

Tax bill would benefit richest Texans, analysis finds

Associated Press

AUSTIN - Only Texans making more than \$100,000 a year would receive a net tax cut under the tax overhaul bill being considered by the House, according to a nonpartisan legislative analysis.

The Legislative Budget Board says the poorest 1.7 million households - those making less than \$23,000 a year - would see their tax burden increase more than 5 percent under the bill as lawmakers would add a penny to the sales tax rate and sharply boost taxes on cigarettes and snacks.

The richest 840,000 households - those making more than \$140,000 a year - would see their taxes cut nearly 3 percent, according to the research agency run by a group of legislative leaders who track the budget.

The \$10 billion tax bill, set to be debated by the House on Thursday, was drafted to replace school property taxes, which would be cut by a third.

The bill would increase the sales tax to 7.25 percent, impose a sales tax on newspapers and create a payroll tax on businesses of 1.15 percent. A 3 percent tax on snacks would be levied, and the motor vehicle and boat sales tax would be increased to 7.35 percent.

The budget board's analysis also found the legislation would shift part of the state tax burden from businesses to individuals. Texas businesses would pay \$235 million less in total direct taxes in 2007 than they currently do, according to the study. Businesses would receive about \$3 billion in property tax cuts.

Democrats said the budget board's analysis bolstered their argument that the bill is unfair. They say the proposal relies too heavily on sales taxes and taxes on snacks and cigarettes. Under those kinds of taxes, called regressive taxes, the poor must pay a larger percentage of their income than the rich.

A progressive tax, such as an income tax, takes a larger percentage of income from high-income groups than from low-income groups.

"I have a very blue-collar district and they need tax relief also. They sure don't need to be paying more of their share than wealthy Texans," said Rep. Robert Puente, D-San Antonio.

But Republican House leaders downplayed those concerns and emphasized the property tax relief.

"One of the impediments to homeownership is property taxes," said Rep. Jim Keffer, R-Eastland, who wrote much of the tax bill.

Michael Quinn Sullivan, a spokesman for the conservative think tank the Texas Public Policy Foundation, noted that factories making yachts and private jets laid off low-income workers after Congress tried several years ago to tax those luxury items.

"You have to be careful about the knee-jerk statement that this is regressive or progressive, because all taxes get shared," he said.

Lt. Gov. David Dewhurst, a Republican, said the Senate plans to try to cushion the poorest Texans from a bigger sales tax bite. The Senate's plan would cut by 40 percent the sales tax rate levied when welfare or food stamp recipients use the Lone Star Card.