

Follow us on



Subscribe | Today's paper | Customer care

Sign In | Register

statesman.com

Real Austin. Real News.

 

Site  Web

Web Search by YAHOO!

---

Posted: 12:00 a.m. Sunday, March 3, 2013

## Moll: Unshackle Texas businesses

By Jeanette Moll

Texas Public Policy Foundation

In 2012 alone, Texas added 260,000 jobs to its rolls. The latest unemployment rate in Texas is 6.1 percent, significantly less than the national average of 7.9 percent.

Adding up the numbers, Texas is in good shape — but could Texas have added more jobs, or inched closer and closer to full employment last year?

Ask one of the thousands of business owners across the state that contribute to our \$1.3 trillion dollar economy and employ our citizens. Invariably, those entrepreneurs will emphatically agree that Texas could be exceeding even these economic growth rates, and they quickly point towards a singular issue that is hampering the economy and shackling potential growth in Texas: the gross margin tax.

As members of the Texas Legislature roll up their sleeves and begin legislative work in earnest, their number one goal should be permitting Texans to realize their potential and maximize economic growth. Economic growth is an equal opportunity boost to every citizen in this state out of poverty and into prosperity.

Economic growth and prosperity is the reason that Texas weathered the economic downturn, the reason that 1,100 people flocked to our state at the height of the recession, and the reason that Texas is poised to be an economic force that rivals other countries, not other states.

But economic growth has taken a hit in Texas beginning in 2006 with the imposition of the revised gross margin tax.

The gross margin tax is unique among all 50 states. No other state taxes business in this way. And our originality has confounded business across Texas ever since it went into full effect in 2008.

That's because the tax first requires businesses to calculate its "taxable margin" in one of three ways: revenue minus the cost of goods sold, revenue minus compensation, or revenue times 70 percent.

And note: that's total revenue — not profit. Given that the average business takes three to five years to become profitable, the margin tax tacks on costs on top of revenue without regard to net costs or profits, meaning that a business could lose money but still owe taxes for a particular year.

At that point, businesses must determine whether they fit into one of two categories, which are taxed at two separate rates. If that sounds easy, then ask the Supreme Court of Texas, which has been tasked with sorting out those categories and which companies are included twice already.

Finally, tail end calculations regarding exemptions and liability issues are factored in to come up with a final gross margin tax calculation. Texas businesses spend hefty amounts on accountants to handle these difficult calculations, and then send the

results to the state with fingers crossed that the complicated tax was calculated correctly.

All that time and money could instead be spent investing in business, growing our economy, employing more Texans, expanding research and development, and innovating the way that Texans do best when permitted to thrive free of government shackles.

But they're not. And as a result, Texas has missed countless opportunities.

In 2007, Texas ranked 17th out of all 50 states in the Tax Foundation's "Corporate Tax Ranking" in the "Business Tax Climate Index." Today, we're 38th. We tumbled 21 spots in just six years because of the margin tax.

The tax is difficult and confusing to comply with, hiking compliance costs and putting a damper on economic stability. Businesses are uncertain of their gross margin tax liability throughout the fiscal year and sometimes even after the precarious calculations are finalized.

This tax accounts for only 6.4 percent of Texas state revenue yet has done untold millions in damages by making the business of businesses in Texas harder to run and more expensive once they become successful.

The Texas Legislature could quickly and surely boost our state's economic outlook, attract more entrepreneurs and companies to our state, and encourage growth and success for Texas in one fell swoop — all by eliminating the gross margin tax in Texas.

This would allow businesses and entrepreneurs to grow free of a confusing and unwieldy tax experiment. As reported on [www.nomargintax.com](http://www.nomargintax.com), it's been estimated that a repeal of the gross margin tax would put Texas first in the nation in corporate tax climate — just the shot in the arm an already strong economy could use to grow stronger and further.

It's time to unshackle our state's business and economic growth drivers and let them create the best possible Texas for all Texans.

## More News

### More on statesman.com

McCown, Villanueva: Texas public pensions on sound footing

Hookem.com: The good (and not so good) from Horns' open workouts

Strip center wall collapses in North Austin shopping center

Crash involving 18-wheelers causing delays on I-35 in Round Rock

Under sequester, Austin airport wouldn't close overnight, but...

Herman: A concealed handgun license holder walks into the...

### From Around the Web

Kim Kardashian's Skirt Causes Outrage (Zimbio)

Michelle Obama's mixed race heritage proved by DNA. (Ancestry.com)

29 Church Signs That Make You Scratch Your Head (ViewMixed)

5 Dog Breeds That Are Sadly Losing Popularity (Vetstreet)

Why You Shouldn't Buy A Hybrid (Consumer Car Reviews)

4 must-do's before you retire (Bankrate.com)

[?]

## Comments

If you would like to post a comment please [Sign in](#) or [Register](#)