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## Texas ranks in bottom 10 in national study of tax burdens

Sanford Nowlin - Express-News

Texas residents pay a smaller percentage of their incomes for state and local taxes than 42 of the 50 states, according to a new study released Thursday by the nonpartisan Tax Foundation.

Texans paid an average of 8.4 percent of their income in state and local taxes, compared to the 9.9 percent national average, according to the study. The state has placed among the 10 lowest-taxed states in every one of the 32 years the Washington-based group has conducted its survey.

“Texas is still a low-cost, low-tax state,” said Gerald Prante, the Tax Foundation's senior economist. “It's certainly not much of a surprise you ended up in the bottom 10 again.”

Texas' ranking is in large part because it has no income tax and a favorable business tax structure, Prante added.

New Jersey residents pay the most, at 11.8 percent, according to the study. Alaskans pay the least, at 6.4 percent.

The estimates are based on the 2008 fiscal year, which ended June 30.

Economists said tax rates often give a signal about a state's business climate, since companies consider states' corporate tax structures before investing in them.

But experts on both the right and left said the Tax Foundation's numbers don't necessarily give a complete view of each state's tax situation.

“The numbers can tell you something about the business competitiveness in a particular state,” said Chris Edwards, tax economist for the Washington-based Cato Institute.

However, “you also want to know how efficient the tax system is. You can have states that collect a lot of taxes but don't necessarily reflect that in the level of services they provide to their residents.”

Indeed, most businesses consider taxes as just one of many factors when considering an investment, along with a state's educational facilities, worker-education levels and quality of life, said Dick Lavine, senior fiscal analyst for the Austin-based Center for Public Policy Priorities, a think tank that advocates for middle- and low-income residents.

“There's a reason tuition for higher education in Texas has doubled, that the freeways are congested and that we can't hang onto good teachers,” he said. “We think low taxes are a symptom of an inability to fund public services that will create a more prosperous state for everyone.”

The Tax Foundation's numbers give an incomplete view of the states' tax systems, Lavine said, because they aggregate individual and corporate tax data. It's unclear, for example, how much of each state's tax is shouldered by lower-income residents versus corporations and wealthy residents.

The numbers also don't clearly reflect Texas' relatively high property tax rates, experts said. The state relies heavily on property taxes to fund schools.

While Texas' corporate tax structure makes it “an appealing place to do business,” some corporate leaders view the dependence on property taxes as a disadvantage, said Talmadge Heflin, director of fiscal policy for the Austin-based Texas Public Policy Foundation, which pushes for limited government.

“You're making it more difficult through our tax structure to own and hold property,” Heflin said. “That's especially true for people of moderate and low income.”

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