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Associated Press

Ga. House Passes Car Tag Tax Cut

By SHANNON McCAFFREY and GREG BLUESTEIN 03.12.08, 11:08 AM ET

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ATLANTA - It was do-or-die day in the Georgia Legislature, so it was fitting that a tax break plan came back from the dead.

A week after a Republican plan to erase the car tag tax was defeated by nervous Georgia Democrats, House leaders pushed through a measure Tuesday that allows residents to decide whether to eliminate the tax and limit property tax assessments.

Yet this time the proposal was notable for what it left out: A provision that would restrict local government spending, which critics had warned could cripple schools and local governments. With that portion gone, many Democrats lined up with their support. It passed 166-5.

The plan's GOP sponsors - who have long made the tax a target - said the state's ailing economy is strong enough to make up for the $672 million the tag tax will cost.

"It's very simple. You cut taxes, the economy grows. The economy grows, Georgians prosper," said Speaker Pro Tem Mark Burkhalter, R-Alpharetta. "The best way to stem off any recession is to cut taxes. Not to clam up, go home and wait for the storm to pass."

The vote came on the Legislature's critical crossover day, the 30th day in the 40-day session when bills must pass at least one chamber or they'll be tossed aside until next year.

Tax reform has emerged as the biggest challenge for Republicans, who have pledged to cut taxes but have so far struggled to adopt the right response. A separate proposal providing upper-income senior citizens a break on their retirement income is still pending.

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The House's tax plan, which now goes to the Senate, phases out the vehicle tag over two years, eliminating it entirely by 2011. The measure would also cap the rate by which property assessments could rise for tax purposes, preventing residential property values from increasing by more than 2 percent each year and other properties by 3 percent.

Another portion would erase the state ad valorem tax that residents pay on their property and automobiles. County taxes - which make up the bulk of property tax bills - would continue. The $94 million tax cut, proposed by Gov. Sonny Perdue in January, is expected to mean an average savings of about $30 per household in 2009, when it would take effect.

A separate measure, approved by a 164-7 vote, would add a $10 fee vehicle registration fee to shore up the state's struggling trauma system.

It was a convincing victory at last for House Speaker Glenn Richardson, who has unveiled at least four versions of the tax break.

"If at first you don't succeed, try, try again. I have tried, and I have tried and I have tried. And I'm going to try one time again," he said before the vote.

Relieved Republican lawmakers called a quick press conference to celebrate their victory.

"One down, two to go," said House Majority Leader Jerry Keen, a reference to the journey the measures must still take before they take effect. It still needs support from two-thirds of the Senate and a majority of voters.

Senate leaders said they back tax breaks, but did not specifically endorse the House version.

"Now is the time for targeted tax relief that stimulates the economy and creates jobs," said Lt. Gov. Casey Cagle. "The House has started this debate, and the Senate will make time for meaningful and substantial deliberation on tax relief to benefit our economy during this economic downturn."

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