

# TTARA 2024 Statement of Principles and Policy Positions

---

## ABOUT US

The Texas Taxpayers and Research Association (TTARA) is a nonprofit membership organization of businesses and individuals interested in state and local fiscal policy in Texas and how that policy impacts our economy. Our membership is composed primarily of businesses and trade associations that represent a variety of professions. They include the entire range of economic sectors and activities in Texas and share a common belief that all participants in our state's economic life have a stake in determining its future.

TTARA has been recognized as the state's leading organization specializing in tax and fiscal policy for the last 50 years.

## ADVOCACY

TTARA advocates before the Texas Legislature in support of rational and balanced tax and fiscal policy.

We work with the Comptroller's Office and other executive agencies to ensure efficient tax administration. We weigh in on critical legal issues that have broad implications for taxpayers.

## General Tax Policy

Texas state and local governments must balance public needs and wants against the ability to pay for them. Taxes cause economic harm by adding to the cost of living and doing business. That harm is offset and justified if those funds are used prudently to support cost-effective public services necessary to create a positive foundation for economic and social prosperity, but the harm is magnified if those funds are used for inefficient programs or those of marginal impact.

A "tax" is a forced extraction of funds from individuals and businesses to pay for public services.

A "tax increase" is a measure that increases net tax revenue by:

1. Raising a tax rate; or
2. Expanding an existing tax base by reducing or eliminating an exemption, deduction, credit, or refund.

The absence of a personal income tax in Texas is a positive reflection of the state's conservative fiscal policy. It makes Texas an attractive location for individuals and helps foster small business growth. However, compared to other states, Texas relies more heavily on property tax and sales tax, which are among the highest in the nation and fall heavily on business. Consequently, Texas is a relatively high tax state for business—particularly those that are capital intensive or that produce or sell goods.

# TTARA 2024 Statement of Principles and Policy Positions

---

## Taxes should be:

- Balanced in a manner that reflects the participation and interests of ALL Texans and does not divide taxpayers into competing groups;
- Structured so that Texas is competitively positioned among the states and nations to attract employment and investment;
- Composed of stable elements that function well together as a logical system, without undue pyramiding or burdensome compliance; and
- Reflective of real world, as opposed to purely academic or theoretical, considerations.

## Policy Positions:

- **TTARA supports** reasonable tax exemptions that promote growth, alleviate economic distortions and minimize tax pyramiding.
- **TTARA opposes** tax changes that increase the state's already heavy reliance on businesses to shoulder the bulk of the state's tax burden.
- **TTARA opposes** the use of state tax law to affect public policies which are non-economic in nature.
- **TTARA opposes** the replacement of property taxes with an enhanced sales or consumption tax, unless the following conditions are met:
  - The net tax burden on business does not increase;
  - The new taxes are economically neutral, do not distort economic decision-making and can be reasonably administered;
  - The new system allows local governments financial stability and reasonable discretion; and
  - Should some portion of the property tax be retained, sufficient safeguards are provided to ensure that levies do not rise to offset the amount of tax relief.

## Budget and Fiscal Policy

**Principles.** Texas state and local governments exist to provide necessary services to the public that are not available from the private sector. Programs created in support of that mission should be periodically reviewed to ensure that they efficiently and effectively address an ongoing public need. Funding should be based on whether an imperative public need exists, and not simply on whether money is available. Budgeted expenditures should be aligned with current revenues to minimize structural gaps in subsequent years. Debt is an acceptable method of financing infrastructure needs, but should be used carefully and sparingly. In addition, the period to retire the amount borrowed should not exceed the useful life of the property being financed. Texas governments should evaluate their capacity to issue debt based on appropriate measures of their economic ability to retire the debt in a prudent term.

**The assets most critical to the long-term prosperity of the state, and those that should be given priority in the budget, are:**

# TTARA 2024 Statement of Principles and Policy Positions

---

- A workforce educated to meet the needs of current and future employers;
- Safe, healthy, and environmentally responsible communities; and
- Quality public infrastructure, including suitable roads and access to basic services such as electricity, water, and broadband.

