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ANOTHER VIEW | BYRON SCHLOMACH

Biz tax isn't the answer for schools

We have heard it before, and no doubt we'll hear it again: Business must pony up more cash to help fix Texas' school finance system. They say business must pay its "fair share" of the tax burden. Business, we hear again and again, needs to step up even more to finance schools.

Surely, some claim, Texas business can afford the bill.

Depending on which measurement you use, Texas has the lowest or the third-lowest per-capita state tax burden in the country.

But Texas depends more heavily on revenue from local governments, such as school districts, than other states do. When local taxes are thrown into the mix, Texas' low-tax ranking drops from first or third to eighth among the states.

The bad news does not stop there. It turns out Texas businesses pay a little more than 60 percent of all state and local taxes, the fourth-highest business tax burden in the nation under that measure. The U.S. average is 43 percent.

Well, one might reason, maybe a lot of Texas' tax revenue comes from business, but Texas still is a low-tax state, so that does not necessarily mean Texas businesses face that high of a burden. But Texas' business tax burden is 5.8 percent of the state's yearly gross income — the seventh-highest rate among the states.

During the first meeting of the Governor's Commission on Tax Reform, it repeatedly — and correctly — was asserted that only people pay taxes. Businesses do not. Businesses are only tax collectors. It could be reasoned that it makes no difference if we impose business taxes or some other kind of taxes — people will pay them.

But that misses the point. When businesses directly pay taxes, those taxes appear directly as business expenses. They do not appear on the check stubs of employees whose pay falls due to taxes. They do not appear on the price tags of a products whose price has risen due to taxes. They do not appear as an expense on a smaller dividend check.

Business taxes make this state less competitive compared with other states and countries. Business taxes do not affect all businesses in the same way, distorting the way business is done and which businesses survive.

Texans have a right to know how much their government costs. The best way for Texans to know that is through transparent taxes such as those on consumption. Business taxes, which hide the cost of government, aren't good business. They aren't good policy. They're bad for Texas.

The easiest way to avoid worrying about the school finance problem is with more money, and the easiest way to hide spending is with a business tax. But neither should be confused with a solution. Indeed, new spending and taxes only create new problems for everyone who lives, works and seeks to prosper in Texas.

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