



Center for Public Policy Priorities

July 20, 2006

Dear Texas Congressional Delegation:

Do you support Congress increasing property taxes on Texas homeowners? Do you support Congress reducing funding for Texas public schools? If not, we urge you to vote against the so-called "Business Activity Tax Simplification Act" (BATSA, H.R. 1956/S.2721). The House may vote on the bill next week.

Under Governor Rick Perry, the Texas Legislature just enacted a new business tax designed to reduce school property taxes while funding public education. While we think the new tax does too much of the first and too little of the second, it is now our state's business tax. BATSA would severely limit the ability of our state to levy its new business tax on multi-state businesses working in Texas and making money within our borders, but without a permanent "brick-and-mortar" presence.

Under current law, a business need not have a permanent physical presence in a state to be subject to that state's business tax; a business need only be doing business in the state. BATSA would change the law to allow businesses to make substantial profits in Texas from Texans, but escape paying their fair share of the taxes necessary to keep Texas up and running.

We are talking about a substantial amount of tax dollars. The Congressional Budget Office cost estimate for H.R. 1956 concluded: "CBO estimates that the costs—in the form of forgone revenues—to state and local governments would exceed \$1 billion in the first full year after enactment and would likely grow to about \$3 billion, annually, by 2011."

To replace our state's share of that lost revenue, local property taxes would have to go up or school funding would have to go down or both. In other words, Texas homeowners and Texas schoolchildren would have to pay for the tax cut you would be giving to multi-state businesses making money in Texas off Texans.

To learn more, please read this policy brief by CBPP at <http://www.cbpp.org/9-14-04sfp-sum.htm>. If we can provide any additional information, please let us know. We look forward to hearing from you where you stand on BATSA.

Respectfully yours,

F. Scott McCown
Executive Director

C: Governor Rick Perry
Texas Legislature