

The Impact on GA Farmers of the GREAT Plan

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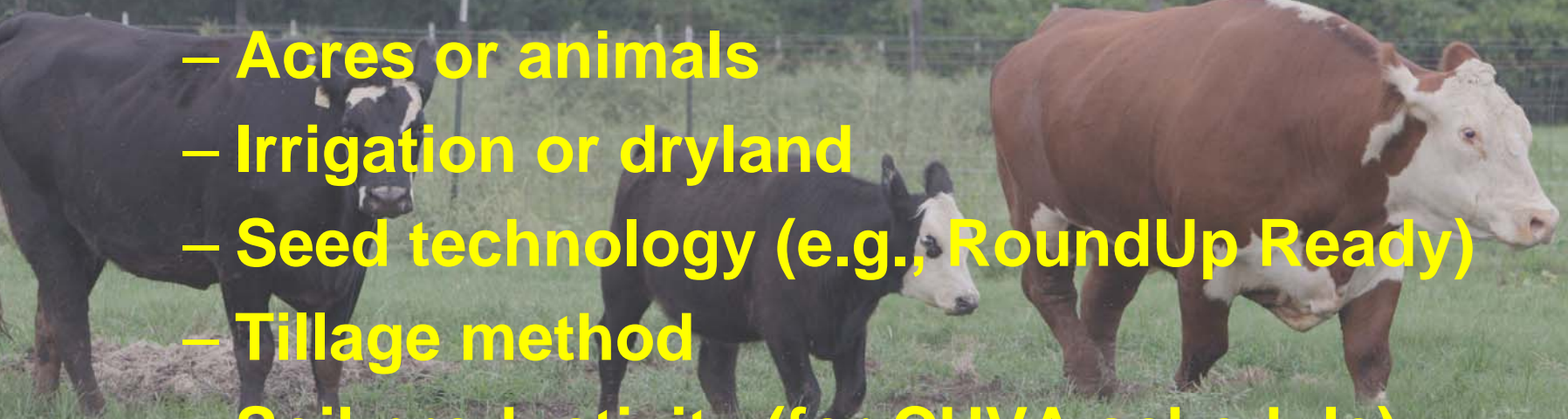


What We Did

- Created representative farms across the state with reasonable sizes and crops to fit the region.
- Used CUVA schedules and latest millage rates to compute property taxes paid.
- Used extension budgets to estimate production costs and sales tax to be paid.
- Computed break-even sales tax rates.

Background Details

- Specified for each commodity
 - Acres or animals
 - Irrigation or dryland
 - Seed technology (e.g., RoundUp Ready)
 - Tillage method
 - Soil productivity (for CUVA schedule)
 - Depreciation for machinery/structures
 - Rotation length for trees



Other Considerations

- All land is assumed owned and in Conservation Use Assessment
 - This tilts things a little in favor of the sales tax.
 - Equivalent to land rents including the property taxes.
- Extension budgets are on the high end for cost of production.
 - This tilts things a little in favor of property tax.



How Results Are Presented

- Compute what is the highest percent of farm purchases that could be taxed and still break-even.
- Computed the Cents/Dollar of purchases that could be levied and still break-even.
 - Think of this as a special sales tax rate for purchases for agricultural production.

Brooks County – Dairy

- Dairy
 - 250 milk cows
- Corn Silage
 - 138 acres
- Pasture
 - 300 acres
- Hay-sorghum
 - 80 acres

- Break-even at
- Sales Tax on 5.4% of purchases
- 0.4¢ tax rate on all purchases

Miller County – Row Crops

- Cotton
 - 900 ac irrigated
 - 200 ac dryland
- Corn
 - 200 acres
- Peanuts
 - 600 acres
- Break-even at
- Sales Tax on 14.7% of purchases
- 1.0¢ tax rate on all purchases

Decatur County – Diversified

- Cotton
 - 1000 acres
 - Corn
 - 300 acres
 - Peanuts
 - 200 acres
 - Timber
 - 300 acres
 - Pastures/Hay
 - 170 acres
 - Cow-calf
 - 100 cows
- Break-even at
 - Sales Tax on 15.1% of purchases
 - 1.1¢ tax rate on all purchases

