



August 17, 2006

The Honorable Mark Burkhalter
Chairman, House Tag Tax Study Committee
Georgia House of Representatives
Atlanta, Georgia 30334

Dear Chairman Burkhalter:

On behalf of the more than 9,400 members of the National Taxpayers Union (NTU) in Georgia, I would like to offer comments for consideration by the House Tag Tax Committee regarding Georgia's value-based tax on motor vehicles. In our capacities as a national taxpayer advocacy group and as an organization headquartered in a state that partially repealed its own car tax, we would like to share our political and practical insights on providing tax relief through the abolishment of car tags.

After having funded a \$580 million budget surplus, Georgia's taxpayers are rightfully demanding extensive tax relief. Numerous, thoughtful tax reform suggestions that NTU might support are currently being discussed in anticipation of the next legislative session, and we believe a complete repeal or a sizeable reduction of the car tag tax would be one appropriate method of refunding the budget surplus. Putting excess revenues back into the hands of taxpayers would help ease the budgets of Georgia's families and businesses.

While NTU supports many approaches to tax relief, we believe that the car tag tax is especially worthy of reform because it is a form of double taxation. Consumers pay sales tax and other fees on a vehicle during the initial purchase, yet Georgians are repeatedly forced to pay the government for the privilege of owning that car year after year (a process affecting 9 out of 10 drivers in the state). Insult is added to injury by the timing of these tag taxes. Birthdays are usually occasions for good cheer, but Georgia motorists are annually handed a sour present just for turning a year older – in the form of a car tax due date. Few taxpayers would be sad to see the candle blown out on the car tag tax.

Of course, *how* the state goes about actually doing away with the tag tax is an important consideration. Stability is one of the key factors that NTU uses to judge tax reform proposals, as uncertainty hinders financial planning for families and businesses. For that reason, we would prefer to see an immediate and complete repeal of the tag tax. However, if Georgia does decide to eliminate the tax through a series of gradual reductions over time, it is absolutely critical that the resolve to eliminate the car tag tax completely is maintained once the initial political attention fades.

In Virginia, NTU was encouraged to see state government initially call for spending restraint in state programs so that the phase-out of the much-hated "car tax" could proceed as enacted in 1998. The result of this was the returning of \$435 million to Virginia taxpayers

between 1998 and 2000 alone. However, when the political winds shifted and massive spending became the priority over keeping past promises of tax relief, Virginians were stuck with still paying taxes on a portion of their car values. Any car tax relief plan passed in Georgia should be seen as a real “government” program that is worth preserving and allocating resources to over the long haul.

The Committee can also gain insight from the effort to limit excessive car tag taxes in Washington State. In 1999, Washingtonians approved an initiative to remove value-based motor vehicle excise taxes and replace it with a flat \$30 fee. However, the ballot result was overturned by the courts, subsequently made into law by the Legislature, then was circumvented by the creation of separate weight-based fees (now the topic of another ballot measure). The lesson taxpayers learned in this case is that clarity in the law makes a difference. Any legislation should express the intent to eliminate or reduce tag taxes entirely without substituting replacements or establishing a lower fee that is too susceptible to tampering.

We believe that now is an opportune time to introduce broad-based tax relief that will set the stage for future prosperity in Georgia. Repealing or significantly reducing the car tag tax would be a direct way to impact and improve the lives of millions of Georgia residents, and we urge you keep these points in mind when you report your findings and suggestions for legislation to the General Assembly.

Sincerely,



Kristina Rasmussen
Senior Government Affairs Manager

cc:

Representatives Melvin Everson, Mike Coan, Jeff May, and Martin Scott