 1<sup>st</sup> 2009. The language for this section was provided by the GA Department of Labor.

All businesses pay on each employee a fee to the state and federal government for unemployment insurance. The fee varies depending on the unemployment history of each company. As companies go through layoffs, their premiums rise based on their record. This result is a disincentive to rehire in a shaky economy.

This section would require Federal DOL approval and will not take effect if the Commissioner of Labor raises premiums on businesses as a result.

### **Talking Points:**

- We are committed to providing every tool at our disposal to encourage the creation of a new job for Georgians.
- This is a win-win-win... for the family, for the business owner and the state as a whole.
- This proposal will provide a sustainable job for someone while reducing the pressure on the state's unemployment fund and providing more working capital to the business.
- In today's climate, businesses that have reduced their work force, at no fault of their own, are being penalized with higher unemployment insurance costs...its time that we reverse this trend.

- **Cuts the long-term capital gains tax in half for individuals and businesses by 2011 (Sections 6 and 7)**

### **Summary:**

A long term capital gain is the amount reported as income when an asset is sold or transferred. The amount is determined by subtracting the adjusted basis of an asset from its transferred or sale value.

Long term capital gains are currently treated as normal income in the state of Georgia. As a result, we tax capital gains in relation to personal income at a level that is nearly twice that of the federal rates.

These sections provide for a deduction from income an amount of 25% and 50% for the taxable years of 2010 and 2011, respectfully. This treatment will in effect cut the long term gains tax in half for all individuals and businesses by 2011.

### **Talking Points:**

- This is the kind of thinking that will encourage more investments and savings in Georgia.
- Isn't it amazing that when you lose money on an investment you are rewarded and when you act responsibly you're penalized...this puts an end to that in Georgia.
- When the stock market is half of what it was a year ago, home values have fallen through the floor, jobs are scarce...this is a sign to all, that Georgia is open for business.

- **\$2,400 Income tax credit for each eligible employee hired (Section 8)**

**Summary:**

This tax credit is designed to encourage businesses, small and large, to invest in job creation. An eligible business will receive a \$2,400 tax credit for each eligible employee hired.

This credit will be available to those who hire an employee that was immediately unemployed for at least 4 weeks prior to being employed and remains employed for at least 24 months at a rate above the average weekly rate of unemployment benefits as determined by the DOL.

The credit will be available for the tax year in which the employee completes 24 months of work. To receive the credit the employee's initial hire date must be prior to July 2010.

**Talking Points:**

Same as Quarterly tax credit

- **Elimination of the Sales Tax Deposit (Section 9)**

**Summary:**

This section of the Act phases out an outdated tax on Georgia business capital. This is a fee charged to all Georgia businesses which have \$5,000 or more in sales tax collections each month. The DOR looks back over the first 12 months of a business's collections. Taking the average sales tax collection amount each month, the DOR requires the business to forward fund a deposit of working capital in that amount. Afterwards, the Department reviews increases in the businesses sales and requires additional funds in following months. This deposit is held for perpetuity or until the business fails, whichever comes first.

This deposit will be phased out over 4 years with the smallest businesses benefiting first.

**Talking Points:**

- This phase out plan will benefit the smallest and most cash strapped businesses first
- Currently, Georgia businesses pay one extra month of sales tax to the Department of Revenue before the business ever collects the money from consumers or makes a single sale.
- This sales tax deposit is a collection of sales tax one month early. It's like a water or utility deposit that will never be seen again by the business until the business goes out of business.
- This sales tax deposit law discourages new businesses from entering the market and strains the working capital of existing businesses by taxing money out of the economy.
- The elimination of this sales tax deposit tax will put more working capital the hands of Georgia entrepreneurs. When this occurs they will have more resources to create a new job and buy goods to sell.

- **Abolish the Net Worth Tax (Section 10)**

**Summary:**

The net worth tax was first established in 1931 and was modified over time to tax the net worth of a business on a sliding scale. The minimum tax is \$10 and the maximum is \$5,000. Not only does this tax penalize good stewardship, job creation and wealth building, but it also taxes those with a negative net worth.

This is an outdated tax that is just another burden on those who are trying to create a productive environment for our citizens. This provision would abolish this tax for the 2010 tax year.

While the GSU fiscal analysis produced different figures (\$35m annually), I am including the actual numbers for you as provided from the DOR. Notice the steady decline:

FY 2004 - \$2,893,995

FY 2005 - \$2,657,367

FY 2006 - \$2,106,665

FY 2007 - \$1,328,825

FY 2008 - \$1,981,863

FY 2009 - \$1,054,864 (YTD)

**Section 1 - Elimination of the State Inventory Tax on all Georgia businesses.**

**Summary:**

Currently Georgia charges an inventory tax on all inventories that are still housed in the state at the end of the year. This is done through the ad valorem process and taxed as personal property. As a result, many companies shift inventories out of state, withhold purchasing, or locate distribution centers outside of our borders to avoid the tax. The fiscal impact to the state to remove this tax would be approximately \$2.5 million. However, if we were to lift this tax, there would be great incentive for businesses to purchase products, stock inventory, and locate distribution centers throughout Georgia.

"Levied on the value of a company's inventory, the inventory tax is especially harmful to large retail stores and other businesses that store large amounts of merchandise. Inventory taxes are highly distortionary because they force companies to make decisions about production that are not entirely based on economic principles, but rather on how to pay the least amount of tax on goods produced. Inventory taxes also create strong incentives for companies to locate inventory in states where they can avoid these harmful taxes. Georgia is one of only 15 states to levy inventory taxes." Source: 2008 State Business Tax Climate Index," Tax Foundation, October 2007. (Note: now only 6 states have an inventory tax)

**Talking Points:**

- Georgia is widely known as the logistics capitol of the south. With the country's 3<sup>rd</sup> busiest port, world's busiest airport, removing this tax would help solidify Georgia as a world leader.
- In challenging days such as these, we need every tool in our tool kit to attract and protect jobs for Georgians.
- We are only one of 13 states in the Union that still tax business inventories.

- None of our neighboring states tax inventories and thus putting us at a competitive disadvantage.
- This is an archaic tax created in 1850...its time to acknowledge the changing and competitive world of job creation.
- This tax discourages businesses from buying goods from other business due to the tax of a product that may not sale by the end of the year.