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BUSINESS GROUPS: SALES TAX PLAN ‘PROMISING,’ BUT MORE INFO NEEDED

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The phrase “tax increase” has traditionally propelled many business groups into battle at the state Capitol, making their subdued reaction Wednesday to a hike proposed by top state leaders a potentially positive sign for the plan.

The plan — announced jointly by Gov. Greg Abbott, Lt. Gov. Dan Patrick and House Speaker Dennis Bonnen — calls for an increase to the state’s sales tax rate of one percentage point, in exchange for lowering local property taxes.

“Businesses pay the bulk of our property taxes in Texas, so we very much appreciate the state’s leadership looking to address ways to limit property tax increases,” said [Justin Yancy, president of the Texas Business Leadership Council](#).

Yancy said his group wants to see more details of the proposal to raise sales taxes and hasn’t taken a position on it yet. As a general concept, however, he called the notion of increasing the sales tax rate by a small amount “an idea worth exploring” if it can be paired with substantive property tax relief.

Mike Rollins, chief executive of the Greater Austin Chamber of Commerce, called the plan “one of several promising options” that should be explored.

“We would like to see more details on how raising the sales tax could significantly reduce the Austin region’s (school) property taxes,” Rollins said. “Texas needs to get this right to ensure we remain prosperous and the best state in the country for business.”

Bud Weinstein, an economist in the Cox School of Business at Southern Methodist University, wasn’t surprised Wednesday that the proposal to raise sales taxes in exchange for limits to property tax increases didn’t elicit knee-jerk negative reactions.

“I think it will fly politically, and I think taxpayers will go along with it,” he said. “All the research shows that when you ask people what is the least onerous form of taxation, they always say the sales tax.”

That’s because they perceive paying a little more at the cash register as far less burdensome than facing ever-increasing property tax bills, Weinstein said.

Many business groups seem to be in that camp, even if it means their customers could end up paying more for products and services. The Texas Association of Business has yet to take a position on the potential sales tax increase, although CEO Jeff Moseley noted that the group has supported a similar sales tax rise in the past as part of an overall school finance plan.

“Texas employers pay more than their fair share of taxes at the state and local level,” largely because of property taxes, Moseley said. “Today, Texas businesses pay approximately 62 percent of total state and local taxes while other states the average for business is about 40 percent.”

In 2017, the most recent year with full-year data available, businesses in Texas generated \$1.72 trillion in sales across all industries, with \$388.1 billion of that subject to sales tax, according to the Texas comptroller’s office.

In the Austin-Round Rock metro area, total sales across all industries were \$112 billion, with \$35.1 billion of that subject to sales tax, according to the comptroller’s office.