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State's political waters warming to income tax

Associated Press

AUSTIN — For Texas lawmakers, it's politically incorrect. Or worse.

The mere mention of a state income tax has run the risk of derailing careers and scattered normally stalwart politicians like quail.

But, with the Legislature seemingly at loggerheads over school finance in the current special session called by Gov. Rick Perry — an income tax opponent — and some senators openly talking about running the clock out, advocates may become less timid.

Most other states have the tax and it might be the best way to pay for public education while relieving Texans' heavy property tax load, supporters say. They argue that it's tied to residents' ability to pay, deductible from federal income taxes, broad-based and can generate steady revenue to fund needed services.

Texans who understand the tax favor it, says Sen. Eliot Shapleigh, who conducts a traveling road show, using Kansas' tax structure as an example.

He says the same system imposed on Texas would raise \$34.6 billion over two years enough to drastically cut school property tax rates for maintenance and operations to about 15 cents per \$100 while putting \$11.5 billion more into education than the current system.

"The pocketbook winners are anyone who makes less than \$62,000. Below that, everyone

gets a tax cut — money in their pocket," Shapleigh, D-El Paso, told the San Antonio Express-News in Wednesday's online edition. "Anyone making more than that begins to pay more."

Opponents of state income taxes say it can drive away business from the state, fuel bigger government and have other adverse consequences. Political willpower for such a tax is tough to find in a Republican-controlled Legislature, so it would take a major crisis for serious consideration.

"And the crisis is going to have to be bigger and hurt more before people even look at options," says Tony Proffitt, a consultant and former aide to the late Democratic Lt. Gov. Bob Bullock, one of the last statewide elected officials to propose a personal and corporate income tax.

"Taxes are as much cultural and political as they are economic. ... Change comes hard," said Proffitt.

Voter approval of a state income tax is required by the Texas Constitution for implementation. Voters must also approve any subsequent increases in the tax rate or expansion of the tax base, with revenue earmarked for property tax relief and education.

"Frankly, to me, it's like heroin," said Byron Schlomach, the Texas Public Policy Foundation's chief economist. He said the legislative temptation to raise big money with small rate increases and to grant exemptions make it "a very, very dangerous tax."