

Pocket Facts: A Fair Tax for Texas?

- Empirical evidence suggests that consumption taxes have far fewer adverse effects than income and property levies.
- Under the purest form of a Fair Tax — or consumption tax — all final goods and services sold for their ultimate use, but not “intermediate” goods, would be taxed.
- One major problem with consumption taxation in Texas is that it excludes most services.
- A Texas Fair Tax would replace a major portion, if not all, of the school property tax that funds daily operations (leaving other local taxes intact), as well as virtually all of the state’s other taxes, including the corporate franchise tax.
- In 2003, the Texas comptroller estimated that if sales tax were collected on goods and services currently exempted from it, an additional \$19 billion would be raised in 2004.
- In most cases the tax savings from avoiding tax on a purchase is so small that there is little incentive to engage in avoidance exercises.
- Implementation of a Texas Fair Tax would likely increase long-term economic growth, but short-term job loss would likely result as well.

Policy Recommendations

- Policymakers should fully explore the Texas Fair Tax idea.
- Consumption taxes should be considered first in any tax restructuring at the state level.

See Back For Study Information.

***Changing Texas' Tax Structure:
A Fair Tax for Texas?***

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