

Too clever by far

04/24/06

AS A GENERAL rule, state/ local "inducements" to land some major new job-creating, tax-producing private enterprise are not a bad idea so long as kept within reasonable bounds.

To be sure, there will always be some citizens who object to "their money" going to subsidize corporations that, frankly, if they can't afford to buy their own land, build their own buildings and so forth probably shouldn't still be in business.

That's not the way things work in economic development any longer, any more than retailers who don't offer coupons or undercut their rivals on price are likely to be in business much longer, either.

Where the risk arises is when a local or state government gets into a "bidding war" where, in order to land the prospect, common sense is abandoned, the family nestegg is given away and so forth. Alabama's become somewhat notorious in that regard while, until recently, Georgia tended to play the game more like a poker player than a high-stakes gambler.

GEORGIA'S BECOME more aggressive in upping the ante of late (the Kia automotive plant), no doubt due to a string of reverses that has seen long-existing major employers shut down. That's fine, the peril only arising when new "giveaways" are used to clinch a deal that may not have been adequately thought through.

That may have just occurred in the joint effort by Adairsville, Bartow County and the State of Georgia to successfully land the first 165,000-square-foot superstore of Cabela's, the outdoors outfitter, in the entire Southeast. This being a "destination" (an amusement park for people who own flannel shirts, long guns and fishing rods) as much as a store, going the extra mile is not unexpected.

In large part, the dimensions of the sugar plums strewn in Cabela's path are within bounds. They get the land, 40 acres near the intersection of Ga. 140 and I-75, for absolutely free. Hey, it wasn't public land and if the private owner wants to give it away, figuring his next-door 300 acres will make a pretty profit, that's just smart

business.

THE CITY and county will give Cabela's a minimum five-year property-tax abatement (i.e., it won't pay any) usually reserved for manufacturing plants. However, with 350 or more jobs, it is the size of a manufacturing plant and, besides, in one of those "we're good guys who are coming to town" moves that is excellent public relations, Cabela's agreed to pay school taxes.

However, when the General Assembly had to approve a new law (House Bill 111) to clinch the deal, brows should have instantly furrowed.

In one of its efforts to keep Internet sales from draining tax coffers, the Georgia Department of Revenue has a rule requiring that companies having a physical presence (brick and mortar) inside the state collect sales taxes from Georgians buying from them online or via mail order.

Since Cabela's has never before had a physical presence here, its Georgia customers have never before had to pay sales taxes on Internet transactions. Cabela's wanted it kept that way.

Hence, an amendment to HB 111 by Rep. Barry Loudermilk, R-Bartow/Floyd, that in one of those legal sleight-of-hands only lawyers understand, changed the definition of "dealer" under the rule so that the online/catalog division becomes an "affiliate" of the retail branch and not technically part of the same company. This is the old a rose by any other name loses its smell trick unique to the legal profession.

CLEVER, BUT massive alarm bells regarding a fast-dwindling tax take in the offing should have gone off. Legislation cannot single out one particular company for preferential treatment of this nature; the change could thus apply to any other large sales firms willing to avail themselves of it.

WalMart, JCPenney, Dell, Amazon and a few hundred others come to mind.

If one company can make online/catalog operations "not technically the same company" then all of them can.

Not only this, but the strange scenario is now set up where an Adairsville resident would walk into the future Cabela's, buy an item, and have to pay tax on it while, if he just stayed home and called the order in for delivery, he pays no tax to Georgia.

As an "added inducement" for attracting business, perhaps this is something the state needs in its quiver -- with a time limit phaseout, let's say. On the other hand, one suspects the legal hunting dogs in the employ of Bass Pro Shops (and others) are already gearing up for a bear hunt.