## Policy Positions:

- **TTARA supports** a budget balanced without the use of one-time accounting measures or overreliance on one-time revenues.
- **TTARA supports** expanding optional public health coverage to Texans in need provided it can be done at no or minimal net cost to state and local governments.
- **TTARA supports** the state's efforts to improve infrastructure for transportation, water, electricity, and broadband.
- **TTARA supports** reasonable regulation without undue bureaucracy and burdensome financing.
- **TTARA supports** rational limitations on governmental expenditures that provide appropriate protections for taxpayers.
- **TTARA supports** broad-based tax relief by reducing the rates of Texas' major taxes, such as property, sales, and franchise taxes.
- **TTARA supports** targeted tax relief that alleviates those aspects of the tax system that may put Texas at a competitive disadvantage to other states and nations.
- **TTARA supports** maintaining a reasonable balance in the Economic Stabilization Fund while using revenue in excess of that to address non-recurring obligations, such as infrastructure and pension fund stability.
- **TTARA opposes** any increase in taxes when the state has a substantial surplus of funds.

## Property Tax

**Principles.** The property tax is a direct barrier to business investment and to homeownership. Given the extraordinary harm the tax can create, particular care must be taken to ensure that property taxes are as low as possible. Property taxes should be equal and uniform and based on professionally determined market values or use values. Exemptions to existing property should be used carefully and sparingly, as they can simply shift the tax burden onto other taxpayers. However, given the extraordinarily high property tax burden, abatements and deferrals may be an appropriate tool to encourage new investment and economic growth.

Property owners have the right to a fair and impartial review of their notice of protest to ensure that their property is correctly valued and assessed. The process by which local jurisdictions adopt their budgets and corresponding tax rates should be open, accessible, and understandable to the public so that taxpayers can meaningfully and intelligently participate in those decisions. The public should be aware when local jurisdictions raise new property tax revenue by either increasing tax rates or by failing to lower rates appropriately as appraisals rise.

# TTARA 2024 Statement of Principles and Policy Positions

---

## Policy Positions:

- **TTARA supports** an open and understandable local tax and budget process that allows taxpayers to see how local fiscal decisions directly impact their tax bills.
- **TTARA supports** a professional system of property valuation free from the influence of politics.
- **TTARA supports** a fair and impartial valuation appeals process with unfettered access to administrative and judicial remedies.
- **TTARA supports** exempting business inventories and other business personal property from the property tax so that our tax base better matches that of competitor states.
- **TTARA supports** requiring direct voter approval of property tax increases above a reasonable level.
- **TTARA supports** state oversight to ensure that:
  - Appraisal districts employ uniform and generally accepted appraisal standards;
  - Appraisal review boards provide unbiased resolution of valuation protests;
  - Tax rates are proposed in a clear manner with reasonable notice to the public and are adopted in accordance with the procedures specified by law; and
  - Dedicated revenue is used for its intended purposes.
- **TTARA opposes** appraisal caps, assessment ratios, or expanded exemptions for certain types of existing property that simply shift the tax burden onto remaining taxpayers.
- **TTARA opposes** the issuance of any type of tax-supported debt without sufficient public notice and voter approval.
- **TTARA opposes** a split property tax roll that treats business and residential property differently.

## Sales and Use Tax

**Principles.** The sales tax, or any consumption tax, should be limited to the purchase and use of an item by its final consumer. Taxes on intermediate sales cause tax pyramiding—unduly adding tax on top of tax while hiding the total burden from the final consumer. Sales taxes should be applied as uniformly as possible to avoid creating an arbitrary advantage or disadvantage for certain sellers. Sales tax exemptions may be appropriate to mitigate harmful economic consequences.

## Policy Positions:

- **TTARA supports** the current timely-filer and prepayment discounts as a way to partially offset the cost of mandated sales tax collection.
- **TTARA supports** the exemption for materials and equipment used in manufacturing and processing to minimize tax pyramiding and to remain competitive with other states.
- **TTARA supports** a uniform method of sourcing transactions for local sales tax purposes. If the state moves away from the current standard based on the origin of the sale, transition provisions should allow for:

# TTARA 2024 Statement of Principles and Policy Positions

---

1. Grandfathering existing economic development agreements, which have produced substantial economic benefit for the community;
  2. Financial assistance for those taxing entities subject to a substantial loss of tax base; and
  3. Sufficient time for remitters to modify tax compliance systems.
- **TTARA supports** exempting transactions within a combined group, including those with entities classified as partnerships for tax purposes.
  - **TTARA opposes** any increase in the maximum allowable 2% total local tax rate.
  - **TTARA opposes** the expansion of the definition of taxable data processing. Many normal business functions use data processing as a tool to provide specific services; however, administratively those services are increasingly being defined as data processing and made subject to sales tax.
  - **TTARA opposes** subjecting taxpayers to separate audits by multiple taxing authorities.

## Franchise Tax

**Principles.** The franchise tax, the state's general business tax, should apply to all forms of business receiving liability protection from the state. A reasonable small business exemption is acceptable in order to limit the administrative burden and compliance cost of this complex tax; however, the exemption should not be used to advance a policy of selected tax relief, creating inequities in the application of the tax.

