

## Texas Tax System: Inadequate and Inequitable

A good tax system should distribute tax burden equitably and grow to meet increasing needs. A balance among different sources of revenue should be achieved so that the shortcomings of any single tax can be offset by the strengths of another.<sup>1</sup> These two principles are among the nine criteria from the report and model listed in the table *Criteria For Evaluating The Texas State And Local Tax System*, devised by the Bipartisan Select Committee on Tax Equity, in 1989.<sup>2</sup>

### *Criteria For Evaluating The Texas State And Local Tax System*

**ADEQUACY:** Should produce the necessary revenue.

**EQUITY:** The state and local tax burden should be distributed fairly. Everyone pays their share according to ability to pay.

**EFFICIENCY:** The tax system should not unnecessarily or unintentionally interfere with private economic decisions.

**ECONOMIC COMPETITIVENESS:** To the extent possible, the tax system should be designed to enhance state and local economic development.

**STABILITY:** The tax system should be able to withstand shifts in the economy and promote certainty, or consistency, for taxpayers and government.

**SIMPLICITY:** The tax system should be simple enough to require minimal compliance and enforcement costs.

**BALANCE:** Government should avoid over-reliance on any one tax or set of taxes. The tax system should be balanced among a number of taxes.

**BROAD BASE:** There should be an even-handed treatment of all tax payers so as to keep tax rates low.

**INTERGOVERNMENTAL LINKAGES:** Those who make decisions on the tax system should recognize the connections between state and local tax systems.

*Source: Bipartisan Select Committee on Tax Equity, 1989*

According to this model, the Texas tax system needs to change. Our tax system fails the people of Texas in two ways:

- Texas taxes are not equitable.
- The current tax system does not provide enough money to meet Texans' basic needs.

Taxes are needed to fund essential public services. All of us want to provide the best possible education for our children. We want adequate health care, excellent police and fire protection, well-maintained roads, bridges and sewers, ample libraries, parks, and a safety net of

aid to the needy. We want our community to be a hospitable place for businesses to grow and prosper. As the chart below *Does Texas Spend Too Much?* shows, when Texas is 50<sup>th</sup> in the nation in per capita general state government expenditures, however, we are not able to provide the services that our communities need.

<b><i>Does Texas Spend Too Much?</i></b>		
<b>Per Capita General Expenditures</b>		
New York	\$6,891.93	3
Massachusetts	5,994.31	7
California	5,686.48	10
New Jersey	5,348.98	15
Washington	5,237.64	16
Michigan	5,214.23	18
Ohio	5,141.87	20
Pennsylvania	4,627.54	26
North Carolina	4,338.47	33
Illinois	4,203.05	36
Indiana	4,074.73	39
Virginia	4,059.62	40
Georgia	3,834.58	44
Florida	3,448.00	49
<b>Texas</b>	<b>3,441.53</b>	<b>50</b>

SOURCE: U.S Bureau of the Census, Government Division, January 2006.

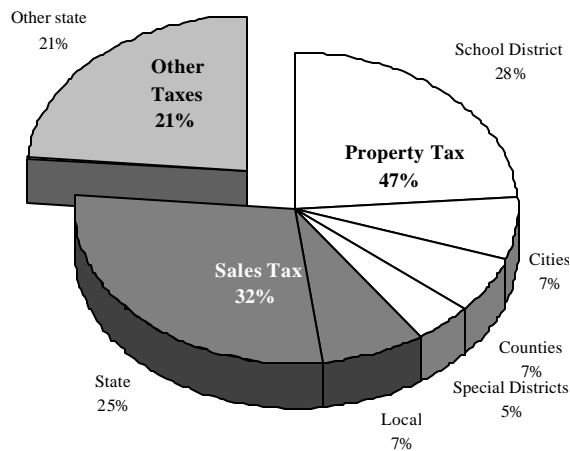
A tax system that imposes a higher tax burden on middle- and low-income families whom are least able to bear it, furthermore, is not a fair way to pay for essential public services. Nor is it efficient. Because the poor, by definition, make less money, imposing heavy taxes on this group produces little revenue.

