

STATE REPRESENTATIVE BYRON COOK

## APRIL CAPITOL UPDATE



### **\$4.87 Billion Tax Cut Plan**

AUSTIN- Representative Dennis Bonnen (R-Angleton) unveiled a sweeping tax relief plan that will provide nearly \$ 5 billion in permanent tax relief for every individual and business in Texas.

"This is the biggest, broadest and boldest tax relief plan of the legislative session," said Bonnen. "It provides lasting tax relief to every family and business, and it is fiscally responsible because it abides by the spending cap."

The tax relief plan would be permanent and would not be eroded by local tax hikes or rising appraisals. House Bill 31 offers the first state sales tax cut in Texas history, reducing the rate from 6.25% to 5.95%.

The average family of four will save \$172 dollars per year and employers which currently pay 40% of all sales taxes collected in Texas will realize a significant savings as well.

House Bill 32 cuts the franchise tax rate by 25% across-the-board for all businesses. Retailers and wholesalers will pay 0.375%, and all other businesses will pay 0.75%. The bill retains current exemptions that allow 900,000 small businesses to pay no franchise tax.



Press conference held to announce the tax-cut plan by the Texas House of Representatives.



Pictured with my family on the floor of the Texas House of Representatives.

## TEXAS HOUSE REPUBLICAN CAUCUS

Dear Taxpayer,

As conservative leaders in the Texas House, we write to you today to present to you why we support the House tax cut package authored by Rep. Dennis Bonnen, and why we think it is the most powerful plan for tax relief.

First, let's be clear: it is a good day for taxpayers when we are discussing how to best cut your taxes. Legislators are not having these debates in California or New York. This is a testament to the economic climate we have all worked to create in Texas, leading to surpluses that can be returned to the taxpayers.

As we consider the best plan for Texas, we want to share why we believe the House tax cut plan is compelling and worthy of your support.

The House plan is the largest tax cut on the table, providing nearly \$4.9 billion in tax relief for Texas, including the first-ever reduction in state sales tax, with a reduction in rate from 6.25 percent to 5.95 percent. By cutting the sales tax, we will provide tax relief to every taxpayer - employers and individual consumers alike. Sales tax relief is permanent - it can't be taken away by local government or an appraiser, only by a vote of a future legislature.

We like the idea of a property tax cut, too, but our recent history in Texas on cutting property taxes is instructive. In 2006, the Legislature cut property taxes by \$7 billion when it reduced school rates by 50 cents for every \$100 in assessed value. By the time that "relief" was delivered to taxpayers, total school taxes had only dropped by \$1.4 billion (in other words, only 20 percent of the tax cut actually made it to taxpayers), while county taxes increased by \$1.1 billion, city taxes went up by \$1 billion, and special district taxes had climbed by another \$900 million. By the time taxpayers got the bill, their total property tax burden had actually gone up by \$1.6 billion!

Another attractive feature of the House plan is that it shrinks the size of government instead of shifting it. Unlike property tax cuts, which cost the state budget and grow in cost with time, the sales tax reduction simply means the state collects less. We came to Austin to shrink government, not shift the burden from local government to the state.

Lastly, the House plan does the most to stimulate the economy. It creates tens of thousands more jobs, and does more to add to personal income growth. Instead of picking winners and losers in the marketplace, the House plan gives a larger reduction to all businesses that pay the business franchise tax by providing a 25 percent across the board tax cut. If we are going to have a business tax, we want to preserve the original intent: a tax that is broader, with a lower rate, because more employers participate in it.

For these reasons we support the House \$4.9 billion tax cut package. The good news is that there are a number of good ideas on the table, and we look forward to working with our colleagues in the Senate to provide the best plan for Texas. As always, we are happy to discuss the details further as we try to represent your interests in the Legislature.

[Click to view Rep. Cook's interview with Texas Insider](#)



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