

Texas Taxpayers and Research Association

Statement of Principles and Policy Positions

General Fiscal and Tax Policy

Texas state and local governments must balance public needs and wants against their affordability. Taxes cause economic harm by adding to the cost of living and doing business. That harm is offset and justified if those funds are used prudently to support cost-effective public services necessary to create a positive foundation for economic and social prosperity, but the harm is magnified if those funds are used for inefficient programs or those of marginal need.

A “tax” is a forced extraction of funds from individuals and businesses. A “tax increase” is a measure which increases net tax revenues by:

1. raising tax rates, or
2. expanding existing tax bases by eliminating exemptions, deductions, credits, or refunds.

Taxes should:

- be balanced in a manner that reflects the participation and interests of ALL Texans and does not divide taxpayers into competing groups;
- be economically neutral, not creating either an arbitrary advantage or disadvantage for businesses relative to their competitors—domestically or internationally;
- be composed of stable elements that function well together as a logical system, without undue pyramiding;
- be administered fairly, efficiently, and impartially based on a clearly-stated system of compliance that does not unduly burden or intrude upon those who pay, collect or remit tax;
- not discourage investment in Texas relative to other states; and
- reflect real world, as opposed to purely academic or theoretical, considerations.

Policy Positions:

- **TTARA supports** reasonable tax exemptions that minimize economic distortions and promote growth; however, TTARA opposes tax exemptions designed to advance a social agenda.
- **TTARA supports** appropriate penalties for failure to pay tax lawfully due; however, interest is the time value of money, the rate of which should be equal for both delinquent payments to the state and refunds paid to taxpayers.
- **TTARA supports** the right of taxpayers to an impartial review of disputed liabilities without having to pay amounts in dispute, which may ultimately be adjudicated in their favor.
- **TTARA supports** the confidentiality of taxpayer records. The power to tax should not include the power to publicly disclose proprietary aspects of a business’ operations.
- **TTARA supports** giving taxpayers reasonable and adequate time to respond to administrative requests without jeopardizing their rights to a refund of overpaid taxes.
- **TTARA opposes** tax changes that increase the state’s already heavy reliance on businesses to shoulder the bulk of the state’s tax burden.
- **TTARA opposes** contingent fee audits, as they threaten the objectivity of the auditor.

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Budget Policy

Principles. Texas state and local governments exist in part to provide necessary services to the public that are not available from the private sector. Programs should be periodically reviewed to ensure that they are efficient and effective in meeting their intended purposes, and that those purposes remain necessary. Funding should be based on whether an imperative public need exists, and not simply whether money is available. Debt is an acceptable method of financing infrastructure needs, but should be used carefully and sparingly. Texas should evaluate its capacity to issue debt based on appropriate measures of its economic ability to retire the debt in a prudent term.

The assets most critical to the long-term prosperity of the state, and those that should be given priority in the budget are:

- an educated workforce,
- safe communities, and
- quality public infrastructure.

Policy Positions:

- **TTARA supports** a balanced budget without a general tax increase.
- **TTARA supports** full funding of the state's commitment to transportation funding.
- **TTARA supports** wise and judicious use of the state's Rainy Day Fund.
- **TTARA supports** rational limitations on state expenditures that provide appropriate protections for taxpayers.

Property Taxation

Principles. The property tax is a direct barrier to business investment and to homeownership. Given the extraordinary harm the tax creates, particular care must be taken to ensure that property taxes are as low as possible. Property taxes should be equal and uniform and based on professionally determined market values. Exemptions to existing property should be used sparingly, as they simply shift the burden of the tax onto other taxpayers. However, given Texas' extraordinarily high property tax burden, abatements and deferrals may be an appropriate tool for encouraging new investment.

Property owners have the right to a fair and impartial review to ensure that their property is correctly valued. The process by which local jurisdictions adopt their budgets and corresponding tax rates should be open, accessible, and understandable to the public so that taxpayers can meaningfully and intelligently participate. Local jurisdictions raise taxes when they use rising appraisals to increase their revenues.

Policy Positions:

- **TTARA supports** an open and understandable local tax and budget process that allows taxpayers to see how local fiscal decisions impact their tax bills.
- **TTARA supports** a professional system of property valuation free from the influence of politics.
- **TTARA supports** a fair, impartial, and accessible valuation appeals process with unfettered access to the court system and other available remedies.