The state has relied on essentially the same structure of state and local taxes for the past 40 years. Tax revenue is generated primarily by the sales tax and the local property tax. The rates of these two taxes have been raised repeatedly to stretch this antiquated system to meet the needs of a growing population and a modern society. Because Texas' sales and property tax rates are among the highest in the nation, raising them further would be difficult. The entire structure must be updated to facilitate fairness and to support efforts to improve the future for all Texans.

### ***What Taxes Do We Pay?***

More than three quarters of our state and local tax load is comprised of just two taxes: the property tax and the sales tax. Other taxes include the gasoline tax, cigarette tax, alcoholic beverage tax, and taxes levied only on businesses. The chart on the following page, *What Taxes Do We Pay?*, illustrates that the property tax alone accounted for 47 percent of all state and local taxes paid by Texans in 2004; state and local sales taxes accounted for another 32 percent.

## What Taxes Do We Pay?



Source: Comptroller of Public Accounts, Biennial Revenue Estimate 2006-2007, Tax Year 2004

About one half of all our taxes goes to the state government; the other half goes to local governments, primarily to school districts. This 50/50 split is atypical of a state tax system. In the average state, state taxes account for about 60 percent of total state and local taxes.<sup>3</sup> The modest role Texas state government takes in supporting public schools accounts for the state's diminished role in the total tax system. As the state's share of public education spending has dropped from 65 percent to 36.3 percent, local governments are forced to rely on their local property tax base to provide for the most essential state service: a quality public education.

### **Property taxes**

The largest tax paid by most Texans is the local property tax. Texas has the 13th highest property taxes per capita in the nation.<sup>4</sup> Property taxes may be levied by school districts, cities, counties and special districts such as junior colleges, hospitals and navigation districts. A state property tax was constitutionally abolished in Texas in 1982.

Approximately 60 percent of property taxes goes to school districts.<sup>5</sup> The proportion of property tax revenue devoted to schools has grown from just over half of all property taxes in the late 1980s. The majority of the school tax increases were spurred by the Texas Supreme Court rulings in the *Edgewood* cases, which required improved equity in school funding.

### **Sales and Excise taxes**

The sales tax accounts for one-fourth of all state and local taxes paid by Texans.<sup>6</sup> The state imposes a tax of 6¼ percent on purchases of most goods and some services, such as cable television and insurance services. Cities, counties, transit authorities and some special districts may impose an additional local sales tax of up to 2 percent. The chart, *Comparison of State and Local Sales Tax Rates in the Most Populous States*, on the following page shows that Texas has one of the highest sales tax rates in the nation.

***Comparison of State and Local Sales Tax Rates  
in the Most Populous States***

<u>State</u>	<u>State Rate</u>	<u>Max. Local</u>	<u>Max. Total Rate</u>
1. Illinois	6.25	3.00	9.25%
2. California	6.25	2.65	8.90%
3. New York	4.25	4.50	8.75%
<b>4. Texas</b>	<b>6.25</b>	<b>2.00</b>	<b>8.25%</b>
5. Ohio	6.00	2.00	8.00%
6. Florida	6.00	1.50	7.50%
7. Pennsylvania	6.00	1.00	7.00%
Georgia	4.00	3.00	7.00%
9. Michigan	6.00	----	6.00%
New Jersey	6.00	----	6.00%

*Source: State Tax Guide: Commerce Clearing House, Inc.; Federation of Tax Administrators, July, 2004.*

The state also levies a 6¼ percent sales tax on the sale of motor vehicles, plus excise taxes on gasoline, alcohol and tobacco. Excise taxes resemble sales taxes, but are computed on the amount of an item sold, rather than on the sales price. Both sales and excise taxes are considered “consumption taxes,” since the amount an individual pays is linked to the amount that individual consumes. Consumption taxes account for more than 78 percent of all taxes paid at the state level.<sup>7</sup> The chart below, *Texas Taxpayers Pay More in Sales Taxes Than Property Taxes*, shows that the average Texas family pays 32 percent more in sales taxes than property taxes.

