

TTARA Statement of Principles and Policy Positions

General Tax Policy

Texas state and local governments must balance public needs and wants against the ability to pay for them. 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 impact.

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

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

Texas’ absence of a personal income tax is a positive reflection of the state’s conservative fiscal policy. It makes Texas an attractive location for individuals and helps foster small business growth. However, Texas instead relies more heavily on property and sales taxes, which are among the highest in the nation and fall heavily on business. Consequently, Texas is a relatively high tax state for business—particularly those that are capital intensive or that produce or sell goods.

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 structured so that Texas is competitively positioned among the states and nations to attract employment and investment;
- be composed of stable elements that function well together as a logical system, without undue pyramiding or burdensome compliance; and
- reflect real world, as opposed to purely academic or theoretical, considerations.

Policy Positions:

- **TTARA supports** reasonable tax exemptions that promote growth, alleviate economic distortions and minimize tax pyramiding.
- **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** the use of state tax law to affect public policies which are non-economic in nature.
- **TTARA opposes** the replacement of property taxes with an enhanced sales or consumption tax, unless following conditions are met:

TTARA Statement of Principles and Policy Positions

- the net tax burden on business does not increase;
- the new taxes are economically neutral and do not distort economic decision-making, and can be reasonably administered;
- the new system allows local governments reasonable financial stability and discretion; and
- should some portion of the property tax be retained, sufficient safeguards are provided to ensure that levies do not rise to offset the amount of tax relief.

Budget and Fiscal Policy

Principles. Texas state and local governments exist to provide necessary services to the public that are not available from the private sector. Programs created in support of that mission should be periodically reviewed to ensure that they are efficient and effective to address an ongoing public need. Funding should be based on whether an imperative public need exists, and not simply on whether money is available. Budgeted expenditures should be aligned with current revenues to minimize structural gaps in subsequent years. Debt is an acceptable method of financing infrastructure needs, but should be used carefully and sparingly and the period to retire the amount borrowed should not exceed the useful life of the property being financed. Texas governments should evaluate their capacity to issue debt based on appropriate measures of their 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 to meet the needs of current and future employers,
- safe, healthy, and environmentally-responsible communities, and
- quality public infrastructure, including suitable roads, as well as access to basic services such as electricity, water, and broadband.

The 88th Legislature will enjoy an unprecedented massive revenue surplus. Those funds should be used first to satisfy Texans' basic public needs, with much of the rest used to provide tax relief.

Further, the state's economic stabilization fund will have a balance far in excess of any previous uses of the fund. An excessive balance can be a drag on the economy if those dollars lie fallow.

Policy Positions:

- **TTARA supports** a budget balanced without the use of one-time accounting measures or overreliance on one-time revenues.
- **TTARA supports** expanding optional public health coverage to Texans in need provided it can be done at no or minimal net cost to state and local governments.

TTARA Statement of Principles and Policy Positions

- **TTARA supports** the state's efforts to improve our infrastructure for transportation, water, electricity, and broadband.
- **TTARA supports** reasonable regulation without undue bureaucracy and burdensome financing.
- **TTARA supports** rational limitations on governmental expenditures that provide appropriate protections for taxpayers.
- **TTARA supports** broad-based tax relief by reducing the rates of Texas' major taxes, such as property, sales, and franchise taxes.
- **TTARA supports** targeted tax relief that alleviates those aspects of Texas' tax system that may put us at a competitive disadvantage to other states and nations.
- **TTARA supports** maintaining a reasonable balance in the Economic Stabilization Fund while using revenue in excess of that to address non-recurring obligations, such as infrastructure and pension fund stability.
- **TTARA opposes** any increase in taxes given Texas' substantial surplus of funds.

Property Tax

Principles. The property tax is a direct barrier to business investment and to homeownership. Given the extraordinary harm the tax can create, 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 or use values. Exemptions to existing property should be used carefully and sparingly, as they can simply shift the tax burden onto other taxpayers. However, given Texas' extraordinarily high property tax burden, abatements and deferrals may be an appropriate tool for encouraging new investment and economic growth.

Property owners have the right to a fair and impartial review of their notice of protest to ensure that their property is correctly valued and assessed. 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 in those decisions. The public should be aware when local jurisdictions raise new property tax revenues by either increasing tax rates or by failing to lower rates appropriately as appraisals rise.

Policy Positions:

- **TTARA supports** an open and understandable local tax and budget process that allows taxpayers to see how local fiscal decisions directly impact their tax bills.
- **TTARA supports** a professional system of property valuation free from the influence of politics.
- **TTARA supports** a fair and impartial valuation appeals process with unfettered access to administrative and judicial remedies.
- **TTARA supports** exempting business inventories and other business personal property from the property tax so that our tax base better matches that of competitor states.

