

Protecting Texas Taxpayers: Sales Tax Relief (STaR) Fund

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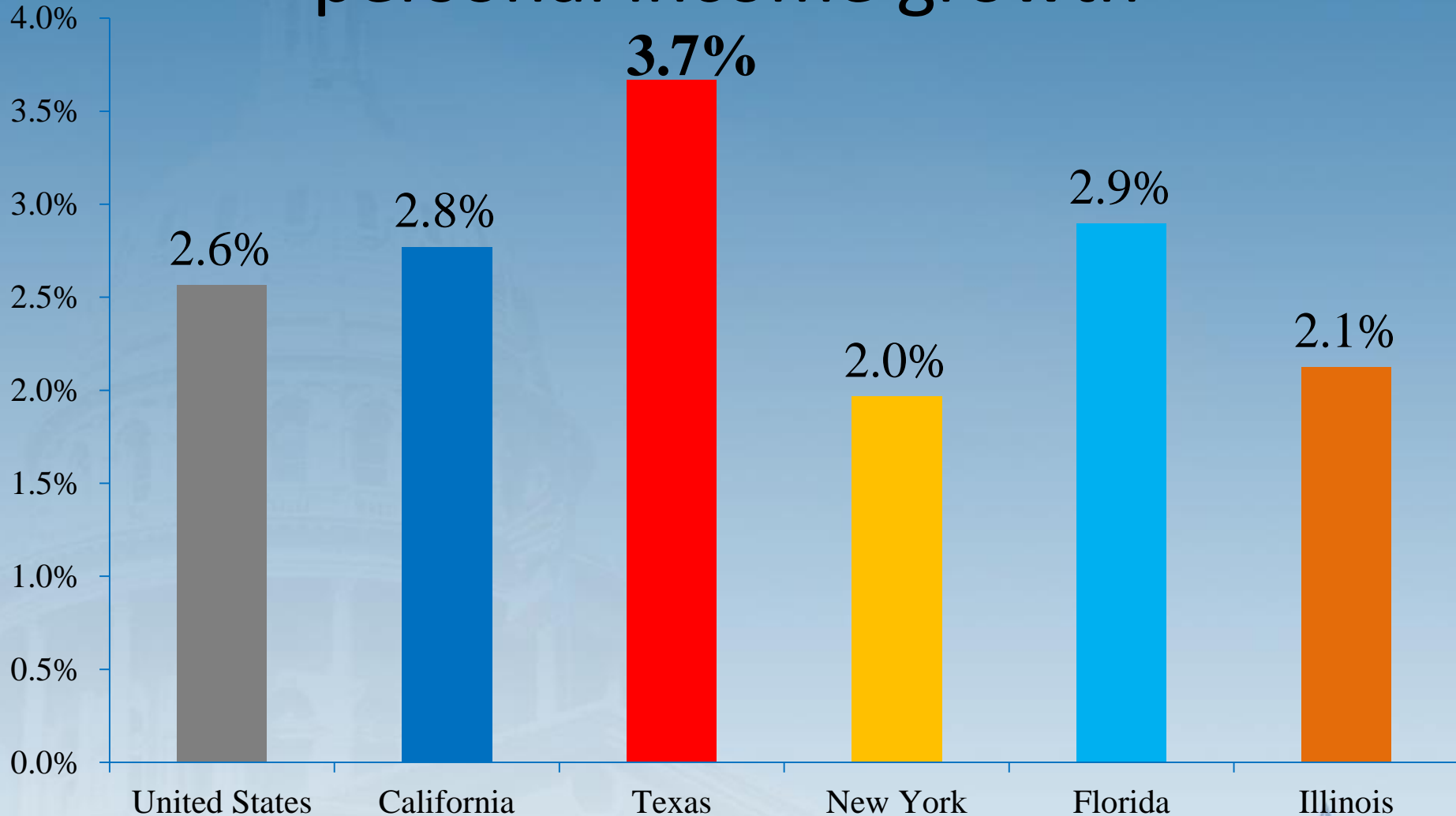
Economist

Texas Public Policy Foundation

Free Market Summit: “Texas at a Turning Point”

