Final Report of the Revenue Review Commission

Presented to Mayor Teresa Tomlinson

Table of Contents

Appendix A: Documents cited in this report..........TAB A

- Memo detailing goals of RRC, 3/22/2011
- OCGA § 48-13-10
- Ordinance 95-97 Amending Article IV of Chapter 19 of the Columbus Code
- Report of the Occupation Tax Committee, 9/27/1995
- Tax Revenue memo, 3/22/2011
- RRC USD Memo, 6/20/2011

Appendix B: Documents produced by RRC.............TAB B

- RRC Meeting Minutes
- Revenue Source Comparison, Excel Spreadsheet by RRC
- Occupational Tax Comparison, Excel Spreadsheet by RRC

Appendix C: Other sources of information.............TAB C

- Various excerpts from Columbus City Charter and Official Code of Georgia Annotated (OCGA)
- Various legal findings provided by the City Attorney's office
- Policy Focus Report – Payments in Lieu of Taxes, 2010
- Policy Focus Report – Property Tax Circuit Breakers, 2009
- Policy Focus Report – Property Tax Assessment Limits, 2008
- "2010 Special Council on Tax Reform and Fairness for Georgians," 2011
- "Columbus Consolidated Government's 2028 Comprehensive Plan," 2008
- Revenue Strategies Report Prepared for CCG, 11/6/2008
- "Tax Study: Columbus Consolidated Government," 8/23/2001
- Data on property tax payments provided by the City Finance department
- Consolidated Government property digest for 2008, 2009, 2010
- Columbus Consolidated Government Fiscal Year 2012 Budget
- Comprehensive Annual Financial Report (CAFR), Columbus, GA, 2010

Purpose of the Revenue Review Commission

The purpose of the Revenue Review Commission (RRC) is to consider the Columbus Consolidated Government's current revenue sources and make recommendations where appropriate. This is not a revenue generating exercise. Rather, the goal of the RRC is to determine whether the current revenue structure 1) is fair, 2) is sustainable, 3) promotes economic growth, and 4) avoids negative unintended consequences (See Appendix A, "Memo detailing goals of RRC"). From this analysis, the RRC has made suggestions that we believe will result in a more appropriate overall revenue structure.

Revenue Review Commission Members

Seth Harp (Chair)	Retired State Senator
Tyler Townsend (Co-Chair)	Financial Planning
Carl Brown	Business Owner
Travis Chambers	Real Estate / Business Owner
Chuck Ford	Attorney
Mike Gaymon	Chamber of Commerce
Morton Harris	Attorney
Chris Miller	Accountant / Better Business Bureau
Eddie Pritchett	Business Owner
Pete Robinson	Attorney/State Government Liaison
Will Taylor	Accountant
Mike Baker (ex officio)	City Council
Mario Davis (ex officio)	Charter Review Commission
Skip Henderson (ex officio)	City Council
Pam Hodge (ex officio)	City Director of Finance
Isaiah Hugley (ex officio)	City Manager
John Shinkle (ex officio)	Charter Review Commission
Audrey Tillman (ex officio)	Charter Review Commission

Methodology

The RRC analyzed each of the following current or potential revenue sources:

- Occupation Tax
- Inventory Tax
- Fees & Fines
- Urban Service Districts
- Ad Valorem Tax
- Sales Tax, Excise Tax, Sunday Liquor Sales
- Military Retirement Pay State Tax Exemption

For each revenue source, the RRC invited subject matter experts to provide history and initiate discussion. Members of the public were often invited to contribute to the discussion. The RRC discussed each revenue source and formulated recommended changes to the current structure when appropriate. All meetings were open to the public and held in the Government Center Ground Floor Conference Room on the following schedule:

- February 23, 2011: Introduction
- March 23, 2011: Occupation Tax, Administrative Fees, and Regulatory Fees
- April 27, 2011: Inventory Tax, Fees & Fines
- May 25, 2011: Urban Service Districts
- June 22, 2011: Ad Valorem Tax – Property Tax
- July 27, 2011: Car Tags, Sales Tax, Excise Tax, Sunday Liquor Sales
- August 24, 2011: Military Retirement Pay State Income Tax Exemption, Local Income Tax, and other Revenue Sources
- December 9, 2011: Review Draft of Comprehensive Report

Occupation Tax and Administrative Fees

Occupation Tax is collected from businesses with facilities located in the City. The purpose of the Occupation Tax is to generate revenue and is not intended to fund regulatory services. The Administrative Fee is the component of the Occupation Tax which approximates the reasonable cost of handling and processing the Occupation Tax.

