

Bill proposes more exemptions to Texas business tax

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AUSTIN – Many small Texas businesses would no longer have to pay the state business tax and others would see their tax liability drop under legislation endorsed by Lt. Gov. David Dewhurst and a majority of senators.

Sen. Dan Patrick's bill comes in response to small-business owners' complaints about the tax the Legislature adopted in 2006 to help pay for a massive school property tax cut. The business tax was first collected last year.

Patrick, R-Houston, said Wednesday that he already has the backing of at least 22 other senators and will try for a vote in the next few weeks.

Dewhurst, also a Republican, said small businesses are the "most powerful engine driving the Texas economy, and we must do everything we can to help them grow."

While the plan appears to have solid support in the Senate, some lawmakers have cautioned about significant changes, noting that the business tax raised about \$1.2 billion less than was projected last year. Revenue from its first year was \$4.7 billion.

Although the cut would reduce state revenue by about \$300 million over the next two years, Dewhurst and Patrick said they are confident the decrease can be covered in the state budget.

The legislation would lower the tax in two ways:

- Businesses with gross receipts of less than \$1 million a year would no longer pay the tax. Businesses under \$300,000 a year now are exempt from the tax, and those between \$300,000 and \$1 million pay on a sliding scale depending on their revenue. Patrick said that would exempt 266,000 small businesses.
- Businesses with gross receipts between \$1 million and \$10 million that use the so-called EZ method of calculating state taxes would see their tax rate drop from 0.575 percent of adjusted gross receipts to 0.4 percent. The change would lower the tax bills for as many as 120,000 companies.

Patrick said up to 90 percent of the businesses now paying the tax would either no longer pay it or get a reduction in what they pay.

All businesses except sole proprietorships were supposed to file tax returns last year, and more than half a million did, said the state comptroller. Only 133,000 were required to pay because of the exemptions for businesses with gross receipts of less than \$300,000 a year that had a total tax liability of less than \$1,000.

Among the business groups clamoring for revisions in the business tax was the National Federation of Independent Businesses of Texas.

Will Newton, the group's executive director, said the bill would help small businesses "keep their doors open during these tough economic times."

Senate leaders also are expected to consider legislation to create tax incentives for businesses to provide health insurance for their employees.