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Rebates not seen as a top priority

Keeping pledge on tax relief is more important, lawmakers say

By PEGGY FIKAC
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AUSTIN — Gov. Rick Perry thinks lawmakers should be allowed to rebate money directly to taxpayers, but the check is far from being in the mail.

Legislative leaders, miles short of embracing the idea, are concerned about the state's ability to make good on already-promised school property tax relief and other obligations, despite billions in projected new revenue. Some wonder how rebates could be fairly calculated.

Asked what he thinks about the rebate idea, which Perry declared an emergency item more than two weeks ago, Senate Finance Chairman Steve Ogden, R-Bryan, replied, "Not much."

"The big issue to me in this session is to make sure that we set aside enough of the surplus to guarantee that we'll be able to meet our property tax promises in future years," Ogden said.

Legislative leaders have repeatedly cautioned that any true surplus is far smaller than the \$14.3 billion in new state revenue projected by the state comptroller in the next two years. The money already has many demands on it, including the school property tax relief, not only in the next budget cycle, but also the one after that.

Several key lawmakers also have expressed concern that figuring out each Texan's rebate would be tough because the state has no income tax that could tie rebates to taxes paid.

There's also the question of whether businesses would be entitled to rebates, and which state official might want to be in that photo opp.

"Are we going to write checks to businesses? I don't think I'm going to be party to that," said Rep. Warren Chisum of Pampa, one of several leading House Republicans expressing caution.

Chisum said he's willing to look at any details, but he thinks a better use of extra money would be to reduce the current tax burden or the state's debt.

Open to business rebates

Since declaring the issue an emergency, which allows quicker consideration by lawmakers, Perry hasn't specified how he would deliver rebates.

"The governor doesn't really have his heart set on any particular rebate," said Perry spokesman Ted Royer, "but he does think it's important for legislators to have that option. ... The governor will look at any proposal to rebate taxes to taxpayers, including business taxpayers."

Royer said there are advantages to rebates: "Taxpayers get their money back sooner, and they can save or spend as they see fit. And then secondly, it does provide more certainty in terms of determining the exact amount that government is going to send back to the people."

Rep. David Swinford, R-Dumas, said he thinks Perry simply thinks the timing is right. Lawmakers also may consider other constitutional changes declared an emergency by Perry, including a proposal not to let state expenditures for tax relief count against a constitutional spending cap.

"Last time I talked to him, he ... just thought that if we were going to do something about the constitutional deal, it would be an opportune time to consider (rebates). Then it would be up to the Legislature," Swinford said.

As for his inclination, Swinford said, "I don't think it hurts anything. If you're having more money than you're using prudently, I don't know why you wouldn't want to let the people keep their money. You could lower rates or something else, or you could do a rebate. I don't care."

Easier said than done

Changing the state constitution to allow tax rebates could require a bit more enthusiasm than that because an amendment needs two-thirds support of the Legislature and voter approval in a referendum. The constitution now forbids grants of public money to individuals and others except in public calamities.

Rep. Carl Isett, R-Lubbock, has filed a proposed constitutional amendment to more strictly cap state spending that also opens one way to do a rebate. House Joint Resolution 29 would create a property taxpayers' rebate fund to receive part of unspent state money. Property tax payment records are available, said Isett, who added: "The idea here is to undo that inordinate burden we've shifted to local taxpayers."

Lawmakers also could consider ideas such as adjusting the sales tax rate every two years, he said.

Another idea is to piggyback a state rebate onto the national income tax system, which provides estimates for people to calculate sales tax expenditures, said chief economist Byron Schломach of the Texas Public Policy Foundation, which advocates limited government.

Rep. Beverly Woolley, R-Houston, said she would like to see a larger property tax reduction. "I'm willing to look at everything," she said of rebates.

"I have not heard any details at all, and of course, that's the key to it," Woolley said. "It would be a very complicated issue to try to figure out how to do it, and costly, too, I would think."

Lt. Gov. David Dewhurst said his priority is ensuring lawmakers can meet their existing commitment to property tax relief.

"We all want to return taxpayers' money to them. Right now, the way that we return taxpayer surpluses is by carrying out our promise to provide local school property tax relief," Dewhurst said. "We in the Legislature need to look at four- or six-year cycles and not just year by year. Otherwise we're all going to get ourselves into a bind."

Finance Committee Vice Chair Sen. Judith Zaffirini, D-Laredo, agrees and counts human services and higher education as top priorities. "The focus this session will be on ensuring that we honor the property tax cuts that we have already authorized, and at the same time look at all the competing needs," she said.

Opposing views

A lot of those competing needs are left unmet, since Texas is one of the lowest-taxing states in the union, said F. Scott McCown of the Center for Public Policy Priorities, a group that advocates programs for lower-income people.

"For example, recent deaths have shown (Child Protective Services) caseworkers must watch over far more children in foster care than is safe. Another example, Texas has the highest percentage of children in the country without health insurance," McCown said. "Yet, the big emergency that the governor declares is the need to find a way to send tax dollars back to the public. It breaks my heart."

Michael Quinn Sullivan of Texans for Fiscal Responsibility, which is pushing for further tax relief, said his group would prefer options such as reducing tax rates. But he added that a rebate is preferable to the government keeping the money.

"I'm wholeheartedly embracing it as a second choice," Sullivan said.

pfikac@express-news.net



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