***Texas Taxpayers Pay More in  
Sales Taxes Than Property Taxes***

Sales Taxes (General, motor vehicle, gasoline) <sup>1</sup>	\$1917
Property Taxes	\$1455

**The Average Texas Family  
Pays 32% More in Sales Taxes  
than Property Taxes.\***

\*Average Income = \$50,643

<sup>1</sup>General = \$1,416, Gas = \$261, Motor Vehicle = \$240

*Source: Tax Exemptions & Tax Incidence, 2005; Texas Comptroller of Public Accounts*

### ***Other taxes***

Taxes other than property, sales, and excise taxes account for only a small portion of all state and local taxes collected in Texas. Other state taxes, in order of revenue raised, include the corporate franchise tax, insurance occupation tax, natural gas production tax, oil production tax, utility tax, hotel/motel tax, and inheritance tax.<sup>8</sup> Local governments also impose utility, hotel/motel, mixed beverage and other minor taxes.

Federal tax legislation passed in 2001 repealed the federal inheritance tax credit to which state inheritance taxes are tied. Thus, the amount generated by the Texas inheritance tax dropped quickly to zero. Forecasters predict that revenue from the tax in the 2006-07 biennium will decline by nearly 86 percent from the 2004-05 level, costing the state \$218 million.<sup>9</sup> This amount is in addition to the \$356 million loss to the state during the 2004-05 biennium from the 2002-03 level.<sup>10</sup> The inheritance tax laws of five states were written in a way to prevent this situation, while an additional thirteen states passed legislation to break their link to the federal law in order to preserve their state's revenue.<sup>11</sup>

### **State Tax System**

The chart below, *Why Are Texas' Sales and Property Taxes So High?*, illustrates most states attempt to avoid relying too heavily on any one or two sources of revenue. A balanced tax system provides a steady source of support for public services, and protects states from economic downturns that can affect a single type of tax.<sup>12</sup> So while other states have a balanced system designed to safeguard public revenue, Texas' system is volatile and subject to large shifts in the economy.

