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Perry courts doctors' endorsement of tax overhaul

By **CLAY ROBISON AND JANET ELLIOTT**
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AUSTIN — Gov. Rick Perry worked today to secure doctors' endorsement of his proposed tax overhaul and said lawmakers should try to squeeze more property tax cuts from the new, bigger surplus.

The Texas Medical Association has been a major opponent of the expanded business tax that Perry is promoting to help pay for school tax reductions because the measure would tax doctors for the first time.

The governor, in negotiations with the TMA, is offering tax deductions for charitable care, such as emergency room and Medicaid and Medicare services, for which physicians are not paid or are undercompensated.

Those deductions, which also would apply to hospitals and other health care providers, are proposed in the House bill that was filed to enact the new business tax.

Neither the governor's office nor the TMA would confirm reports circulating among lobbyists today that a deal has been nailed down. But Perry spokeswoman Kathy Walt said the doctors' support was a priority.

"We continue to work with the physicians and other members of the health care community on support for the plan," she said.

Perry said support is growing for his proposal, which would replace the loophole-ridden, corporate franchise tax with a new business tax applying to all but the smallest corporations and limited liability partnerships.

Several major business groups have endorsed it, including the Texas Association of Mexican American Chambers of Commerce, which announced its support on Tuesday.



Speaker Tom Craddick has said he will encourage House members to vote for it, and House Ways and Means Chairman Jim Keffer, R-Eastland, will co-sponsor it.

But significant opposition has come from the TMA as well as some of the state's major law firms, which also would be brought under the business tax for the first time.

However, the Texas Trial Lawyers Association, which represents plaintiffs lawyers, reaffirmed its support for the plan in a letter to legislators on Tuesday. The group's leaders said most of its members would be subject to the tax, although lawyers and other businesspeople who are sole proprietors would be excluded.

The governor's plan has been attacked as underfunded by Comptroller Carole Keeton Strayhorn, who is challenging Perry's re-election. Some Democratic legislators also oppose it because it wouldn't improve overall education spending or pay for a teacher pay raise.

The plan also would increase the cigarette tax by \$1 per pack and use part of the budgetary surplus to pay for reductions of about one-third, or 50 cents per \$100 valuation, in school operating taxes over the next two years.

Perry initially proposed using about \$1 billion of the surplus, when it was projected to be \$4.3 billion. Strayhorn doubled that projection on Monday to \$8.2 billion.

The governor said Tuesday that lawmakers now should use \$2 billion of the available revenue to cut school taxes by another 10 cents per \$100 valuation.

"One of the best investments they (lawmakers) could make would be to return additional dollars to the people through ... additional property tax relief under this plan," Perry said.

He said it would be a mistake, though, to use any more of the surplus because that could dig a deep financial hole for the Legislature next year.

And about \$1.6 billion of the \$8.2 billion is needed for other pressing needs, including health care and hurricane recovery costs, according to the governor's office.

A policy group warned that lawmakers should resist the temptation to use the surplus for property tax cuts because current rates of economic growth will not continue much longer.

Rather than reducing school taxes to \$1 by next year, a more fiscally prudent solution would be to cut the rate to \$1.20 with an increased homestead exemption, said the Center for Public Policy Priorities, which advocates for low-income Texans.

A smaller tax cut could mean more money for education spending, and prevent the state from running a deficit in future years, the group said.

On the other side of the political spectrum, a think tank that advocates limited government called for all of the surplus to be returned to taxpayers.

"The \$8.2 billion surplus would provide approximately 35 cents in property tax rate cuts for Texans for two years, taking the school property tax rate from \$1.50 to \$1.15. This could be done without any new taxes, representing a sound win for all Texans," said Brooke Rollins, president of the Texas Public Policy Foundation.

Today, the Senate Finance Committee will consider a constitutional amendment that would lock a 35-cent tax cut into the Texas Constitution — if ultimately approved by voters.

The proposal, which would have to be passed by two-thirds votes in the Senate and House to be put on the ballot, would cap school operations taxes at \$1.15 per \$100 valuation. Those taxes now are capped by statute at \$1.50.

"Without a constitutional amendment, you do not have a permanent fix," said Finance Chairman Steve Ogden, a Bryan Republican who filed the legislation.

Also today, the House Ways and Means Committee will consider a bill by Rep. Warren Chisum, R-Pampa, to have a smaller tax cut than one proposed by Perry, paid for with about \$2.4 billion of the state's \$8.2 billion surplus.

Ogden said his committee will consider Chisum's and any other tax measure passed by the House.

"We are not in the mode of rejecting out-of-hand anything," Ogden said. "Anything the House sends us that we can work with, we're going to work with."

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