



## **National Federation of Independent Business/Texas Proposes Significant Reforms to the Margin Tax**

NFIB/Texas, the state's leading small-business advocacy organization, is calling on policy makers to reform the state's new gross receipts-based margins tax so that Texas' small business owners are not unfairly burdened with an increased level of taxation. Many small business owners have experienced some damaging consequences from this new system of taxation. Small business owners are concerned about the large jump in their overall tax liability to the state – especially when there are record surpluses in the state treasury.

The new tax structure places a heavy burden on small business owners; it is not kind to many small business owners who faithfully have been paying the state's old franchise tax. Under the new tax, many Texas business owners have seen their business tax liability double, triple, or more.

NFIB/Texas strongly encourages the support and enactment the following reforms to the Texas margin tax so that small business can continue to thrive and create jobs:

- Exempt small businesses from state tax liability that are losing money or are marginally profitable;
- Raise the small-business exemption from \$300,000 to a minimum of \$1 million;
- Require a super-majority vote of the Legislature before the margins tax rate can be increased;
- Lower the margins tax rate by 50 percent for businesses with under \$20 million in gross receipts;
- Allow deductions in their cost of employment for all contract labor used by Texas firms; and
- Limit the tax increase under the margins tax for small businesses to no more than 100 percent increase over their normal historic high under the state's old franchise tax.

NFIB/Texas strongly believes that business tax increases under the new margin tax should be limited to no more than 100 percent growth over historic highs under the old franchise tax. NFIB/Texas believes that no Texas business should have to pay more than twice their tax burden from 2006 without a corresponding growth in their business, profitability, or business activity; yet many small business owners who have been paying the old franchise tax are suffering under increases of several hundred percent and more. There is no corresponding property tax relief to counter this harmful trend.

Without these reforms, many small businesses will continue to suffer. We urge you to consider supporting these reforms and, in turn, the small business communities that are the backbone of our state's economy.

Sincerely,

Lance Lively  
NFIB/Texas Legislative Director

Will Newton  
NFIB/Texas Executive Director