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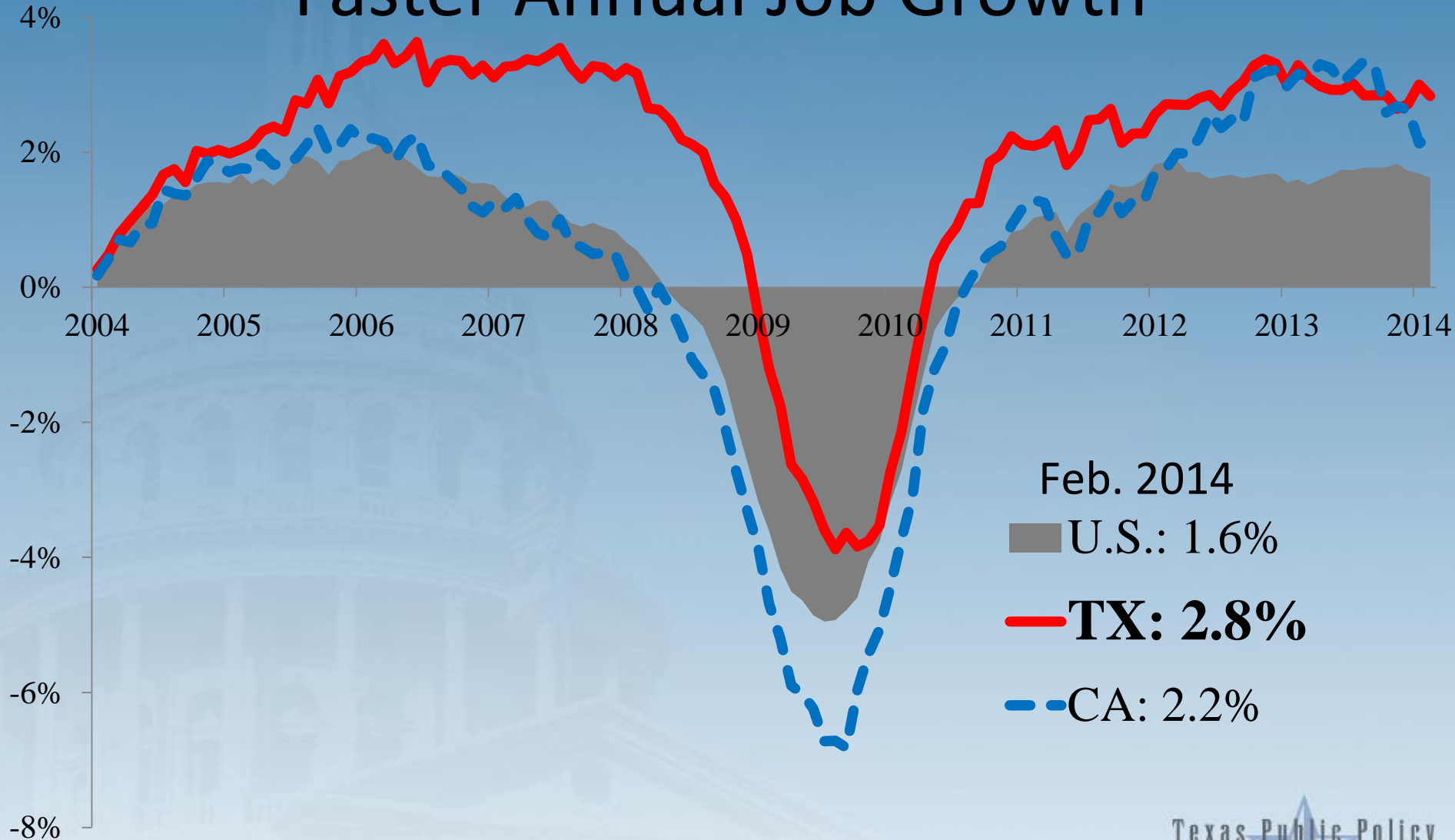
Texas leads top 5 states in personal income growth



Note: Data for the 2013 annual growth rates are from the U.S. Bureau of Economic Analysis.