### ***Why Are Texas' Sales and Property Taxes So High?***

#### **Relative Sources of Revenue**

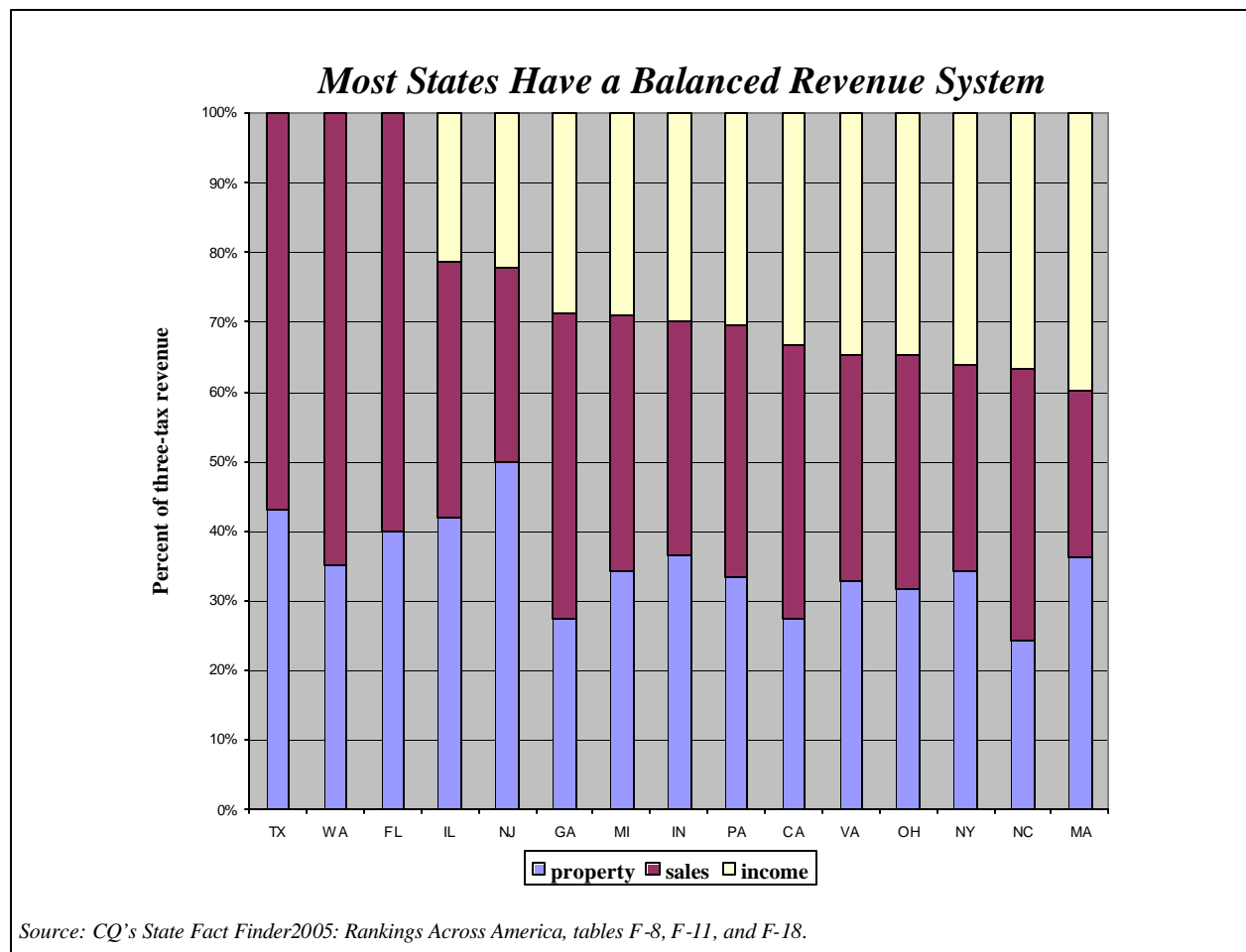
	<b><u>Property</u></b>	<b><u>Sales</u></b>	<b><u>Income</u></b>
<b>Texas</b>	<b>46.1</b>	<b>53.9</b>	<b>0</b>
Florida	40.7	59.3	0
Washington	32.6	67.4	0
Georgia	29.5	41.7	28.8
North Carolina	26.4	38.2	35.4
California	28.8	39.6	31.5
Illinois	42.6	37.3	20.1
Michigan	36.8	38.4	24.8
Pennsylvania	34.4	35.6	30.0
Ohio	32.1	32.4	35.5
Indiana	38.3	35.4	26.4
Virginia	33.6	32.8	33.6
New York	33.7	28.3	38.0
New Jersey	50.6	27.8	21.6
Massachusetts	39.6	24.4	36.0

SOURCE: Congressional Quarterly's State Fact Finder 2005

For instance, when Texas property values fell rapidly in the late 1980s, the state was forced to turn to the sales tax to make up the difference, and increased by one-half percent. Texas’ weakness is its reliance on only two major taxes – sales and property taxes. As a result, Texas now ranks third in the nation in sales tax dependency.<sup>13</sup>

The responsibility for services that should be the obligation of the state to fund, such as public education and health care, has shifted to the local tax base. This over-reliance has distorted the state and local tax system, and Texas now ranks 49<sup>th</sup> among the 50 states in total *state* taxes per capita, but 13<sup>th</sup> in *local* taxes per capita.<sup>14</sup> The distortion is only exacerbated in areas along the Border because low property values and low incomes are unable to generate adequate revenue.