Tift County – Vegetables

- Canteloupes
 - 50 acres
- Peas
 - 25 acres
- Tomatoes
 - 40 acres
- Break-even at
- Sales Tax on 2.3% of purchases
- 0.2¢ tax rate on all purchases

Wayne County – Mixed

- Tobacco
 - 100 acres
- Corn
 - 250 acres
- Timber
 - 150 acres
- Break-even at
- Sales Tax on 10.8% of purchases
- 0.8¢ tax rate on all purchases

Bulloch County – Crops/Nuts

- Soybeans
 - 250 ac irrigated
 - 250 ac dryland
- Cotton
 - 250 ac irrigated
 - 250 ac dryland
- Pecans
 - 500 acres
- Break-even at
- Sales Tax on 13.7% of purchases
- 1.0¢ tax rate on all purchases

Toombs County – Vegetables

- Onions
 - 40 acres
- Leafy Greens
 - 40 acres
- Squash
 - 25 acres
- Break-even at
- Sales Tax on 2.7% of purchases
- 0.2¢ tax rate on all purchases

Screven County – Row Crops

- Peanuts
 - 250 acres
 - Corn
 - 150 acres
 - Cotton
 - 300 ac irrigated
 - 300 ac dryland
 - Soybeans
 - 50 acres
 - Pasture
 - 50 acres
- Break-even at
 - Sales Tax on 10.5% of purchases
 - 0.7¢ tax rate on all purchases

Dooly County – Row Crops

- **Cotton**
 - 425 ac irrigated
 - 325 ac dryland
- **Corn**
 - 125 ac irrigated
 - 25 ac dryland
- **Peanuts**
 - 175 ac irrigated
 - 75 ac dryland
- **Soybeans**
 - 50 acres
- **Wheat**
 - 100 acres

- **Break-even at**

- **Sales Tax on 20.5% of purchases**

- **1.4¢ tax rate on all purchases**



Peach County – Trees

- Pecans
 - 250 acres
- Peaches
 - 250 acres
- Break-even at
- Sales Tax on 7.5% of purchases
- 0.5¢ tax rate on all purchases

Macon County – Mixed

- Cotton
 - 500 ac irrigated
 - 500 ac dryland
- Peaches
 - 100 acres
- Pecans
 - 100 acres
- Break-even at
- Sales Tax on 16.5% of purchases
- 1.2¢ tax rate on all purchases

Laurens County – Row Crops

- Cotton
 - 300 ac irrigated
 - 300 ac dryland
- Soybeans
 - 375 ac irrigated
 - 125 ac dryland
- Wheat
 - 250 acres
- Timber
 - 100 acres
- Break-even at
- Sales Tax on 14.5% of purchases
- 1.0¢ tax rate on all purchases

