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180 Who pays Texas taxes? Everyone

"Business" taxes hurt the consumer, employees, owners

AUSTIN, Texas - With the Texas legislature now in session, calls for increased taxes are being sounded by the advocates of numerous programs. Newspapers, elected officials and advocates have opined in recent days that taxes should be raised on "the rich," businesses, cigarette smokers and similar sources.

But a paper released this week by a Texas economist finds such a proposal will backfire with unintended consequences.

"While it might be politically convenient or somehow satisfying to pretend that a tax only negatively affects a certain class of people, it must be understood that every tax negatively affects everyone," writes Byron Schlomach, Ph.D., chief economist for the

non-partisan Texas Public Policy Foundation, an Austin-based research institute.

With some elected leaders calling for new business taxes to pay for expanded spending in state programs, Schlomach notes that no tax is paid "only by those who initially pay it."

He writes that employees lose job opportunities, business own-

ers lose profits, and consumers pay higher prices. Ultimately, Texas will lose by becoming a much less attractive place for businesses to relocate, Schlomach notes.

"We must avoid hiding tax burdens behind tax-cutting rhetoric, or from a desire to raise revenues on the backs of people seen as easy to target," said Schlomach

on Tuesday. "Everyone is made worse-off when we try to base tax policy on questionable theories of social justice."

One example Dr. Schlomach cites is a 1990 federal tax on "luxury" items such as boats, private aircraft, and jewelry. The tax only took in half of the \$31 million projected for 1991. Worse, after adding the unemployment benefit costs in the affected industries, the tax was found to actually cost the government coffers \$7.6 million.

Using numbers provided by the Texas comptroller, it is calculated that the lowest 10 percent of income earners pay less than 5 percent of the total of Texas' major taxes, while the top 10 percent of income earners pay over 22 percent of that total.