

NEWS

ENTERTAINMENT

CLASSIFIEDS

CARS

statesman.com

TYPE SIZE: S M L

Sub:

More about: [RSS](#) | [Wireless](#)  | [Search](#) | Site Web ArchiveWeb Search powered by
YAHOO! SEARCH[Register Now](#) | [Log In](#)

NEWS

BUSINESS

SPORTS

LIFE

OPINION

WEATHER

BLOGS

MULTIMEDIA



Lexus IS 250

NEWS

[Local](#) | [Williamson](#) | [Virtual Capitol](#) | [State](#) | [Special Reports](#) | [Nation/World](#) | [AP Wire](#)
[E-MAIL](#)[PRINT](#)[MOST E-MAILED](#)[SHARE](#)

LEGISLATURE

Small businesses in line for tax cut

Lawmakers want to cut levy but no consenses yet on how.

By [Kate Alexander](#)

AMERICAN-STATESMAN STAFF

Sunday, April 26, 2009

Small Texas businesses are pretty much the only taxpayers in line to get some tax relief from the Legislature this session.

A broad-based coalition of lawmakers, including Gov. Rick Perry, is pushing for changes to the state's new business tax to reduce the impact on small businesses.

MORE ON THIS STORY

[Sign up for our e-mail newsletter on Legislative coverage](#)

[Legislative news inside the Virtual Capitol](#)

Given the sweeping support, there is little question that there will be changes to the business tax, which was overhauled in 2006 as part of a school finance reform package.

What legislators have yet to determine is how much tax relief Texas can afford and specifically how to dole it out in this difficult budget year.

Will Newton, executive director of the National Federation of Independent Business/Texas, said the Legislature's embrace of small business is a welcome departure.

"There were those who totally disregarded small business and the importance of small business in their community," Newton said.

But now, he said, the "legislators are hearing from the business owners; they are hearing from the job creators in their communities."

"The most welcome part of it is, there is a total recognition ... that this is a bad tax and we need to find a better way," Newton said.

In 2006, the state faced a court order to reduce the reliance on local property taxes to pay for public schools. To generate new revenue, the Legislature, in a special session, revamped the existing business tax and applied it to more businesses.



For most qualifying businesses, the tax is 1 percent of their total revenue minus one of three options: the cost of goods sold, employee compensation or 30 percent of total revenue.

In its first two years, the revised business tax was expected to bring in \$11.9 billion, of which \$6.1 billion was to offset the lower property tax revenue for schools.

Collections in the first year of the tax came in \$1.4 billion below the projection.

Even so, small businesses across the state say their tax burden got too heavy with the revisions.

"You can't broaden the base on the backs of people who can't afford to pay it," said Sen. Dan Patrick, R-Houston, who is the author of the Senate bill that would enact two key changes to the business tax.

Twenty-four senators from both parties have signed on to Patrick's bill.

"Small businesses need the opportunity to grow," Patrick said. "We should not make it more difficult for them."

The proposal with the most momentum in both chambers would exempt all businesses with revenues less than \$1 million — about 132,000 businesses that are now subject to the tax. (Currently, about 451,000 businesses with less than \$300,000 in revenue are exempt.)

In the Texas House of Representatives, the chairman of the tax-writing committee, Rep. Rene Oliveira, D-Brownsville, is carrying a bill that would make that change.

It is also part of Patrick's bill, and Perry endorsed the idea during his State of the State address.

Dale Craymer, chief economist of the Texas Taxpayers and Research Association, said any type of tax relief is good in the current economic environment.

But Craymer is concerned that exempting so many businesses means that fewer people have a stake in, and will pay attention to, these important issues in the Capitol.

Other possible changes include reducing the rate paid by businesses with revenues up to \$10 million and allowing businesses to deduct the cost of contract labor.

"The new tax is unfairly hammering small business, and that was not our intent," said Rep. Bryan Hughes, R-Mineola, author of a bill to allow the contract labor deduction.

None of the proposed changes comes cheap. The Oliveira exemption would reduce revenue to the state by \$172 million in the upcoming two-year budget, and Hughes' measure would reduce revenue by \$140 million.

Patrick's bill carries a \$402 million price tag.

There is overwhelming support to provide some tax relief, Patrick said, but it will be up to the legislative leadership to determine how much.

Your Comments

Austinites love to be heard, and we're giving you a bullhorn. We just ask that you keep things civil. Leave out the personal attacks. Do not use profanity, ethnic or racial slurs, or take shots at anyone's sexual orientation or religion. If you can't be nice, we reserve the right to remove your material and ban users who violate our [visitor's agreement](#)

You must be logged in to leave a comment. [Login](#) | [Register](#)

Post Comment



**PROPI
MANA**
Confide

**Roofin
Repres**
Confide

**Manag
Panera**

VIEW



tsktsk wrote:

As a small business owner, it doesn't really matter. This is just a patsy bill being written by lawmakers to give them something to do and an attempt to make them look good. A tax cut here will just result in taxing us somewhere else. What we need as business owners are better tax credits. How about a tax credit for a portion of rent we pay to the shopping center? How about a tax credit for a portion of the unemployment insurance or workman's comp? These are the expenses that are really eating us alive. The business owners in my shopping center were just hit with an almost double CAM increase because the property taxes are now assessed too high. Tax credits are what we need, not BS sugarcoated temporary tax cuts.

Posted on 4/27/2009 11:25:38 AM

[Report Abuse](#)

[Top of Comments](#)

[Top of Page](#)

Advertise [Onli](#)

Presented by 7

Please read

Copyright 200!

[Business Tax ID Texas](#)

Fill out secure online form and receive
www.federaltaxid.us

[Calcutta small business tax preparation](#)

We Focus on Small Businesses. Call Today for a Free
Initial Consult.
www.youngstown247.com/

[Small Business Tax Audit Help](#)

Nations Largest Tax Resolution Firm Solves Small
Business IRS Problem.
www.JKHarris.com

[What's Your Credit Score?](#)

728 Is an Excellent Score- Get Your Instant Credit Score
For \$0 Today.
TriFreeCreditReports.com/free

Ads by Yahoo