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- **TTARA supports** exempting business inventories and other business personal property from the property tax, as revenue becomes available, so that our tax base better matches that of our competitor states.
- **TTARA supports** direct voter approval of property tax increases above a reasonable level.
- **TTARA supports** state oversight to ensure that:
 - appraisal districts employ uniform appraisal standards,
 - appraisal review boards provide unbiased appraisal determinations,
 - tax rates are proposed in a clear manner with reasonable notice to the public and adopted in accordance with the law, and
 - dedicated revenues are used for their intended purposes.
- **TTARA opposes** arbitrary appraisal caps, assessment ratios, or expanded exemptions for certain types of existing property that simply shift the burden of the tax onto remaining taxpayers.
- **TTARA opposes** the issuance of tax-supported debt without voter approval.
- **TTARA opposes** a split property tax roll that treats business and residential property differently.

Sales and Use Tax

Principles. The sales tax, or any consumption tax, should be limited to the purchase and use of an item by its final consumer. Taxes on intermediate sales cause tax pyramiding—unduly adding tax on tax while hiding it from the final consumer. Sales taxes should be applied as uniformly as possible to avoid creating an arbitrary advantage or disadvantage for certain sellers. Sales tax exemptions may be appropriate to mitigate harmful economic consequences.

Policy Positions:

- **TTARA supports** the current timely filer and prepayment discounts as a way of partially offsetting the cost of mandated sales tax collection.
- **TTARA supports** the exemption for materials and equipment used in processing to minimize tax pyramiding and to remain competitive with other states.
- **TTARA opposes** any increase in the maximum allowable two percent total local tax rate.
- **TTARA opposes** separate audits by multiple taxing authorities.

Franchise Tax

Principles. The franchise tax, the state’s general business tax, should apply to all forms of business receiving liability protections from the state. A reasonable small business exemption is acceptable in order to limit the administrative burdens and compliance costs of this complex tax; however, the exemption should not be used to advance a policy of selected tax relief, creating inequities in the application of the tax.

Policy Positions

- **TTARA supports** further reductions in the franchise tax rate to provide relief for all franchise taxpayers if sufficient revenue is available.
- **TTARA supports** reasonable changes that simplify the calculation of the franchise tax without unduly benefitting or harming taxpayers relative to their competitors.

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- **TTARA opposes** changes that arbitrarily narrow the number of businesses subject to the tax.
- **TTARA opposes** changes to the tax and its apportionment, allocation, or sourcing provisions that may penalize businesses for locating facilities in the state.

Economic Development

Principles. Texas' absence of a personal income tax is a positive reflection of conservative fiscal policy; however, the heavy reliance on sales and property taxes makes Texas a relatively high tax state for business. Consequently, it is entirely reasonable that the state make judicious use of economic incentives that prove to yield a positive return, be it economic, fiscal, or intangible (such as showcasing Texas). Tax and economic incentives can be an effective and necessary tool to attract investment and stimulate job growth in Texas.

Policy Positions

- **TTARA supports** the continued funding of the state's economic incentive programs.
- **TTARA supports** the continuation of Chapter 312 of the Tax Code, which allows cities, counties and certain special districts to offer temporary property tax abatements on new investments.
- **TTARA supports** the continuation and simplification of Chapter 313 of the Tax Code, which allows school districts to offer temporary limitations on the taxable value of new investments.

School Finance and Education

Principles. All young Texans are entitled to a quality education that provides them with the skills to achieve their greatest potential. School curricula must be rigorous and rewarding, meeting the diverse needs of our students, economy and society. Schools should have relatively equal access to a level of funds that enables the provision of a quality level of measurable academic achievement through an efficiently-managed system of education. School districts should be accountable to taxpayers and their communities for the money spent and the results achieved. Educators and administrators should work collaboratively within and across districts to ensure that all may learn and benefit from best practices and shared services.

Policy Positions:

- **TTARA supports** voter approval of taxes levied for enrichment purposes above a reasonable level.
- **TTARA supports** a sufficient level of funding necessary to efficiently provide an education that allows all students to be successful.
- **TTARA supports** updating elements of school finance formulas used in calculating school funding.
- **TTARA opposes** changes that would lessen the current level of funding equity in the current school finance system.
- **TTARA opposes** financing public schools with a split property tax roll that treats business and residential property differently.