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

Photo: Stephen Morton (UGA-CAES)
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

Photo: Stephen Morton (UGA-CAES)
Tift County – Vegetables

- Canteloupe
  - 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**

Photo: Stephen Morton (UGA-CAES)
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

Photo: Stephen Morton (UGA-CAES)
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

Photo: Stephen Morton (UGA-CAES)
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

Photo: Stephen Morton (UGA-CAES)
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

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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.