

The Quorum Report

Editor: Harvey Kronberg
P.O. Box 8 Austin, Texas 78767
Voice: 512-292-8191
Fax: 512-292-0099
Email: kronberg@quorumreport.com

April 5, 2006 4:26 PM

© Copyright April 5, 2006 by Harvey Kronberg, www.quorumreport.com, All rights are reserved

B. KEFFER PUTS DOWN MARKER OPPOSING SHARP PLAN

Outlines the difficulty of House Republicans

The *Sharp Commission's* tax plan received a strong critique Wednesday from state Rep. **Bill Keffer (R-Dallas)**, who seemed to indicate a significant number of House Republicans will be skeptical of the governor's promise of permanent property tax relief going into the special session.

Making his remarks as a panelist at a *Texas Public Policy Foundation*-sponsored forum on tax policy, **Keffer** expressed doubts the broad-based, low-rate margins tax in the **Sharp** proposal would remain low. He also said the proposal lacked sufficient protections against school property tax rates creeping back up in the near future.

In place of the **Sharp** plan, **Keffer** argued in favor of spending an estimated \$4.3 billion in surplus state revenue to buy down property tax rates until the Legislature can address the issue again in January.

"I see surplus as overpayment of taxes that should be returned," he said. "Others tell me surplus is money we haven't figured out how to spend yet."

Keffer's proposal, of course, has already been circulated among House members as a bill written by Rep. **Warren Chisum (R-Pampa)**. **Keffer** said after his remarks that a number of House Republicans are instinctively inclined to spend the surplus on tax relief. Those lawmakers are waiting for someone to step forward and say it's a credible plan before backing it, he said.

The *Sharp Commission*-authored tax bill has yet to pick up a sponsor in the House. **Keffer** said Wednesday that he would not carry the bill. A representative with *Ways & Means Committee* Chairman **Jim Keffer** said he has not made a decision one way or the other on picking up the bill.

John Sharp, Gov. **Rick Perry** and Lt. Gov. **David Dewhurst** have all come out against the **Chisum** proposal. **Sharp**, who also was a panelist at the Wednesday forum, warned against spending too much of the surplus and taking a pass on reforming the business tax.

He predicted the current boom in sales tax revenue can't continue indefinitely and that the tax reform commission's proposal of using \$1 billion in surplus revenue was the most prudent course of action. Using \$4 billion or \$5 billion will open up a hole twice as large next legislative session, he said. Without a meaningful reform of the franchise tax, the small fraction of businesses that pay it now will opt out entirely by the summer, he said.

"You'll be hunting businesses with dogs trying to find that \$8 to \$10 billion," **Sharp** predicted. "We won't be talking school reform. You'll be talking about how to fill that hole."

Sharp told the audience that the tax reform commission considered adding language to limit growth of school property taxes and the new business tax. In the end, the commissioners decided to defer to lawmakers to tackle those concerns on their own.

Bill Keffer said he appreciated the constraints under which **Sharp** and his commission operated. But he also said the commission should have addressed his concerns.

"You have to address that issue," he said. "Otherwise, people have no reason to think government won't continue to grow."

The other lawmaker on the panel, *Senate Finance Committee* Chairman **Steve Ogden (R-Bryan)** offered an endorsement of the **Sharp** panel's handling of the surplus issue. He reminded the audience that the state has several unfunded obligations, including hurricane relief and reimbursement rates for nursing homes.

"I want to make it clear today that not all of the surplus is available," he said. He backed using part of the surplus because he favored a net tax decrease rather than a dollar-for-dollar tax swap.

Ogden said he believed lawmakers need to also address appraisal caps, a cap on school property taxes and homestead exemptions with a constitutional amendment. His solution would put teeth into the proposed tax reductions and allow the public to get involved in the tax debate, he said.

"I have always thought we've made a tactical mistake by not asking Texans how you would like to fund public schools," he said.

In the end, the June 1 deadline will ensure action by the Legislature, he said. He likened the current situation to 1993 when lawmakers acted only under threat of equally dire consequences.

Furthermore, lawmakers are aware that people are watching, he said. "Voters will ask, 'Were we willing to act on our rhetoric?' Leadership will be rewarded in November and cowardice will be punished."

© Copyright April 5, 2006 by Harvey Kronberg, www.quorumreport.com, All rights are reserved