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Senate Finance Considers New Sources of Tax Revenue

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The Senate Finance Committee heard testimony today, April 27, regarding alternatives to Texas' current tax system. Witnesses testified on the viability of a variety of tax changes, including increasing the sales tax, creating a state income tax, and increasing the tobacco tax. John Colyandro, Executive Director of the Conservative Coalition, and Byron Schломach, Chief Economist of the Texas Public Policy Foundation, both support a broadening of the state sales tax. They proposed expanding the sales tax to include services, as well as currently non-taxed goods. In their estimation, by broadening the tax base, Texas may be able to reduce the sales tax and still recoup billions of dollars in tax revenues. Schломach and Colyandro tout the sales tax as a more transparent, easier to understand tax than state property taxes.

Lieutenant Governor David Dewhurst addresses the media about the variety of revenue plans that legislators are considering while examining new ways to fund education.

Scott McCown, Executive Director of the Center for Public Policy Priorities, disagreed with the earlier testimony, stating that the sales tax is actually less transparent than the property tax, as consumers never know exactly what percentage of their income is spent on sales taxes. McCown proposed a low-level state income tax, that would reduce property taxes while bringing in six billion dollars in new tax revenues. McCown cited the fact that 41 other states have income

taxes, and urged lawmakers to bring Texas in step with the rest of the country.

Witnesses also testified on the feasibility of Video Lottery Terminals as a new source of revenue. These gambling terminals could be set up at horse tracks and reservation casinos, with a portion of the profits going to the state. Representatives of the Texas Thoroughbred Association touted the terminals as a boon not only to the state coffers, but also to the horse racing industry in the state.

The Senate met in session briefly today to refer selected bills to committees, and to refer candidates for state appointment to the Nominations committee. Following the session, Lieutenant Governor David Dewhurst discussed changes to the state property tax system. "It appears to a lot of us that a statewide property tax is the fairest way to collect local property taxes," said Dewhurst, "Everybody pays the same thing, and hopefully that same thing is as low as we can make it." At the end of the 78th Legislative regular session, the Senate proposed a statewide property tax as part of a comprehensive education funding reform bill, that projected 50% cuts in property taxes. That bill was passed 31-0 out of the Senate, but died on the House floor with the end of the regular session. The Senate will reconvene Monday, May 3rd, at 2 p.m.

Session video and all other webcast recordings can be accessed from the Senate website's audio and video archive pages.

