



**Update From  
Representative  
James Frank  
84th Legislative Session  
April 13, 2015**



## **This week in the Legislature...**

It's amazing to consider that the biggest "showdown" that we may have in the Legislature this year is not whether we are going to cut taxes, but what type of taxes we are going to cut. Currently, the proposed House plan focuses on cutting sales taxes and business franchise taxes, while the Senate plan focuses on property taxes and the franchise tax.

While we should look at all possibilities regarding where to cut taxes, it is important that we choose the right one(s) and the right amount. My problem with cutting property taxes is that this is not truly a state tax, but rather is a local tax. We should focus first on taxes where the state is the one who receives the revenue. While there are no doubt local governments that are taxing their constituents too heavily, I think this should be addressed with specific legislation, not statewide edicts. Finally, if the state is going to "hold the local entities harmless" by making up for our statewide tax cuts, then we have really done nothing to decrease the size of government.

The business franchise tax, on the other hand, seems like an excellent place to focus our time and attention. It is revenue that comes to the state (and therefore should be dealt with by state legislators), and it is universally panned as an "income tax" on business, regardless of whether they have any income. It has also been listed by the House, the Senate and the Governor's office as a tax that needs reduction, modification or elimination. I would caution that any decrease in the franchise tax must be across the board, so that we keep this tax as broad and low as possible.

The House plan would also provide the first decrease in sales tax in this history of Texas (from 6.25% to 5.95%). The best thing about this tax decrease is that it would impact essentially every individual and business in the state, would truly decrease the revenue coming to the state and can only be reversed by the same body of elected officials voting for it now. If you want to see additional information about the House tax plan, we have included it at the end of the newsletter.

The session is moving along quickly, but we still have a lot of work left to do. If you have any questions or concerns about any upcoming legislation, please feel free to call our office at (512) 463-0534.

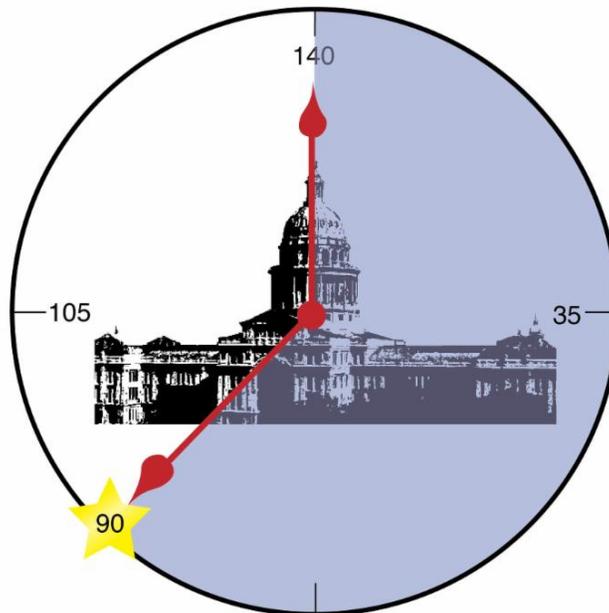
As always, it is an honor to serve as your state representative.

May God bless you and your family,

A handwritten signature in black ink, appearing to read "James B. Frank". The signature is stylized and cursive.

James B. Frank

50 Days Left

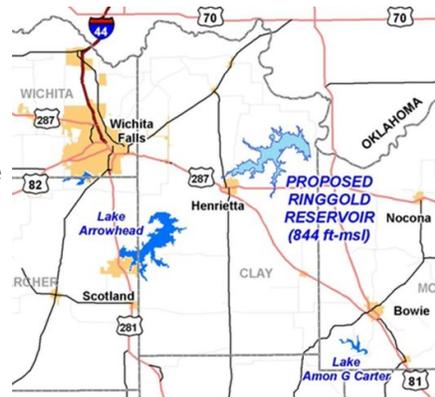


Texas 84<sup>th</sup> Legislative Session

## Legislation - An Update on Where Things Stand

### HB 1042 - Lake Ringgold

HB 1042, which I laid out in the Natural Resources Committee last week, successfully passed out of the committee this week, making it our first bill to pass out of a committee. It has been sent to the Local & Consent Calendar.



