

# Perry signs business tax measure

Final approval comes  
for first of five bills to  
trim property taxes

By Jason Embry

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Gov. Rick Perry signed into law Thursday an expansion of the state's general business tax, the centerpiece of his plan to reduce school property taxes.

Perry signed the bill at a McCoy's Building Supply store in Brownwood on the first stop of a two-day, six-city Texas tour he's taking to tout his tax overhaul plan. The bill is the first of the five bills in his tax overhaul to get his signature, and the other four are expected to follow in the next couple of weeks.

The tax will replace the corporate franchise tax, which many businesses are not required to pay, with a new tax on gross receipts. Companies will be allowed to deduct their payroll costs or their costs of goods sold, and the tax rate will be 1 percent. The rate for wholesalers and retailers will be one half of 1 percent.

The business tax will be due for the first time in May 2008. It will apply to thousands of businesses that are not subject to the franchise tax.

"Today I am proud to sign into

law landmark business tax reforms that will provide greater fairness for employers, reliable funding for our school classrooms and revenue that will help deliver a record \$15.7 billion property tax cut for the people of Texas," Perry said.

The plan cuts property tax rates for school operations by one-third over two years. It adds \$1 per pack to the cigarette tax. The plan will cut more in taxes than it brings in, and it includes \$1.5 billion in increased school spending, including \$2,000 pay raises for teachers.

During the next two-year budget, the Legislative Budget Board predicts, the tax cuts and school measures will cost \$10.5 billion more than the new revenue will bring in. That's caused some to warn that lawmakers will have to drastically cut services or raise the sales tax.

Perry says the projections do not account for the economic growth and additional tax revenue that his tax cut will trigger.

Comptroller Carole Keeton Strayhorn, who is running against Perry as an independent, said she would repeal the tax if elected governor — something she could not do without the Legislature's cooperation.

"We need long-term solutions, not a temporary fix," Strayhorn said.

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