Current Revenue to CCG: $14 million (10% of total revenue)

Georgia State Law provides a limited number of methods to calculate the Occupation Tax (See Appendix A, "OCGA § 48-13-10"). Occupation Tax can be calculated in the following ways:

1. Based on the number of full-time equivalent employees. Businesses with a similar number of employees would pay a similar amount of Occupation Tax, regardless of the amount of revenue and relative profitability of the business.
2. Based on the profitability ratio for the type of business, as calculated by the federal government. Businesses with a similar profitability ratio would pay a similar amount in Occupation Tax, regardless of number of employees or amount of revenue.
3. Based on gross receipts in combination with the profitability ratio. Businesses with a similar profitability ratio and level of revenue would pay a similar amount of Occupation Tax, regardless of number of employees.
4. A flat dollar amount per business, regardless of number of employees, amount of revenue, or relative profitability of the business.
5. Certain professional service providers may choose to pay a flat $400 per professional rather than the method chosen by the City.

In a 1993 ordinance, later revised in 1995, CCG chose to implement the second Occupation Tax method, basing the tax on the amount of gross receipts and adjusted for the relative profitability of the business (See Appendix A, "Ordinance 95-97 Amending Article IV of Chapter 19 of the Columbus Code"). While this method appears to make the best attempt at aligning a business's Occupation Tax with the size and income of that business, it is not without its challenges. The City, with good intentions, has chosen to use a 10-year rolling average for profitability in an attempt to avoid significant year-to-year changes in the tax a business would pay given the same amount of revenue. However, this 10-year rolling average does not quickly adjust for permanent structural changes to an industry. For example, the newspaper industry has experienced rapid, permanent changes to its business model and its profitability as a result of the internet. While the industry's profitability has decreased, it appears the profitability ratio has yet to fully adjust. Secondly, local factors could cause certain industries to be more or less profitable than the national average, which would provide an advantage or disadvantage to a particular industry relative to other industries in the local area. Lastly, all businesses within an industry do not operate with the same objectives and constraints. Business-specific factors could make a particular business more or less profitable than other businesses in the industry, which would provide an advantage or disadvantage to the particular business.

Analysis indicates that businesses located in Columbus pay higher Occupation Taxes than similarly situated businesses in comparable cities. The higher tax is a result of a higher tax rate applied to the gross revenue. The higher Occupation Tax rates in Columbus may be required to offset the lower revenue available as a result of the 9 mill cap and the Homestead Valuation Freeze Exemption. Certainly to remain revenue-neutral across all sources of revenue, any reduction in Occupation Tax would need to be offset by increases in other revenue streams.

The RRC considered applying a uniform tax rate to all tax classes in an attempt to simplify the Occupation Tax structure. However, as the following table indicates, this change would result in significant tax increases for the businesses in the least profitable tax classes while offering significant tax decreases for businesses in the most profitable tax classes.

Tax Class	Number of Businesses	Gross Receipts	Current Tiered Rates		Potential Flat Rate		Percent Change
			Tax Rate	Tax Due	Tax Rate	Tax Due	
1	189	$829,542,240	0.100%	$829,542	0.247%	$2,048,969	147%
2	571	$852,875,494	0.182%	$1,552,233	0.247%	$2,106,602	36%
3	3,462	$1,908,751,609	0.252%	$4,810,054	0.247%	$4,714,616	-2%
4	1,712	$725,357,237	0.321%	$2,328,397	0.247%	$1,791,632	-23%
5	1,029	$319,307,392	0.391%	$1,248,492	0.247%	$788,689	-37%
6	141	$117,633,868	0.461%	$542,292	0.247%	$290,556	-46%
7	91	$94,490,591	0.531%	$501,745	0.247%	$233,392	-53%
8	52	$49,014,435	0.600%	$295,383	0.247%	$121,066	-59%
Total:	7,247	$4,896,972,866		$12,108,138	0.247%	$12,095,523	0%

In fact, the Occupation Tax structure's tiered tax rates were updated by City Council in 1995 so that they would be less flat. The following explanation was provided by the Occupation Tax Committee making the recommendation to Council:

> "The principle concern with the prior system for assessing the Occupation Tax was that the rates charged were too similar across businesses whose profitability on gross receipts were significantly different. In other words, the rates were too flat. The obvious intent of a gross receipts based collection system as contemplated in the state act was to be progressive vs. net profit of businesses being taxed"

(See Appendix A, "Report of the Occupation Tax Committee, 9/27/1995").

