

The Quorum Report

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March 15, 2005 4:07 PM

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TPPF: A BASKET OF NEW TAXES

Michael Quinn Sullivan focuses on conservative angst over HB2

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Where, o' where, have our little tax cuts gone? Where, o' where, can they be?

By the look of morning-after coverage in the state's newspapers, a review of talk radio callers, and the recent flood of phone calls from voters and taxpayers, Texans are focused on the plethora of new taxes they will be paying, not the property tax cut.

Unfortunately, House members who put their reputation on the line to vote for this enormous tax bill will soon realize what became obvious almost immediately: no one will remember the property tax cut, only the vote to tax small business through a hidden income tax and increase the sales tax to the highest rate in the nation.

For two decades, Republicans made historic gains nationally and in Texas based on a simple marketing campaign: they were the party opposed to tax shifts and rate increases. They were the fairy godmother to taxpayers.

One has to admit that House Bill 3, which passed 78-70, is indeed historic. The Republican-led Texas House of Representatives accomplished something Democrats have wanted to do for decades, but could not. The state of Texas now has an income tax.

Defenders of the bill said it was not an income tax, but a payroll tax, or a "Reformed Franchise Tax," then it became a "compensation tax." Now we have a "basket" of taxes from which business owners may choose. One thing is certain, the new scheme is sure to make basket cases out of Texans trying to do their taxes next year.

Every business in Texas that hires anybody will be subject to Texas' not-an-income-tax tax. The businesses that hire people get to choose between two income taxes (based either on employee compensation or net profits) or a property tax.

Did I mention this whole debate was about reducing property taxes?

Nothing in HB 3 will keep taxes down. It does not prevent other taxing entities (cities, counties, hospital districts and the like) from raising their rates the maximum extent allowed by law – effectively erasing the "tax cut" that drove HB 3. Let us not forget the school districts, which the House just last week gave the authority to increase property taxes by ten cents.

The sad truth is that the new taxes were necessitated by the scope of the "50-cent reduction" in school taxes. If the House had simply made the school tax reduction a true 25-cent cut, the state would not be facing this income tax by another name.

Ironically, in legislation that paved the way for a hidden income tax and astronomical sales taxes, newspapers demonstrated they have better lobbyists than small businesses and low-to-middle-income taxpayers. While most every other business in the state is facing higher taxes on their goods, newspapers escaped unscathed.

This only portends the future of the Texas tax code. Every industry in the state will line the campaign coffers of lawmakers in an attempt to ensure their employees, products and situations are exempted, credited, abated or protected. When the dust settles, small businesses will be left with the tab to be paid by individual Texans in higher prices, reduced wages and increased taxes.

The hope for the future of Texas' economy now rests with 31 state senators and Lt. Governor David Dewhurst. Will they be courageous, working to ensure a tax system that doesn't penalize productivity and growth? Only time will tell.

For voters and taxpayers, one truth remains: the tax cut fairy has vanished, leaving us only with the cold reality of a tax bill that is wrong for Texas.

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