



Tax panel told to raise levies — on someone else

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AUSTIN — Some want higher sales taxes; others don't. Some want to shift taxes to businesses that business leaders resist.

Some want much higher cigarette taxes the tobacco industry opposes.

The only agreement so far in the state's search for a better tax system to finance public schools is that the existing structure is broken and that the Texas Supreme Court means business with its June 1 deadline to fix it.

Gov. Rick Perry's special tax reform commission listened to dozens of contradictory ideas during a public hearing here Monday intended to help the group come up with recommendations before the end of March.

The next hearing is Wednesday in El Paso. A public hearing in San Antonio will be scheduled later.

Whatever the commission proposes will be the starting point for a special legislative session this spring that Perry plans to call to meet the court-imposed deadline.

The court ruled in November that the school funding system is unconstitutional, in part because of a heavy reliance on property taxes.

"I think all people in Texas want to see some changes in the education funding system, and you just have to believe that the pressure will be there to make something good happen," said T. Randall Cain, one of two San Antonians on the tax reform commission.

Former Texas Comptroller John Sharp heads the commission, which wants to lower the school property tax by a third — from the maximum \$1.50

to \$1 per \$100 evaluation for maintenance and operation.

Doing so would save \$470 for the typical San Antonio homeowner with a house valued at \$109,000.

Today, the school property tax bill for that average home is \$1,410 for maintenance and operation. The total bill depends on the amount of bond debt for a particular school district.

Cutting school property taxes by a third would cost about \$5.4 billion in replacement taxes. Ideas on how to make up the difference inspire great disagreement.

San Antonian Victor Mendoza, a leader for Communities Organized for Public Service/Metro Alliance, told Sharp's commission not to increase sales taxes because consumption taxes "put a heavy burden on our families."

Currently, only one of 16 Texas companies pays the business franchise tax. That's an outrage, Mendoza said.

"Businesses more than anyone benefit from a skilled work force. We need to grow our business tax and close the loopholes. This is where we need to find the money."

However, Byron Schlomach, chief economist for the Texas Public Policy Foundation, which advocates limited government and free markets, urged the commission to replace property taxes with consumption taxes by broadening the current sales tax to include food and services such as car repairs.

"The only business tax reform you should do is to get rid of as many purely business taxes as you possibly can — starting with the state's franchise tax," Schlomach said.

One of the easiest tax increase choices for lawmakers might target cigarettes. Dr. Diane Soloman, a neurology professor at the University of Texas at San Antonio, urged a \$1-per-pack increase.

Doing so, she said, could generate an extra \$750 million per year, cut youth smoking by nearly 20 percent and help persuade 176,000 adult smokers to quit.

Texas has not raised its 41-cent-per-pack tax in more than a decade, noted Soloman, who is president of the American Heart Association Texas chapter.

But a spokesman for Phillip Morris USA told the commission that smokers already pay their fair share in cigarette taxes and that a dramatic

increase would increase smuggling. Any tax increase should be limited to about 30 cents per pack, Tim Campbell said.

Sharp expressed optimism during a break that the commission and lawmakers would solve the school funding problem because businesses, he said, generally understand that everyone must pay their fair share to educate Texas children.

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