The RRC also reviewed several current exemptions to the Occupation Tax that should be reconsidered. For example, the current Occupation Tax local ordinance exempts residential real-estate properties from the Occupation Tax. It is not clear to the RRC why commercial real-estate rental income would be included for the Occupation Tax but residential real-estate rental income, such as that received by large apartment complexes, would be exempt. A possible explanation is that residential real-estate is often a personal investment. It would not be the intention of the RRC to levy an Occupation Tax against a personal investment. Therefore, the

RRC supports the 1995 Occupation Tax Committee's following recommendation with appropriate provisions for adjusting the threshold for inflation:

> "The committee is recommending that businesses engaged in the rental of property be required to file for a business license…. We recognize that many individuals will own rental property as a personal investment and it is not our intent that these activities, which we do not consider to be businesses, should be licensed. We have defined as businesses and therefore subject to the Occupation Tax those operations with more than five rental units or gross receipts from rental property of $75,000 or more…."

The full list of exempted businesses follows:

1. Those businesses regulated by the Georgia Public Service Commission;
2. Those electrical service businesses organized under Chapter 3 of Title 46 of the Official Code of Georgia Annotated;
3. Any farm operation for the production from or on the land of agricultural products, but not including agribusinesses;
4. Cooperative marketing associations governed by O.C.G.A Section 2-10-105;
5. Insurance companies governed by O.C.G.A. Section 33-8-8, et. seq.;
6. Motor common carriers governed by O.C.G.A Section 46-7-15;
7. Those businesses governed by O.C.G.A. Section 48-5-355 (businesses that purchase carload lots of guano, meats, meal, flour, bran, cottonseed, or cottonseed meal and hulls);
8. Agricultural products and livestock raised in the State of Georgia governed by O.C.G.A Section 48-5-356;
9. Depository financial institutions governed by O.C.G.A Section 48-6-93;
10. Facilities operated by a charitable trust governed by O.C.G.A. Section 48-13-55;
11. Sale of alcoholic beverages;
12. Residential property rental businesses.

The RRC discussed the possibility of charging an Occupation Tax and Administrative Fee for non-profits. However, it is the opinion of the City Attorney that the city is not permitted to collect such fees from non-profits (See Appendix A, "Tax Revenue memo, 3/22/2011").

Regulatory Fees

Regulatory Fees are collected from businesses that operate within the City, but are not necessarily located within the City. Regulatory Fees, whether designated as license fees, permit fees, or by another name, are required by the local government to properly regulate a business and may not exceed the costs of providing the regulatory service.

Current Revenue to CCG: $2 million (1% of total revenue)

Anecdotal evidence suggests some businesses locate just outside of Columbus city limits to avoid the City's relatively high Occupation Tax, then travel into and provide services to customers within the City. A concern exists that these businesses are not paying a fair amount for the City services they receive when doing business in the Columbus. Additionally, some businesses located within the City require substantial regulation, but do not currently pay Regulatory Fees to help offset these costs. Currently only three business types (building and construction contractors, subcontractors, and workers; pawnbrokers; and escort services) are assessed Regulatory Fees in Columbus; however, the City is authorized to assess Regulatory Fees on thirty-one business types. The RRC believes assessing Regulatory Fees could be a means of fairly collecting revenue from businesses that provide services within city limits and could, thereby, partially offset and reduce the relatively high Occupation Taxes charged to businesses with facilities located in the City.

Following is the list of businesses that may be assessed a Regulatory Fee:

- Building and construction contractors, subcontractors, and workers
- Carnivals
- Taxicab and limousine operators
- Tattoo artists
- Stables
- Shooting galleries and firearm ranges
- Scrap metal processors
- Pawnbrokers
- Food service establishments
- Dealers in precious metals
- Firearm dealers
- Peddlers
- Parking lots
- Nursing homes, assisted living communities, and personal care homes
- Newspaper vending boxes
- Modeling agencies
- Massage parlors
- Landfills
- Auto and motorcycle racing

- Boarding houses
- Businesses which provide appearance bonds
- Boxing and wrestling promoters
- Hotels and motels
- Hypnotists
- Handwriting analysts
- Health clubs, gyms, and spas
- Fortunetellers
- Garbage collectors
- Escort services
- Burglar and fire alarm installers
- Locksmiths

Recommendations for Occupation Taxes, Administrative Fees, and Regulatory Fees:

