

The Quorum Report

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SHARP CAUTIONS TAXES BEFORE REFORM IN SPECIAL SESSION

Says putting too much into a tax plan could kill it.

Texas Tax Reform Commission **Chair John Sharp** is floating a modified *gross receipts tax* as a possible replacement to the state's franchise tax. However, details are constantly changing as the numbers crunchers for various industries evaluate proposals.

Various iterations of the tax proposal already is circulating among state business and tax groups, but that's not why Sharp called his Tuesday luncheon speech before the *Texas Public Policy Foundation* one of the most important speeches he would make in advance of the TTRC tax plan in March. Instead, Sharp made a point of telegraphing a message on the special session to **House Speaker Tom Craddick**: keep the focus on taxes and keep it narrow.

Craddick was bullish on school reform before the crowd at TPPF's Policy Orientation on Monday. The Speaker of the House appeared as strongly committed as ever to some of the more controversial reform measures of *House Bill 2*, such as the November school board election date and voter approval for tax enrichment. On Tuesday, Sharp said he wasn't opposed to reform, but too much loaded into the special session's tax bill would likely be a deal breaker to broker a timely solution during the special session.

"I believe that reforms and the other things that are being considered ought not be in that particular debate," Sharp said. "That doesn't mean that you can't consider funding and reforms. What it means is, before you do reform, fix this particular problem."

Plenty of people don't want a tax bill to pass, Sharp said. Sharp didn't name names, but he did make a rather pointed comment that the *Texas Supreme Court's* June 1 deadline was a serious one, and he didn't want to take bets on whether the Comptroller would pull the plug on school funding on June 2 if the Legislature failed to meet its obligation.

Gov. Rick Perry appointed a tax panel of business leaders, Sharp said. He did not appoint a school finance panel of superintendents. The job of that panel is, first, to provide meaningful property tax relief so that school districts have local discretion on tax rates and, second, to fix the franchise tax so it can grow with the economy, Sharp said.

The vetting of three or four tax options already has begun in Sharp's shop over at the Texas Tax Reform Commission, even as the commission continues to take testimony.

At the TPPF luncheon, Sharp joked that he had studied the state's tax system for the last four or five months and come to the conclusion he did believe the tax system reflected the economy of Texas. Then he paused, briefly, before he continued.

"Our tax system accurately reflects the Texas economy of 1962," Sharp said.

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