Almost every other state has a third important source of revenue – a state personal income tax – to help balance their revenue systems. Texas is one of only three of the 15 most populous states that do not tax personal income. The others are Florida and Washington. Forty-one states have a broad-based personal income tax, and two others tax interest and dividends. These states attempt to divide the responsibility for funding government services equally among sales, property and income taxes. The chart below, *Most States Have a Balanced Revenue System*, indicates that the twelve most populous states with an income tax receive an average of 35 percent of revenue from the sales tax, 34 percent from the property tax, and 31 percent from the income tax.<sup>15</sup>



The contrast between a balanced tax system and a distorted tax system are most visible along the Texas-New Mexico Border in El Paso, Texas. As the chart *Per Capita Tax Comparisons of New Mexico and Texas* demonstrates, even with a state income tax, the total per capita taxes in New Mexico are approximately \$350 less than those in Texas. The lower tax burden in New Mexico is causing many El Pasoans to choose New Mexico as their new residence.

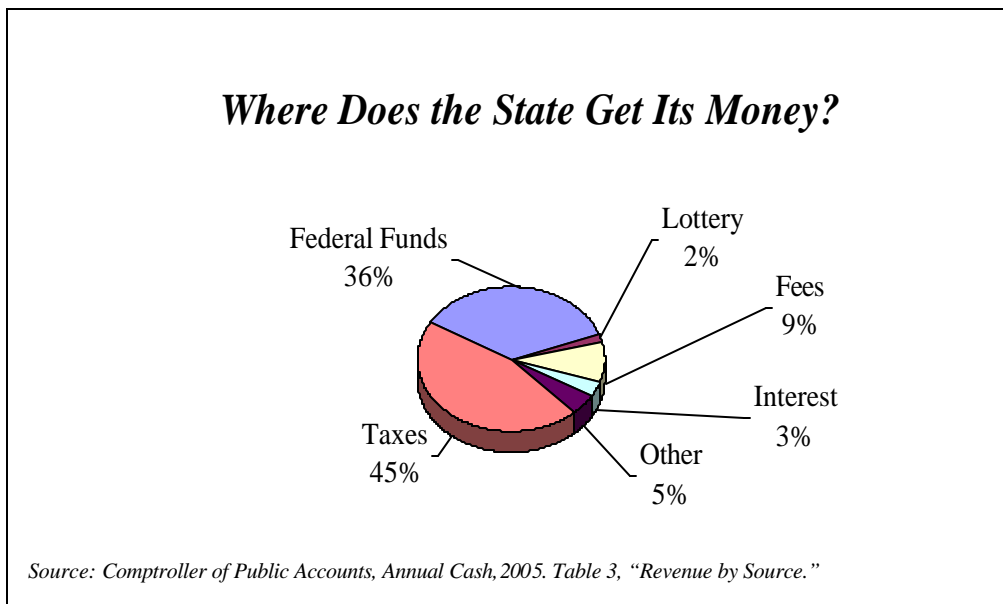
*Per Capita Tax Comparisons of New Mexico and Texas*

	<i>New Mexico</i>	<i>Texas</i>
Income	\$530	N/A
Sales	\$1,250	\$1,416
Property	\$408	\$1,126
Total	\$2,188	\$2,542
<b>Difference</b>		<b>+\$354</b>

*Source: CQ's State Fact Finder 2005: Rankings Across America, tables F-7, F-10, and F-14; Tax Exemption and Tax Incidence Report, 2005, Texas Comptroller of Public Accounts.*