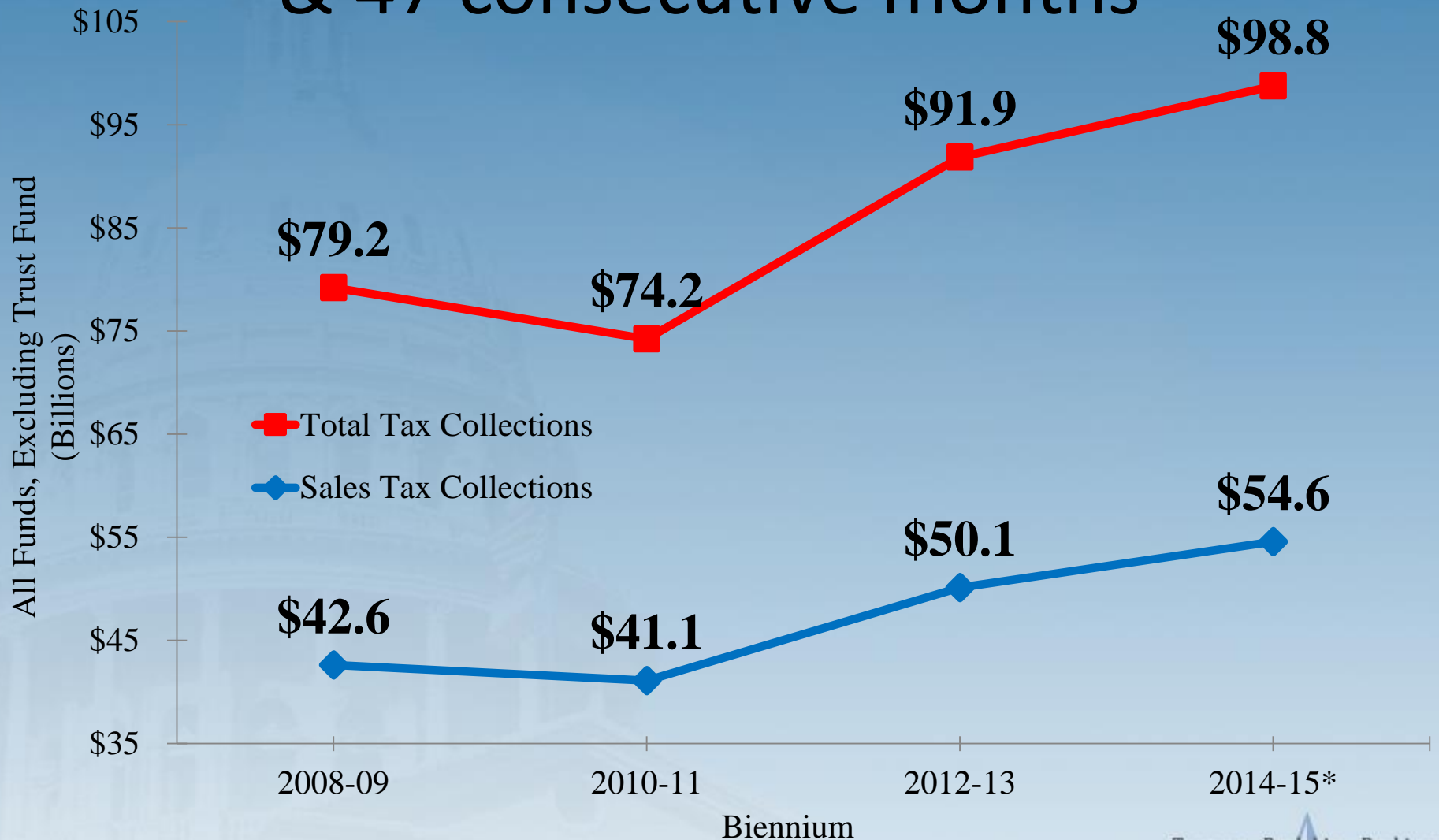
The Texas Decade

Faster Annual Job Growth



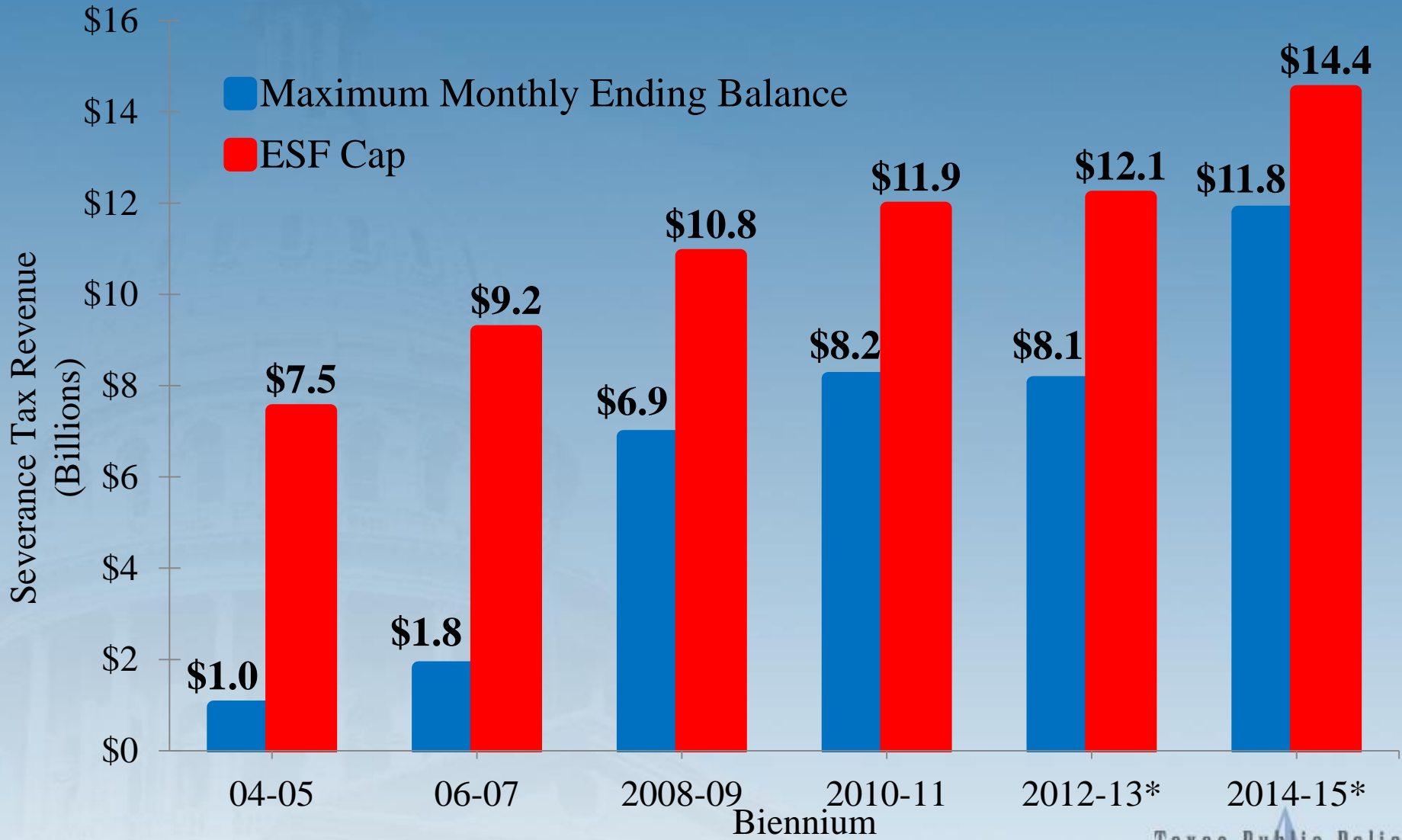
Note: Seasonally adjusted nonfarm employment data are from the Bureau of Labor Statistics.

Sales tax revenue up 28% since 08-09 & 47 consecutive months



Source: Texas Comptroller, * indicates an estimate.

Rainy day fund rises closer to the cap



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Excess Revenue Expected

- Texas Comptroller expects at least a \$2.6 billion surplus this biennium
 - May be as high as \$4.1 billion
- Perhaps Texans are taxed too much?
- Appropriations process favors interest groups
 - Funds cut from one program go to another
 - Rent seekers demand excess revenue
- No vehicle to include taxpayers in process

Sales Tax Relief (STaR) Fund

- Legislators should create the STaR Fund to:
 - Restrain growth of government
 - Provide tax relief for all Texans
 - Keep Texas competitive
- Funded in two ways:
 - By the Texas Legislature during the appropriations process
 - Funds in excess of the ESF's cap
- Comptroller would temporarily lower the state sales tax rate based on the amount in the STaR Fund

Simple Vehicle to Administer

- Consider FY 2013 sales tax revenue \$25.8 billion
 - Each cent of 6.25% raised \$4.1 billion
- If the Legislature deposited \$4.1 billion into the STaR Fund
 - Comptroller could lower the state sales tax rate by half a cent to 5.75% for two years
 - Transfer dollars in the STaR Fund into general revenue
 - After two years, the sales tax rate would automatically return to 6.25%

Sales tax relief for all Texans

- 6.25% to 5.75% over two years is an **8% cut**
- IRS calculations for an average family of four:
 - Fort Worth family would save roughly \$118
 - Houston family would save about \$132
- This adds up to real savings for consumers and businesses
 - 30 gallons of milk
 - 40 gallons of gasoline
 - Hire new workers and purchase capital
- More choice: spend vs. save

Let Texans have a louder voice

- Changes the dynamics of the appropriations process
 - A vote against depositing dollars into the STaR Fund would be a vote against tax relief
- Simple to administer: sales tax holiday
- STaR Fund would:
 - Restrain the growth of government
 - Provide tax relief for all Texans
 - Keep Texas economy the envy of all states
- Please go to texaspolicy.com to learn more