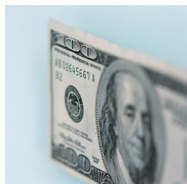




Supermajority Requirement to Raise Taxes



The Issue

Since Texas does not have a problem with revenues and an increase in taxes would burden all Texans, the Legislature should only raise taxes unless there is a broad consensus. With the state's coffers potentially overflowing next session—meaning taxpayers are being overtaxed, taxpayers would benefit from a mechanism that slows the growth in revenues.

The challenge is to develop a tax system that generates sufficient revenue to pay for essential government services while doing the least economic harm to consumers and employers.

The state's current tax system is expected to collect 71% more total tax revenue in 2014-15 compared with 2004-05. By comparison, the growth rate of population and inflation over this period is only 50%. Clearly, the tax system is bringing in more than enough revenue to pay for essential services.

According to the Foundation's study, *How Big Government Hurts the Economy*, the 10-year economic performances of the nine states without an income tax clearly outperform the nine states with the highest income tax rate in growth rates of gross state product, nonfarm employment, population, and state and local tax revenue.

Legislators should adhere to prudent policy and pass legislation requiring a two-thirds supermajority of the Legislature to raise taxes instead of the current system's simple majority requirement. Texas should be leading the way on this issue; instead, it lags behind 18 states that have some form of this requirement, according to the Washington Policy Center.

Last session, Senate Joint Resolution (S.J.R.) 27 would have achieved the goal of requiring a supermajority vote "for passage of a bill that imposes a new state tax or increases the rate of an existing state tax above the rate in effect on the date the bill was filed."

Considering that taxes affect us all and with so much at stake—jobs, the economy, and Texans' financial well-being—it is not too much to ask that certain, simple requirements are in place before the Legislature can raise taxes, or pass a new tax. It is prudent public policy and the right thing to do.

The Facts

- The state's current tax system is expected to collect 71% more total revenue in 2014-15 compared with 2004-05.
- Texas does not have a problem with revenues and an increase in taxes would burden all Texans.
- Low taxes contribute to the economic success of the Texas Model.

Recommendations

- State and local governments should continue to rely on consumption taxes as their main revenue generators.
- Legislators should pass a bill to require a supermajority (two-thirds of membership) vote to raise taxes.

Resources

Testimony Regarding Senate Joint Resolution 27 by Talmadge Heflin, Texas Public Policy Foundation (Apr. 2013).

How Big Government Hurts the Economy by Laffer, Drinkwater, DeVore, and Moore, Texas Public Policy Foundation (Nov. 2013).

Enhancing Texas' Economic Growth Through Tax Reform by Arduin, Laffer, and Moore Econometrics, Texas Public Policy Foundation (Aug. 2012).