Gordon County – Cattle

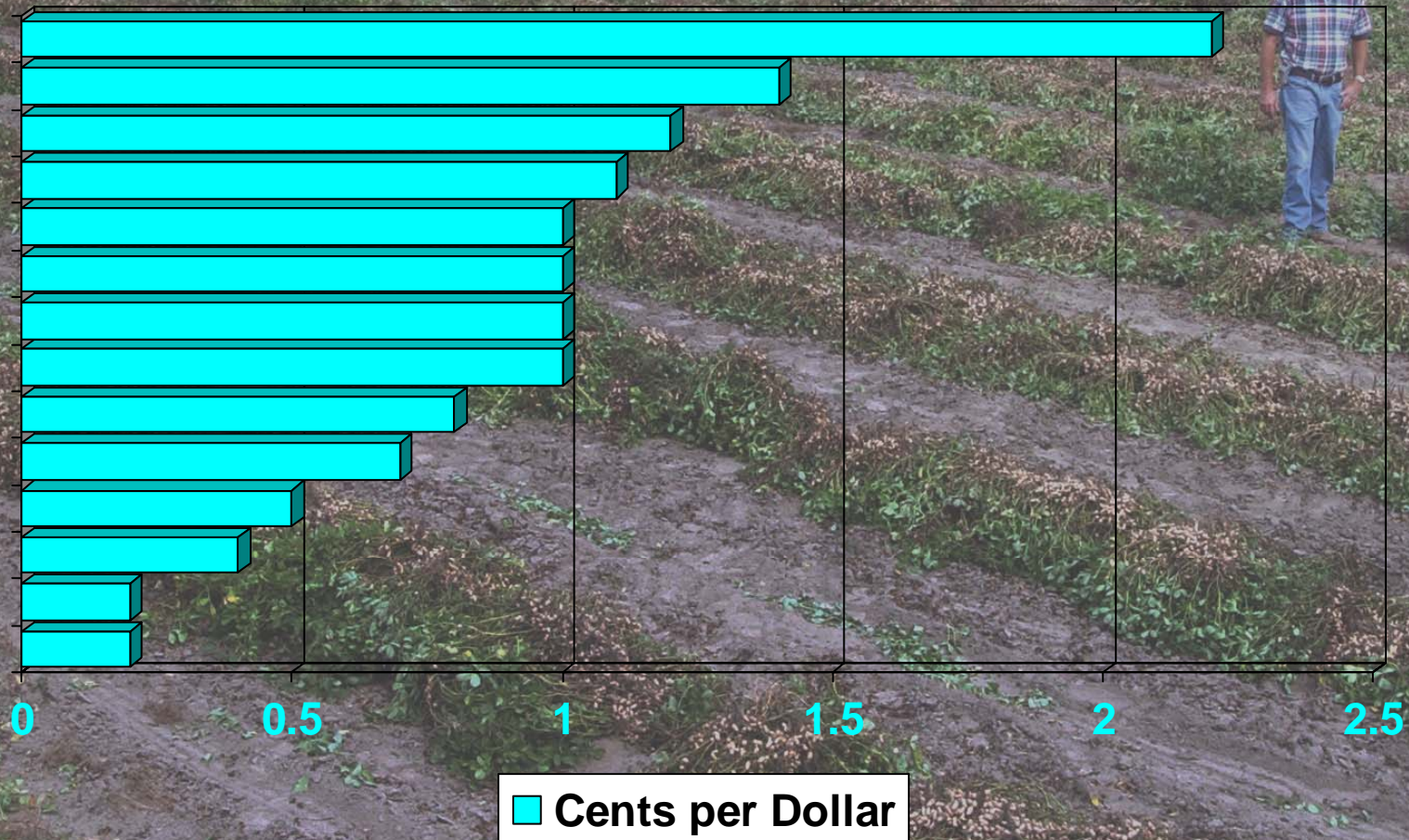
- Cow/calf
 - 50 cows
- Pasture
 - 72.5 acres
 - Several varieties of forage
- Break-even at
- Sales Tax on 32.0% of purchases
- 2.2¢ tax rate on all purchases

Franklin County – Livestock

- **Broilers**
 - 6 houses
 - 5 batches/yr
- **Cow/calf**
 - 50 cows
- **Pasture**
 - 72.5 acres
- **Land**
 - 60 acres
- **Break-even at**
- **Sales Tax on 14.2% of purchases**
- **1.0¢ tax rate on all purchases**



Summary – Breakeven Sales Tax Rate



What Commodities Would Work?

- With no Exemptions:
 - Timber (save \$2-4/acre)
- With Exemptions for Seed/Fuel/
Fertilizers/Chemicals
 - Dryland Soybeans
 - Dryland Cotton
 - Dryland Wheat
 - Dryland Corn

What Won't Work

- Irrigated row crops
- Vegetable production
- Tree crops
- Tobacco



Things to Think About

- State may exempt farm inputs from sales tax, but will local sales tax still apply?
 - (This is the key point for farmers)
- Do you come out ahead or behind as a citizen, separate from your farm business?

Quick Check for Family

- If your house is worth **2.5 times your income** or more, you are very likely better off under the GREAT plan.
 - Range is from **1.2x to 2.6x** depending on county mill rate and estimate of your spending.
- Remember: you lose the federal tax deduction for your property taxes paid.

Final Thoughts

- Tax reform or some tax cuts are likely to pass during the 2008 Legislative Session.
- No final tax reform plan exists yet, so we cannot know for sure who is better or worse off.
- Something will probably pass, so be ready to push for proposals that you favor.