The RRC recommends a discussion to explore the public's wishes regarding the amount of Occupation Tax paid by businesses and how that level might be reduced to make Columbus more competitive relative to other comparable cities. As previously noted, this discussion will necessarily include identifying offsets for an across-the-board reduction in Occupation Taxes. The discussion may include a combination of several of the following items:

- The City should review business types for which Regulatory Fees are permitted but not currently collected. Because the intention is to collect revenue from businesses that provide services within city limits yet locate themselves outside of the city, the amount of revenue increased by these Regulatory Fees should, as possible, be offset by a decrease in Occupation Fees charged to businesses located within the city. When instituting the new Regulatory Fees, the City should be prepared to increase education and enforcement, particularly of those businesses located outside of City limits yet providing services within the City.
- The City should review all current and potential Administrative Fees and Regulatory Fees and make necessary adjustments so that they reasonably approximate the cost of performing the administrative or regulatory service.
- The City should reconsider the exemptions from Occupation Tax provided to certain businesses such as residential real-estate companies, particularly for those that do not pay other taxes to the City based upon the operations of their business.
- The RRC recommends exploring the possibility of adding a new method for calculating Occupation Tax based on net income as determined by the Georgia State Tax Return. This would require support from the local legislative delegation.

Inventory Tax

Inventory Tax is collected from businesses with facilities located within City limits. The Inventory Tax is calculated by multiplying an inventory tax rate by the value of all personal property on-hand January 1 of each year. Only inventory located in Georgia to be sold in Georgia qualifies for the Inventory Tax.

Current Revenue to CCG: $2 million (1% of total revenue)

Key Considerations:

- While the state Inventory Tax has been repealed, the local Inventory Tax is still collected.
- Anecdotal evidence suggests large retail businesses are recruited using Inventory Tax abatements to the detriment of small businesses.
- Legal consultations found that counties are required to collect an Inventory Tax.
- The tax rate is set by state law.

Recommendations for Inventory Tax:

- The RRC recommends the City continue to monitor the impact of Inventory Tax on small businesses and business recruitment. If an adverse effect is shown, the matter can be discussed with our state delegation or municipal organizations in the future.
- The RRC recommends the City consider the impact on small business when awarding Inventory Tax abatements to recruit large businesses to the area.

Fees & Fines

Fees are paid to the City for services provided, while fines are paid to the City for violation of City ordinance.

Current Revenue to CCG: $44 million (17% of total revenue)

Key Considerations:

- The fees that generate most revenue include criminal history checks, ambulance fees, and public service fees.
- The City does not cover its entire cost of emergency medical transport and considers this differential for the public good, necessary to achieve a desirable level of service.
- According to the City Attorney, non-profits can only be charged user fees that go directly to pay the costs of a service and not general government expenses. The City Attorney advised that the only existing fees that would likely meet the legal standards to be applied to non-profits are the garbage fees and water and sewer fees, which are currently collected.

Recommendations for Fees & Fines:

- The RRC recommends a review of all existing Fees and the actual costs of providing the associated services. The RRC recommends increasing Fees for those that do not adequately cover the cost of the associated service and instituting fees where they are not yet in place. Particular attention should be given to criminal history checks, garbage pickup, abandoned vehicle fees, and adult entertainment licensing.
- The RRC recommends that the City evaluate the current level of subsidy it provides for emergency medical transport and perform a cost/benefit analysis for privatizing emergency medical transport without reducing the level of service

Urban Service Districts

Urban Service Districts (USDs) are geographical areas within the City that are typically differentiated by City service levels and have differing property tax millage rates. Each district's millage rate is correlated to the level of city service provided.

Current Revenue to CCG: N/A

Key Considerations:

- Columbus currently has three USDs. USD 1 consists primarily of developed areas of the City's inner core, while USD 2 consists primarily of rural areas of the county. USD 4 is comprised of small parcels of land in south Columbus near Fort Benning, which are typically owned by a utility, or otherwise require few public services.
- The differences between USD 1 and USD 2 include police response times for highest priority calls, miles of paved roads, and miles of sewer system. These two USDs have equal service levels for fire protection and indigent medical care.
- USD 1 carries a higher millage rate.
- City Council currently has authority to create new USDs with varying millage rates.
- It is possible to create new USDs with revitalization efforts in mind, perhaps with reduced millage rates for a defined period of time.