### Policy Positions:

- **TTARA supports** reductions in the franchise tax rate to provide relief for all franchise taxpayers if sufficient revenue is available.
- **TTARA supports** reasonable changes that simplify and clarify the calculation of the franchise tax without unduly benefitting or harming certain taxpayers relative to their competitors.
- **TTARA opposes** changes that arbitrarily narrow the number of businesses subject to the tax.
- **TTARA opposes** changes to the tax and its apportionment, allocation, or sourcing provisions that may penalize businesses for locating facilities or performing services in the state.

## Tax Administration

**Principles.** A system of state and local tax administration should appropriately balance the government's interest in effective tax collection with taxpayers' need for non-burdensome compliance. A readily accessible process for timely resolving disputes must be provided. Refunds due should be promptly paid. Similarly situated taxpayers should be subject to the same rules and regulations. Onerous or biased collection methods adversely impact efforts to promote economic expansion.

# TTARA 2024 Statement of Principles and Policy Positions

---

## Policy Positions:

- **TTARA supports** appropriate penalties for failure to pay any tax lawfully due; however, interest is the time value of money, the rate of which should be equal for both delinquent payments to the state and refunds paid to taxpayers.
- **TTARA supports** the confidentiality of taxpayer records. The power to tax should not include the power to publicly expose proprietary aspects of a business's operations.
- **TTARA supports** giving taxpayers reasonable and adequate time to respond to administrative requests without jeopardizing their rights to a refund of overpaid taxes.
- **TTARA supports** changes in tax administration that enhance the use of remote methods of administration and compliance.
- **TTARA opposes** the retroactive application of state tax policy changes.
- **TTARA opposes** the suspension of a company's ability to conduct business in the state due to minor amounts in dispute with a state agency.
- **TTARA opposes** contingent fee audits and tax ferret contracts, as they threaten the objectivity of the contractor.

## Economic Development

**Principles.** Texas businesses compete in a national and global marketplace. It is critical that the cost of doing business in Texas is low to encourage new investment; however, Texas' heavy reliance on sales and property taxes makes Texas a relatively high tax state for business. Consequently, it is entirely reasonable that the state make judicious use of economic incentives that prove to yield a positive return, be it economic, fiscal, or intangible (such as showcasing Texas). Tax and economic incentives can be an effective and necessary tool to attract investment and stimulate economic growth in Texas.

## Policy Positions:

- **TTARA supports** the continued funding of the state's economic incentive programs.
- **TTARA supports** the judicious use of temporary property tax incentives such as tax abatements and value limitations on new investments. These incentives alleviate the competitive disadvantage our high property taxes create relative to other states.
- **TTARA supports** incentives to encourage research and development in Texas.
- **TTARA supports** simplifying and centralizing the application and reporting requirements of the state's current incentive programs.

## Unclaimed Property

**Principles.** The state's role with unclaimed property is to act in good faith by returning unclaimed assets to their rightful owners; it is not to raise money for the state or to punish businesses.

# TTARA 2024 Statement of Principles and Policy Positions

---

## Policy Positions:

- **TTARA supports** reasonable requirements for businesses to maintain unclaimed property records.
- **TTARA opposes** the use of sampling to quantify the amount of unclaimed property a business holds. Assessments should be tied to specifically identified assets.

## School Finance and Education

**Principles.** All Texans are entitled to a quality education that provides them with the skills needed to achieve their greatest potential. School curricula must meet the diverse needs of our students and prepare them for today's economy and society. Schools should have relatively equal access to a level of funds that enables the provision of a desired level of measurable academic achievement through an efficiently managed system. School districts should be accountable to taxpayers and their communities for the money they spend and the results they achieve. Educators and administrators should work collaboratively within and across school districts to ensure that all may learn and benefit from best practices and shared services.

## Policy Positions:

- **TTARA supports** voter approval of taxes above a reasonable level levied for enrichment purposes.
- **TTARA supports** a sufficient level of funding to efficiently provide an education that allows all students to be successful in pursuit of their career and life goals.
- **TTARA supports** updating elements of the formulas used to calculate school funding if there is a reasonable expectation that it will result in increased student achievement or student skills.
- **TTARA supports** the use and teaching of technology so that students have the tools to participate in the current and future economy.
- **TTARA opposes** changes that would arbitrarily lessen the current level of funding equity in the school finance system.
- **TTARA opposes** financing public schools with a split property tax roll that treats business and residential property differently.