## Meetings This Week

It is an honor to have constituents make the 300-mile trip to Austin to participate in their government. Please let us know if you would like to visit us here at the Capitol.

### Texas Retired Teachers Association Day

A large number of former educators from the district made it down to the Capitol for TRTA Day. Unfortunately, I wasn't able to meet with them, as we were debating HB 4 on the floor for several hours, but they were able to visit with my staff. We really appreciate how many people took the time to drive down.

## The House Tax Cut Plan

Most of this information has been provided by the House Republican Caucus.

## The Big Picture

- The House tax cut plan provides the broadest benefits to taxpayers, delivering tax relief to big businesses and small business, homeowners and renters, and every single Texan across the state.
- At \$4.87 billion, it is the largest tax cut on the table, and provides permanent tax relief: it cannot be eroded by local tax hikes or rising appraisals.
- It gives a tax cut to all businesses that currently pay the franchise tax rather than shifting 100 percent of the franchise tax burden to five percent of businesses.
- It protects the integrity of the spending cap, while reducing the state tax burden and state spending; it shrinks government rather than shifting a growing spending burden to the state to buy down property tax rates.
- It reduces the state sales tax for the first time since it was enacted more than 50 years ago, and provides tax relief to 900,000 businesses not paying the franchise tax.
- The combination of franchise tax cuts and sales tax relief will have the most dynamic impact on the Texas economy.

## The Sales Tax

- House Bill 31 cuts the state sales tax rate from 6.25% to 5.95%. This is real, tangible tax relief that will benefit families and businesses of all sizes every time they buy something.
- The average family of four will save \$172 per year. And since employers pay about 40% of all sales taxes collected in Texas, businesses will see substantial savings as well.
- Today, Texas has the 12th highest sales tax rate in America. HB 31 will drop Texas on that list to #26.

## The Franchise Tax

- House Bill 32 cuts the franchise tax rate by 25% across-the-board for all business, large and small, that currently pay the franchise tax. Retailers and wholesalers will pay 0.375%, and all other businesses will pay 0.75%.
- This approach maintains the original intent of the franchise tax, which was to create a tax structure that was broad, fair, and low, without carving out new exemptions.
- HB 32 expands eligibility for the EZ computation by doubling the cap to \$20 million in total revenue and lowering the EZ rate from 0.575% to 0.331%. This will substantially lower the cost of compliance for thousands of small businesses.

## Comparison to the Senate Plan

There are three purposes to any tax cut:

1. Put more money into the hands of taxpayers.
2. Stimulate the economy.
3. Limit the size of government.

This plan is the only plan that achieves all three of those goals.

Important things to note about property taxes:

- The state controls the franchise tax and the sales tax. It does not control property taxes. Under the current system, we're not the ones that can fix property tax problems.
- A property tax cut won't put more money in the hands of taxpayers for the same reasons it hasn't in the past: local rate increases and rising appraisals.
- A property tax cut won't stimulate the economy over the long-term because the taxpayers still end up getting a higher tax bill.
- A property tax cut won't do anything to limit the size of government. State government may get smaller, but local government will just fill that void.

## Where we go from here

The House still has to pass HB 31 and HB 32, which will then be sent to the Senate. As the House and the Senate both have very different tax cut plans, the two plans will most likely be

consolidated and hashed out in a conference committee, either in the budget conference or a separate tax cut conference.

Because of this, we do not know exactly what the final tax cuts from this session will look like, but I believe the House plan that Chairman Bonnen unveiled this week is a strong start to ensuring meaningful tax cuts for every single Texan.

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Please also feel free to visit my Texas House of Representatives website at <http://www.house.state.tx.us/members/member-page/?district=69>.

It is an honor to serve as your State Representative. As the session progresses, I look forward to hearing your input on proposed legislation.



Note: Please forward this email to individuals interested in receiving updates from Representative James Frank. If you, or someone you know, would like to receive these updates, please email

[District69.Frank@house.state.tx.us](mailto:District69.Frank@house.state.tx.us).

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