

House GOP's tax plan stalls

Meanwhile, committees in both chambers pass school finance bills

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By **ROBERT T. GARRETT** and **TERRENCE STUTZ** / The Dallas Morning News

AUSTIN – The chief House tax writer and the head of a leading business research group criticized Gov. Rick Perry's tax overhaul proposal on Thursday, saying it fails to sufficiently broaden a business franchise tax filled with loopholes.

However, House Republican leaders' own plan for cutting property taxes and expanding business and consumption taxes stalled in committee Thursday, as at least one GOP member – Rep. Ken Paxton, R-McKinney – joined Democrats in opposition.

"He doesn't believe we need to create a new business tax," a spokesman for Mr. Paxton said, echoing the governor's criticism of a payroll tax option for businesses in the plan backed by House leaders.

Meanwhile, the education committees of the House and Senate approved their school finance and education reform bills on Thursday, sending them to their respective chambers, where they are expected to be passed next week.

As the special session called by Mr. Perry entered its third day, the governor pushed his plan.

"I'm traveling across Texas to surmount the voice of the often silent majority, those Texans who want great schools and reasonable property taxes, and who want action and leadership rather than delay and talk," Mr. Perry said in Irving.

He also traveled Thursday to Houston and San Antonio, and planned swings through East Texas today and West Texas on Saturday. Mr. Perry has tapped campaign funds for radio ads plugging his approach, which would give teachers an average \$1,500 pay increase and homeowners an average 23 percent tax cut.

The state constitution requires tax bills to start in the House, though, and the governor has a problem there: Rep. Jim Keffer, R-Eastland, who heads the tax-writing Ways and Means Committee.

Mr. Keffer said he asked Mr. Perry's office to send someone to the panel's hearing Thursday who could explain the governor's plan.

"Unfortunately, there was no one ... available," Mr. Keffer said.



HARRY CABLUCK/AP
Ursula Acker Parks of the Legislative Budget Board testifies before (from left) Kent Grusendorf, R-Arlington; Rene Oliveira, D-Brownsville; and Dan Branch, R-Dallas.

Robert Black, a Perry spokesman, said the governor's office didn't receive the invitation until Mr. Perry and his top tax adviser were on a plane Thursday morning.

Mr. Perry has proposed closing loopholes in the franchise tax, which many businesses now avoid by creating out-of-state subsidiaries or masking profits with huge charges to in-state operations for use of trademarks and logos.

Mr. Keffer said the governor's talk of loophole plugging "sounds good" but actually is "extremely unfair." Mr. Perry's plan fails to subject certain business partnerships to the franchise tax, Mr. Keffer said.

Bill Allaway, president of the Texas Taxpayers and Research Association, a research group for businesses, praised the House leaders' bill as the "best of the proposals we've seen so far." He said it, unlike Mr. Perry's plan, would make the state's tax system mirror the economy.

Mr. Black responded: "Partnerships were never intended to be covered. They're talking about a new tax."

At end of the regular legislative session three weeks ago, the House and Senate were close to an agreement on school finance but remained sharply at odds over the companion bill that would cut school property taxes while raising other taxes to recoup the revenue.

The House Public Education Committee adopted its bill first, on a 6-2 vote along party lines. Two of the three Democrats on the committee voted no, while the third Democrat abstained.

Chairman Kent Gruesendorf, R-Arlington, made it clear to the panel he was not interested in making major revisions as he tried to get the legislation to the full House by Tuesday and then into negotiations after the Senate passed its version.

"I want to accelerate the process and get back to where we were at the end of the [regular] session," he said Thursday.

Also on Thursday, cities and counties strenuously objected to another Senate bill, praised by conservative groups, which would make it easier for voters to roll back property tax increases.

Staff writer Jessica Leeder in Irving contributed to this report.

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BILL COMPARISON

The school-finance measures adopted by the House and Senate education committees Thursday are similar in most areas but have some key differences to be worked out in conference committee after approval in the full chambers:

Teacher pay raises: The House bill proposes an average \$1,500 per teacher increase. Calculated over the next two years, that figure represents less than a 2 percent pay hike for the typical teacher. In the Senate bill, education committee members voted to increase the proposed \$1,500 raise to \$2,500, despite objections from some members that there was no state money to cover the extra \$660 million over two years.

School start date: Both versions of the bill call for establishing a new, mandatory start date for classes beginning in the fall of 2006. That new date is the Tuesday after Labor Day. Currently, most school districts start classes the third week of August.

Equity standards: Committee members in both chambers also voted to adjust "equity standards," used in redistributing property wealth, to give more money to low and middle-wealth districts. The adjustment is greater in the Senate than in the House version.

New funding: Both versions called for about \$3 billion in new money for schools over the next two years, with all school districts guaranteed a funding increase of at least 3 percent this fall. Many districts would receive more based on their student populations.