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The Best Tax Plan For Texans

An Economically Sound Solution That Meets Texas' Revenue Needs, Cuts Property Taxes, And Eliminates The Franchise Tax

The Texas Public Policy Foundation's chief economist has calculated that the **current franchise tax can be eliminated**, and the school property tax cut 25 cents, without creating a new tax. This can be accomplished:

- ✓ Without taxing food, health care or drugs,
- ✓ With a broadening of the sales tax base only to currently untaxed *final* goods and services mostly consumed by those with higher incomes,
- ✓ With a modest half-cent increase in the sales tax and motor vehicle sales tax rates,
- ✓ With a 30-cent per pack increase in cigarette taxes, and
- ✓ With approximately one percent expenditure reductions.

What consumption would be taxed that is not currently?

- Newspapers, newspaper inserts, and magazine subscriptions;
 - Containers, and boats and motors;
 - Coin-operated services;
 - The labor portion of: automotive maintenance and repair, residential repair and remodeling (materials are already taxed);
 - Barber and beauty services, financial services brokerage, car washes, travel arrangement, interior design, and miscellaneous personal services; and,
 - Private vocational education, other educational services.
- (Where applicable, the local windfall from broadening would be swept by the state; i.e., not be remitted to the locals.)

Property tax reduction "costs" \$2.8 billion, the franchise tax \$1.9 billion; meanwhile, revenue from the consumption taxes brings in approximately \$3.5 billion. The difference would be made up through an approximately one-percent reduction in expenditures.

Shifting Texas' tax system toward more of a consumption base will ultimately create jobs and continue Texas on its impressive trend of attracting more business to Texas.

This document is intended to offer a viable alternative to the current CSHB3. Texas Public Policy Foundation research shows that business taxes – such as on payroll, gross receipts, business activity, and business income – will negatively affect the Texas economy and slow job growth. This plan includes no tax on business, and eliminates the hated business franchise tax.