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Bill allowing Texans to deduct sales taxes sent to president

WASHINGTON D.C. – Tax relief is available to every Texas taxpayer as a result of legislation supported by US Rep. Mac Thornberry (R-Clarendon) and approved by Congress last week.

Of particular interest to Texas taxpayers, the bill gives them the opportunity to deduct state sales taxes from their federal income tax obligation.

The US House passed H.R. 4520, "The American Jobs Creation Act of 2004," by a margin of 280 to 141. H.R. 4520 is a far-reaching bill designed to spur job creation and make US products more competitive abroad by ending tariffs on American manufacturers and farmers and by easing the tax burden of US employers.

The US Senate approved the measure 69-17, and the bill was awaiting the signature of President George W. Bush at press time.

"Current tax law is unfair when it allows people to deduct state income taxes from their federal income taxes, but does not offer an equal opportunity to people who live in states, such as Texas, where we pay a state sales tax instead of state income tax," said Thornberry. "This bill has eliminated that inequity."

The chief economist Byron Schломach of the Texas Public Policy Foundation praised the move to restore sales tax deductibility.

"By once again making the sales tax deductible from the federal income tax, Texans will be able to keep more of their hard-earned money, improving the Texas economy," Schломach said. "No longer will the federal tax code encourage the adoption of a state income tax, one of the most damaging forms of taxation. Congress has eliminated one of the arguments for a state income tax and its close cousins like the business activity tax. This action makes it more likely that Texas will keep its current transparent tax system and possibly move away from some hidden taxes like the corporate franchise tax."

The bill gives Texas taxpayers two options for utilizing the sales tax deduction. One option allows taxpayers who itemize deductions on their federal income tax forms to collect sales receipts and deduct the total amount of sales tax paid. The other alternative allows them to determine the amount of their deduction by using tables to be created by the Secretary of the Treasury. Those tables will be based on average consumption along with other factors to include the taxpayer's filing status, number of dependents, and adjusted gross income.

Another provision of H.R. 4520 delivers assistance to operators of
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marginal oil and gas wells in the form of tax credits that kick in if prices fall below certain levels.

“With the invaluable input of oil and gas producers from our area, I have been pushing for these credits for years. I believe ensuring the profitability of margin wells is an essential step toward boosting domestic production and reducing our reliance on foreign oil.”

The formula for the marginal well tax credits allows for providing producers up to \$3 per barrel if oil prices fall below \$18 per barrel. The credits for natural gas would provide up to 50 cents per thousand cubic feet (mcf) if gas prices dip under the \$2 per mcf level.

“The credits should provide encouragement to all US energy producers, but especially the smaller, independent companies that are so important to our area’s economy.”