TTARA Statement of Principles and Policy Positions

- **TTARA supports** requiring direct voter approval of property tax increases above a reasonable level.
- **TTARA supports** state oversight to ensure that:
 - appraisal districts employ uniform and generally accepted appraisal standards,
 - appraisal review boards provide unbiased resolution of valuation protests,
 - tax rates are proposed in a clear manner with reasonable notice to the public and adopted in accordance with the procedures specified in law, and
 - dedicated revenues are used for their intended purposes.
- **TTARA opposes** appraisal caps, assessment ratios, or expanded exemptions for certain types of existing property that simply shift the tax burden onto remaining taxpayers.
- **TTARA opposes** the issuance of any type of tax-supported debt without sufficient public notice and 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 top of tax while hiding the total burden 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 manufacturing and processing to minimize tax pyramiding and to remain competitive with other states.
- **TTARA supports** a uniform method of sourcing transactions for local sales tax purposes. If the state moves away from the current standard based on the origin of the sale, transition provisions should allow for:
 1. the grandfathering of existing economic development agreements that have produced substantial economic benefits for the community,
 2. financial assistance for those taxing entities subject to a substantial loss of tax base, and
 3. sufficient time for remitters to modify tax compliance systems.
- **TTARA supports** exempting transactions within a combined group, including those with partnership entities.
- **TTARA opposes** any increase in the maximum allowable two percent total local tax rate.
- **TTARA opposes** the expansion of the definition of taxable data processing. Many normal business functions use data processing as a tool to provide specific services; however,

TTARA Statement of Principles and Policy Positions

administratively those services are increasingly being defined as data processing and made subject to sales tax.

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

Tax Administration

Principles. A system of state and local tax administration should appropriately balance the government's interests of effective tax collection with taxpayers' needs for non-burdensome compliance. A readily accessible process for timely resolving disputes must be provided. Refunds due should be promptly paid. Similarly situated taxpayers should be subject to the same rules and regulations. Onerous or biased collection methods adversely impact efforts to promote economic expansion.

Policy Positions:

- **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 confidentiality of taxpayer records. The power to tax should not include the power to publicly expose 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 Statement of Principles and Policy Positions

- **TTARA supports** changes in tax administration that support and further enhance the use of remote methods of administration and compliance.
- **TTARA opposes** the retroactive application of state tax policy changes.
- **TTARA opposes** the suspension of a company's ability to conduct business in the state due to minor amounts in dispute with a state agency.
- **TTARA opposes** contingent fee audits and tax ferret contracts, as they threaten the objectivity of the contractor.

Economic Development

Principles. Texas businesses compete in a national and global marketplace. It is critical that the cost of doing business in Texas be low to encourage new investment; however, Texas' 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 economic growth in Texas.

Policy Positions:

- **TTARA supports** the continued funding of the state's economic incentive programs.
- **TTARA supports** the judicious use of temporary property tax incentives such as tax abatements and value limitations on new investments. These incentives alleviate the competitive disadvantage our high property taxes create relative to other states.
- **TTARA supports** incentives to encourage research and development in Texas.
- **TTARA supports** simplifying and centralizing the application and reporting requirements of the state's current incentive programs.

Unclaimed Property

Principles. The state's role over unclaimed property is to act in good faith by returning unclaimed assets to their rightful owners; it is not to raise money for the state or to punish businesses.

Policy Positions:

- **TTARA supports** reasonable requirements for businesses to maintain unclaimed property records.
- **TTARA opposes** the use sampling as a way of assessing the amount of unclaimed property a business holds. Amounts should be tied to specifically-identified assets.

School Finance and Education

TTARA Statement of Principles and Policy Positions

Principles. All Texans are entitled to a quality education that provides them with the skills needed to achieve their greatest potential. School curricula must meet the diverse needs of our students, and prepare them for today's economy and society. Schools should have relatively equal access to a level of funds that enables the provision of a desired level of measurable academic achievement through an efficiently-managed system. School districts should be accountable to taxpayers and their communities for the money they spend and the results they achieve. Educators and administrators should work collaboratively within and across school 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 in pursuit of their career and life goals.
- **TTARA supports** updating elements of the formulas used in calculating school funding if there is a reasonable expectation that it will result in increased student achievement or student skills.
- **TTARA supports** the use and teaching of technology so that students have the tools to participate in the current and future economy.
- **TTARA opposes** changes that would arbitrarily lessen the current level of funding equity in the school finance system.
- **TTARA opposes** financing public schools with a split property tax roll that treats business and residential property differently.