

Statesman

GOP lawmaker makes pitch for sales tax increase

By Asher Price

By Julie Chang

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On the heels of last week's announcement that Gov. Greg Abbott, Lt. Gov. Dan Patrick and House Speaker Dennis Bonnen want to raise the state sales tax to buy down property tax rates, the details of one proposal came into clearer focus Wednesday.

State Rep. Dan Huberty, R-Houston, the House Public Education Committee chairman, presented to the House Ways and Means Committee legislation that would increase the state sales tax by 1 percentage point and use 80% of the increased revenue generated to lower the property tax that school districts levy. The rest of the additional revenue would go into districts' coffers.

House Joint Resolution 3 would require approval from two thirds of both chambers and then would go to Texas voters in November.

"Bottom line is Texans are tired of their property taxes funding the biggest portion of public education," Huberty told the committee. "This legislation gives a choice to your constituents and lets them decide if this is what they want to do. All I'm asking you to do is pass this bill out of the committee and hopefully get it off the floor so we go to our voters and say we recognize and understand how significant property taxes are going up."

Huberty estimates the 1 cent increase to the sales tax for every dollar spent — which would bring the maximum sales tax from 8.25% to 9.25% — would generate more than \$10 billion over the next two years.

Twenty percent of the increase in the sales tax revenue would go toward increasing the base amount of funding all school districts receive per student, known as the basic allotment. The priority House Bill 3, which passed the House

earlier this month, would increase the basic allotment by \$890 to \$6,030. Huberty's joint resolution would increase the basic allotment even more, to \$6,224.

Increasing the basic allotment helps reduce the so-called recapture payments that property-wealthy school districts like Austin must pay to the state, which then redistributes it to property-poor districts. Under HJR 3 and HB 3, Austin's recapture payment would go from an estimated \$765 million next year to \$387 million. Under both measures, the Austin district would receive \$1,636 more per student.

The Austin district's property tax rate would drop by 20 cents per \$100 valuation under both measures. This would create a savings of about \$600 per year for an owner of a \$300,000 home in Austin.

Huberty said he envisions the school districts' state-mandated cap on the maintenance and operation tax rate would eventually fall from \$1.17 per \$100 valuation to about \$1 per \$100 valuation under both measures.

Many other provisions within HB 3 and HJR 3 work together.

For example, increasing the basic allotment even more under HJR 3 could also mean more money for employee raises, which is a major proposal in HB 3. Under HB 3, school districts must use 25% of the increase to the basic allotment on school district employee raises.

Regressive tax

Liberal-minded policy experts have argued that raising the sales tax would unfairly burden low-income families, who spend a larger share of their income on taxable goods than wealthy Texans.

Dick Lavine, a fiscal analyst for the Center for Public Policy Priorities, told the committee that raising the sales tax rate is "the wrong way to go about investing in our schools and meeting our state's share."

The bottom fifth of Texas household incomes — those with incomes less than \$37,630 — spend about 7.3% of their income on state sales tax while households in the top fifth of incomes — those with incomes of \$149,453 and more — spend

1.6% of their income on state sales tax, according to the Texas Comptroller of Public Accounts. Because the property tax decrease wouldn't be enough to cover the impact of the sales tax increase on households' income, only the wealthiest household income group would see true tax relief, according to Lavine.

He also said that relying on sales tax to indirectly fund schools can be dangerous because it involves a swap of a "more sustainable and reliable source of support for education" for a "more volatile source."

Between 1997 and 2017, annual sales tax revenues dropped five times. Property tax values have only dropped once during that period, according to the comptroller's office.

Huberty on Wednesday defended relying on the sales tax.

"We're sharing that across (with) people who come to our state, that are coming to visit. They get to start paying for a portion of the cost of educating our children," he said.

Currently, Texas ranks 12th in the country with the highest average combined state and local sales tax, according to the Tax Foundation. The increase would push Texas to the fourth highest position, if all other states' sales tax rates remain unchanged.

Conservative opposition

Some conservatives don't like the idea of raising the sales tax even if the goal is to lower property taxes.

Sen. Paul Bettencourt, R-Houston, the Senate point person on property tax matters, told a Lubbock radio station Tuesday that he didn't see "tremendous appetite" in his chamber for the plan.

"The first thing that economic conservatives would immediately want to know: 'Is every dollar going to go for tax relief?' And I haven't heard that yet," Bettencourt said. "Whether it's income tax, property tax or sales tax or whatever tax, I'm not voting for an increase."

Vance Ginn, an economist at the conservative Texas Public Policy Foundation, told the committee he opposed HJR 3.

“We like it overall, in the sense of providing property tax relief,” he said. “Our main concern is growing government, raising taxes, spending more towards public education.”