Recommendations for Urban Service Districts:

- The RRC recommends the city consider using USDs as a revitalization tool alongside Enterprise Zones, Tax Allocation Districts, and the use of Industrial Revenue Bonds. Guidelines for implementing USDs should be created in a manner similar to existing guidelines for Enterprise Zone creation.
- The Mayor's Real Estate Investment Initiative Commission has recently completed a report that includes the use of Urban Service Districts as a revitalization tool. See page 10 of the Final Report of the Real Estate Investment Initiative Commission.
- See Appendix A, "RRC USD Memo, 6/20/2011" for further information on this recommendation.

Property Tax

Property taxes are assessed on both commercial and residential real estate. Property valuations are generally updated annually except for on properties qualifying for the Homestead Valuation Freeze Exemption. This exemption freezes the property valuation for properties that qualify for the homestead exemption, which are typically primary residences.

Current Revenue to CCG: $66 million (25% of total revenue)

Key Considerations:

- Approximately 60% of all Property Tax revenue collected goes to the Muscogee County School District; the remaining 40% is available for the CCG.
- Approximately 31% of the CCG's total collected revenue is from commercial and residential property taxes.
- The Homestead Valuation Freeze Exemption has resulted in wide disparities in property taxes paid by similarly situated homeowners receiving similar levels of City services.
- In 2010, 7,566 homeowners paid less than $50 in annual property taxes while 27,460 homeowners paid less than $500 in annual property taxes. These numbers do not include homeowners receiving the elderly or disabled veterans' exemptions.
- The RRC believes the Homestead Valuation Freeze Exemption has resulted in a system that is not equitable for taxpayers. As the cost of City services has increased with inflation and enhanced services, the property taxes of existing homeowners have remained the same, requiring new homeowners to increasingly subsidize the difference.
- It was noted that the original design of the Homestead Valuation Freeze Exemption projected a certain amount of sales tax revenue that would offset the reduction in property tax revenue and help keep property taxes low for all homeowners. This increase in sales tax revenue has not mitigated the disparate treatment of taxpayers.
- The RRC believes the Homestead Valuation Freeze Exemption has resulted in artificially inflated property taxes for the newest homeowners, which has hampered home sales and the stagnated population and economic growth within the City.
- The RRC discussed that the City is not permitted to levy property taxes on non-profit organizations. Further, the City is not permitted to levy occupation taxes, administrative fees or regulatory fees on non-profit organizations. The RRC discussed the desire for non-profit organizations to contribute towards the services they receive from the City. It was determined that the City could charge user fees for specified City services such as garbage collection. The fee may not exceed to the cost of providing the service and the money raised from the fee must be allocated to the department providing the service (See Appendix A, "Tax Revenue memo, 3/22/2011").
- Anecdotal evidence suggests some large commercial property owners are not receiving property tax bills.

Recommendations for Property Tax:

- The RRC recommends the City pursue a citywide referendum to replace the existing Property Tax Freeze with a Sunset Clause, through which if a homeowner has the Property Tax Freeze, he keeps it; however, all new transfers of property will not re-vest in the valuation freeze.
  - The intention is to narrow the differential in property taxes paid for similarly valued properties receiving similar levels of City services.
- The RRC recommends the City evaluate the procedures in place to ensure all property taxes are collected in an efficient manner.

Car Tags

The City collects an annual payment for car tags composed of a fixed amount for licensing and a variable amount based on the value of the automobile. The City may not change the structure of the fees, but may change the millage rate applied to the value of the automobile.

Current Revenue to CCG: $6 million (3% of total revenue)

Key Considerations:

- The state waives the $20 fixed amount for military retirees.
- The RRC discussed the possibility of providing a benefit to City employees by waiving the car tag fee. However, it was determined that the City has only the ability to waive the smaller fixed portion of the fee and that this may be considered a taxable benefit to employees.

Recommendations for Car Tags:

- The RRC declined to make recommendations regarding car tags.

Sales Tax

Most sales within the City are subject to a tax collected by the merchant and remitted to the state.

Current Revenue to CCG: $66 million (25% of total revenue)

Key Considerations:

- The sales tax in Columbus is a total of 7%, consisting of 4% for the state and 3% for the City. The City's 3% consists of a 1% Local Option Sales Tax, a 1% Educational Local Option Sales Tax, and a 1% Other Local Option Sales Tax. In the state of Georgia, 152 counties have the same 7% sales tax rate and 7 counties collect 6%. Auburn/Opelika collects 9% sales tax and Phenix City / Russell County collects 8% sales tax.
- Sales tax is the second largest revenue source for the City, behind property taxes.
- Dekalb County has implemented a 1% Homestead Option Sales Tax (HOST) of which 80% is used to reduce residential property taxes and 20% is used for infrastructure.
- Currently, the state collects all sales taxes and remits the local portion back to the City. Currently, the City is provided no detailed information on taxes collected by the State, such as what amounts are collected per industry or vendor.

