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New Texas Tax Study States Gross Consumption Sales Tax Proposal Is “BAD IDEA” For Texas Taxpayers

The new study clarifies that the proposal to replace property taxes with a consumption sales tax would create a potential 25 PERCENT sales tax rate in Texas including likely new taxes on essentials like groceries, medicine, water, healthcare and real estate. Study also criticizes the gross consumption sales tax proponents for misusing the term “tax neutral” instead of “revenue neutral.”

Austin, Texas, Tuesday, July 17, 2012— In a new 2012 economic study of Texas tax policy (“**A Big Idea That’s A Bad Idea for Texas**”), the proposal of replacing all state property taxes with an increased and expanded state-local sales tax is exposed as:

- an unprecedented sales tax increase for most Texans (potential 25 percent state-local sales tax)
- a likely new tax on essentials like medicine, groceries, water and healthcare
- an empowerment of state over local government
- a crippling tax proposal for under-populated rural areas of the state
- a new form of Robin Hood taxes
- an overall negative impact on the Texas economy
- giving Texas the highest sales tax rate in the nation.

The study was done by state tax expert Billy Hamilton who is a former Deputy Comptroller of the Texas Comptroller’s Office (appointed by former Republican Comptroller Carole Strayhorn). Hamilton’s study was commissioned by Texas Tax TRUTH, a project of Republican State Representative Jim Keffer (who helped pass Governor Perry’s landmark franchise tax reform which lowered school property tax rates by one-third and produced the largest net tax cut in Texas history).

“This study helps to shed light on a murky proposal,” said Keffer. “If Texas passes a gross consumption sales tax to replace property taxes it will be a wolf in sheep’s clothing for Texas taxpayers. The public needs to know the truth that consumption tax advocates are in reality calling for a potential 25 percent state-local sales tax on all goods and services including likely new taxes on daily essentials like medicine, groceries, water, healthcare and even real estate. It’s important that Texans stop and think before we impose any new taxes that could adversely affect our citizens, our businesses and our economy.”

“This tax idea is a bad idea for Texas,” added Hamilton. “If you could push the sales tax rate high enough to replace the property tax, the effect might be “revenue neutral,” but it wouldn’t be “tax neutral.” Many working and retired Texans would end up paying a lot more in tax on items they buy everyday. Some areas of the state would be huge losers, especially rural Texas. I’m not sure who might wind up as winners other than the states surrounding Texas.”

A copy of Hamilton’s report is attached. Hamilton was also tasked by former Republican California Governor Arnold Schwarzenegger as co-Executive Director of the California Performance Review for government efficiency. He also served as the State of Texas’ chief revenue estimator under Comptroller Bob Bullock, worked for the Texas Association of Taxpayers, a business group dedicated to fiscal responsibility in Texas government, and worked as a Director of Policy Economics for KPMG Peat Marwick. Hamilton is a graduate of the University of Texas and LBJ School of Public Affairs and was recognized as the first recipient of the LBJ School’s Distinguished Alumni Award in 1987.

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