

# Star-Telegram

## State leaders talk of tax relief

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AUSTIN -- An unexpected boost in state revenue has prompted the state's Republican leadership to embrace the possibility of tax relief during the just-started 83rd Legislature, but critics of the idea say the money should first be used to restore state services that underwent deep cuts two years ago.

After a breakfast meeting at the renovated governor's mansion, the state's three top leaders -- Gov. Rick Perry, Lt. Gov. David Dewhurst and House Speaker Joe Straus -- told reporters Wednesday that expanded revenue projections could enable lawmakers to consider some form of tax relief after they take steps to boost state water supplies, patch up the transportation system and fund education.

Although the leadership trio said it was premature to speculate on specifics, experts listed a number of options, including reducing or even eliminating the state franchise tax, expanding a homestead exemption on property taxes, broadening a sales tax holiday and reducing various fees charged by state agencies.

Lawmakers will have \$208.2 billion from state revenue, federal income and other sources as they shape spending over the next two years, according to revenue projections released Monday by State Comptroller Susan Combs on the eve of the 83rd Legislature.

The revenue pool is \$35 billion higher than the \$173 billion budget passed by the 2011 Legislature to fund the current biennium, which ends Aug. 31. That budget, which emerged in the aftermath of a sharp downturn in state tax revenue following the recession, reduced state services, jettisoned thousands of government jobs and cut more than \$5 billion in education assistance.

Perry called the revenue estimate "very good news" but joined the other leaders in pledging to resist a spending spree as various groups call for expanded funding for their particular interests. The three leaders oppose new or expanded taxes and say they want to keep Texas on a conservative, business-friendly path that they said has helped give the state one of the most robust economies in the nation.

Dewhurst later said he thinks the state could have enough revenue available to help shrink the burden on taxpayers.

"I think so but ... it's still real early on what we're going to include," Dewhurst said. "But I think we can afford not only the infrastructure investment for more drinking water and highways and funding of public education at a higher level and still providing some tax relief."

In her new economic assessment, Combs said net state revenue for general-purpose spending during the 2014-15 biennium will total \$92.6 billion after a \$3.6 billion transfer to the state's rainy-day fund. Coupled with an \$8.8 billion ending balance from the current biennium, lawmakers will have an estimated \$101.4 billion in state revenue, a 12.4 percent increase over 2012-13.

An analyst with the Center for Public Policy Priorities, an Austin think tank that advocates for low-income Texans, said tax relief should take a back seat to bolstering state services that took a hit two years ago. "Why are they even looking at reducing taxes before they get us back to where we were?" asked Dick Lavine.

Lavine said his organization has calculated that it would take \$108 billion to return to the pre-recession level of services.

In an interview with the *Star-Telegram* on Monday, the opening day of the session, Perry suggested the possibility of reaching out to the public to gather ideas "on some of the ways we can give some tax relief, regulatory relief, legal relief." One possibility, he said, would be "something as simple as making a Website available where the public could log in and say, you know what, here's an idea."

"If now we've created an environment where there's a surplus that we could return in tax relief or fee relief, then let's have that conversation," said Perry. He said Texas could be in the position of becoming "one of the few states in the country that are giving tax relief to people who are living here."

"That's in stark contrast to what's going on in Washington, D.C.," he said. "It's in contrast to what's happening in most states, I would bet."

Perry also suggested the possibility of tax relief at the outset of the 2009 session but backed away from the idea with a decline in state revenue.

### Franchise tax

The call for tax relief could stoke efforts to reform or even scrap the franchise tax. The state's main business tax has become widely unpopular among small businesses. Dale Craymer, president of the Texas Taxpayers and Research Association, said the tax is probably "the most likely target" as a source of tax relief.





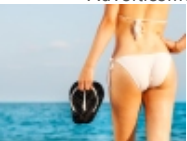





Sen. Craig Estes, R-Wichita Falls, has filed a bill to repeal the tax. Others have called for raising the exemption on businesses that aren't required to pay the tax. A temporary exemption for businesses making \$1 million or more is set to expire unless lawmakers vote this year to keep it.

A number of business groups, including the Fort Worth Chamber of Commerce, want to make the make the exemption permanent. The Texas Public Policy Foundation, an Austin-based think tank that promotes free enterprise, has called for increasingly raising the exemption to \$50 million by 2015 and phasing it out three years later.

Lawmakers also may consider legislation to increase the scope of the so-called holiday in which Texans are freed from paying state and local sales taxes on certain back-to-school items. Dave Montgomery is the Star-Telegram's Austin bureau chief.

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