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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.*