Recommendations for Sales Tax:

- The RRC recommends that the City encourage the State Department of Revenue to provide Point of Sale information to the City. The City should also request support for Point of Sale information from its state delegation and state city/county organizations, such as the Georgia Municipal Association (GMA) and Association of County Commissioners of Georgia (ACCG).

Excise Tax

Excise taxes are collected for the sale of alcoholic beverages, both at wholesale and retail levels.

Current Revenue to CCG: $3 million (1.5% of total revenue)

Key Considerations:

- The City collects an annual license from wholesalers, retailers, importers, and brokers. The amount of the annual license depends on the type of business and the type of alcohol.
- The City collects 5% of the previous year's sales with a minimum of $750 and a maximum of $5,000 for mixed drinks to be consumed on the premises. A mixed drink license holder is not required an additional license to sell wine and/or malt beverages.
- Capping the 5% sales tax at $5,000 shifts a disproportionate burden to smaller establishments. For example, an establishment selling $100,000 of alcohol pays 5% of total revenue while an establishment selling $1,000,000 of alcohol pays only 0.5% of revenue.
- The City collects 3% excise tax on liquor, but nothing on beer and wine.
- The City collects $500 for a beer-and-wine-only annual license, and $300 for a wine-only annual license.
- The City does not charge for Special Events permits.

Recommendations for Excise Tax:

- The RRC recommends removing the $5,000 cap on alcohol sales tax. Implementation should be phased in, perhaps by increasing the cap over several years before removing it completely.
- The RRC recommends charging a small fee, perhaps $50, for Special Events permits to cover the cost of providing the service.
- The RRC recommends considering an excise tax for beer and wine as allowed by law.

Sunday Liquor Sales

The state of Georgia has recently passed legislation that allows local governments decide by referendum whether to sell alcohol on Sundays. These sales would be subject to taxes benefitting the City.

Current Revenue to CCG: Not currently in use.

Key Considerations:

- Anecdotal evidence suggests some people travel to Alabama to purchase alcoholic beverages on Sundays, resulting in lost tax revenue for the City.
- Impact on food sales at restaurants on Sundays should be considered.
- A special election would cost approximately $100,000.

Recommendations for Sunday Liquor Sales:

- The RRC recommends including a vote on Sunday Alcohol Sales with a future scheduled election.

Military Retirement Pay Income Tax Exemption

Several states that border Georgia, including Alabama, exempt military retirement pay from state income taxes. The state of Georgia currently exempts up to $35,000 of any income for military retirees over the age of 62.

Current Revenue to CCG: Not currently in use.

Key Considerations:

- An exemption for military retirement pay is used as one measure during the evaluation of potential sites for Defense Department projects. The state of Georgia will be more highly considered if it is able to indicate that it exempts military retirement pay from state income taxes.
- The impact to Columbus is that an exemption of military retirement pay may be one factor in the decision of whether to purchase a home in Georgia or in Alabama.
- It is not likely that the reduction in state revenue from the proposed exemption would have a material impact on Columbus revenue.

Recommendations for Military Retirement Pay Income Tax Exemption:

- The RRC recommends that the City add the issue of Military Retirement Pay Income Tax Exemption to its legislative agenda for the purposes of attracting Defense Department projects and military homebuyers.

Local Income Tax

A local income tax would require employees working in the City to submit an income tax return to the City. The City would levy a tax on this income, possibly reduced by the amount of property tax paid the prior year.

Current Revenue to CCG: Not currently in use.

Key Considerations:

- Analysis indicates that many people live outside City limits, enjoy City services that enable them to work in the City, but do not pay their fair share for these City services.
- It was determined that the Georgia State Constitution does not allow municipalities to collect a local income tax.

Recommendations for Local Income Tax:

- The RRC recommends a request to the City Council and legislative delegation to support local income taxes to be levied by consolidated governments.
- The increase in revenue due to a local income tax should be used to offset other taxes paid by individuals and/or businesses located in the City, such as property taxes or Occupation Taxes.

For reference, the following 14 states plus the District of Columbia permit local income taxes: Alabama, Arkansas, Colorado, District of Columbia, Delaware, Iowa, Indiana, Kentucky, Maryland, Michigan, Missouri, New York, Ohio, Oregon, and Pennsylvania. In Alabama, Birmingham levies a 1% local income tax while Gadsden levies a 2% local income tax.