TAXPAYERS PROTECTION ALLIANCE

October 16, 2023

Joint Tax Credit Review Panel
Georgia State Capitol
133 State Capitol
Atlanta, GA 30334

Dear Chair Blackmon, Chair Hufstetler and Members of the Joint Tax Credit Review Panel:

On behalf of the millions of taxpayers and consumers represented by the Taxpayers Protection Alliance (TPA), we urge you to eliminate targeted tax incentives and subsidies the state of Georgia doles out to specific industries and private companies.

State tax incentives and subsidies distort markets, prevent efficient outcomes within the economy, and are antithetical to a free market. As is their fiduciary duty, large corporations and other private companies will continue to seek out favorable tax breaks, subsidies, and otherwise special treatment. It is therefore incumbent upon state and local governments to constrain this distortionary largesse. State tax incentives and subsidies by nature force the government to pick winners and losers, fostering cronyism and corruption. When governments signal the willingness to provide special economic benefits, companies are incentivized to shift resources away from pro-consumer uses, such as research and development, towards currying favor in the halls of government.

Research supporting tax incentives and subsidies is questionable at best. According to the Tax Foundation, tax incentives and subsidies do not have a positive impact on economic activity. Typically, the desirable economic outcomes like job creation and new capital investment are underwhelming.[1] Incentives and subsidies form moats around companies and industries, fundamentally weakening their competitiveness and initiating a vicious cycle of ever greater dependence on taxpayers.

Worse, tax incentives and subsidies are just plain wasteful, influencing investment decisions only at the margins. Most companies choose location based on demographics that are favorable to their employees. Infrastructure, market access, local workforce skill, school system, and public safety are all factors that companies use to determine location for their businesses.[2] Taxpayer resources are better spent bolstering these legitimate functions of government to attract new investment.

Targeted incentives and subsidies have an obvious direct cost to taxpayers, however there are many indirect costs officials often fail to consider. According to the Arkansas Center for Research in Economics at the University of Central Arkansas, "negative spillovers […] can include increased costs for labor and real estate, infrastructure congestion, and increased probability of tax hikes as a result of increased firms and increased population in an area."[3]

Tax incentives and subsidies are not a new practice by elected officials to attract businesses to their states or districts. However, tax incentives and subsidies are contradictory in a free market economy, and communities rarely, if ever, receive the economic benefits they are promised.

TPA commends the members of this panel for addressing this issue directly, but more work needs to be done in the Peach State to address this pervasive and perverse practice.

Sincerely,

David Williams
President

[1] https://taxfoundation.org/blog/state-tax-incentives-costs/
[2] https://www.governing.com/finance/tax-incentives-the-losing-gamble-states-and-cities-keep-making.html
[3] https://uca.edu/acre/tax-breaks-and-subsidies/

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