

Policy

Texas Public Policy Foundation

Brief

An Examination Of Texas' Economic State

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Synopsis by Byron Schlomach

Moore, Arduin & Laffer's Tax Policy Recommendations For Texas As Published In "An Examination Of Texas' Economic State"

1. Cut the school maintenance & operations property tax rate by 25 cents.
2. Abolish the corporate franchise tax.
3. Cut the sales tax rate one-quarter to one-half percentage point.
4. Broaden the scope of the sales tax.
5. Increase the cigarette excise tax.

| Our Recommendation (Moderate) | Static Revenue Effect Estimate | Our Recommendation (Aggressive) | Static Revenue Effect Estimate |
|--|--------------------------------|--|--------------------------------|
| Reduces school district M&O property tax rate ceiling from \$1.50 to \$1.25. Freeze future tax rate increase for all local taxing units. | -\$3.0 billion | Reduces school district M&O property tax rate ceiling from \$1.50 to \$1.25. Freeze future tax rate increase for all local taxing units. | -\$3.0 billion |
| Abolish the corporate franchise tax. | -\$1.9 billion | Abolish the corporate franchise tax. | -\$1.9 billion |
| Reduce state general sales tax and motor vehicle sales tax rates from 6.25% to 6.00%. | -\$0.6 billion | Reduce state general sales tax and motor vehicle sales tax rates from 6.25% to 5.75%. | -\$1.2 billion |
| Broaden sales tax base to include almost all consumer and business services (6.00%). | +\$4.2 billion | Broaden sales tax base to include almost all consumer and business services (5.75%). | +\$4.0 billion |
| Raise cigarette excise tax from \$0.41 per pack to \$1.41 per pack. | +\$0.8 billion | Raise cigarette excise tax from \$0.41 per pack to \$1.41 per pack. | +\$0.8 billion |
| Net Static Revenue Effect | -\$0.5 billion | Net Static Revenue Effect | -\$1.3 billion |
| Net Dynamic Revenue Effect within Two Years | +\$4.5 billion | Net Dynamic Revenue Effect within Two Years | +\$5.5 billion |
| Net Overall Effect | +\$4.0 billion | Net Overall Effect | +\$4.2 billion |

Source: Moore et. al., "An Examination Of Texas' Economic State"

The Best Tax Policy

The best tax policy should closely conform to the following conditions:

1. It bears as lightly as possible upon production—so as to do the least harm to the private sector that generates the taxes and maintains the community.
2. It is easily and cheaply collected, and falls most directly upon the ultimate payers—so as to take from the people as little as possible in addition to what it yields the government.
3. It is certain—so as to give the least opportunity for tyranny or corruption on the part of officials, and the least temptation to lawbreaking and evasion on the part of the taxpayers.
4. It bears equally—so as to give no citizen an advantage or put any at a disadvantage, as compared with others.