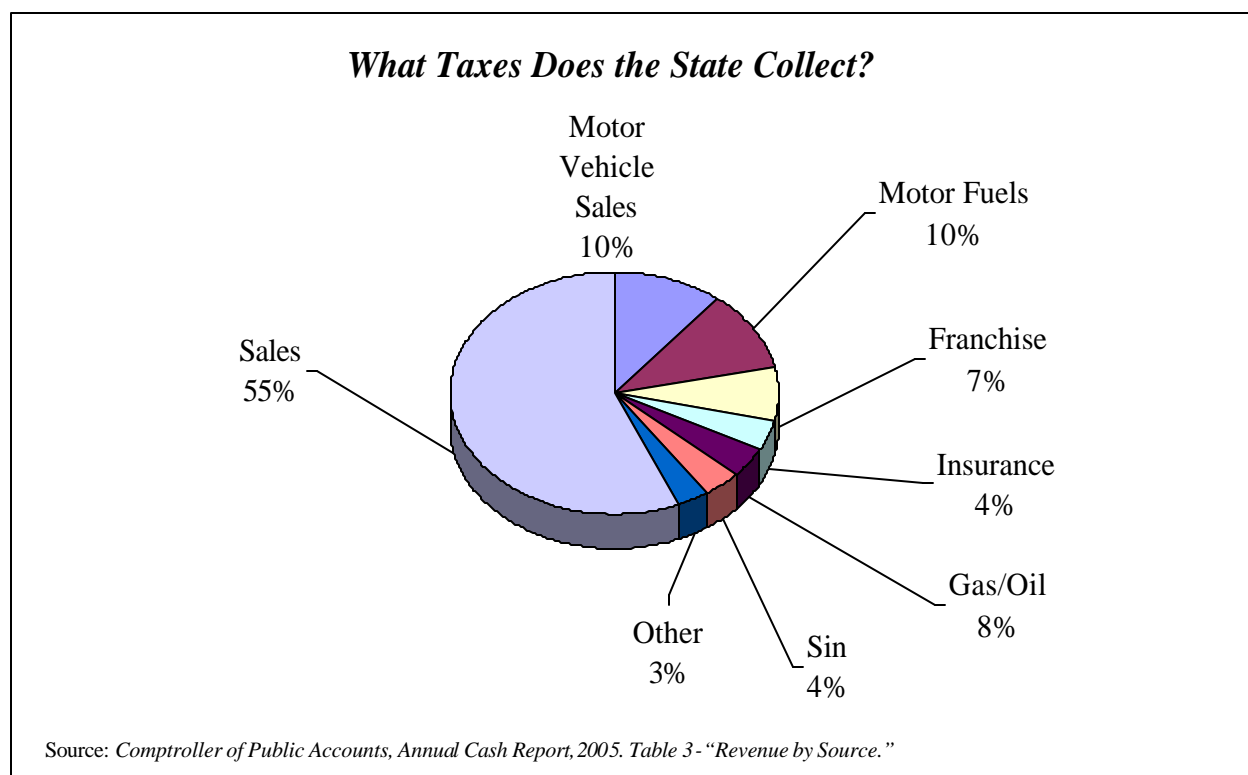
### ***What Taxes Support State Government***

The chart *Where Does the State Get Its Money?* shows that our state taxes provide less than half of state government revenue. The federal government currently supplies 35 percent of Texas' total revenue, while fees and interest provide most of the remainder. The state lottery has a minor role in state finances, accounting for only 2.4 percent of total state revenue in 2005.<sup>16</sup>



Texas state government gets more than half of its tax revenue from the sales tax. The sales tax has grown in importance in Texas in recent decades. It provided state government with only 40 percent of tax revenue as late as 1985, but rate increases and expansion of the services subject to tax propelled the sales tax past the 50 percent mark in 1988. State government now relies on the sales tax for 55 percent of all state tax revenue.<sup>17</sup> The local sales tax is much less important to local governments, which rely mainly on property taxes and receive less than 15 percent of local tax revenue from sales taxes.

The chart below, *What Taxes Does the State Collect?*, reveals that Texas funds state government primarily through consumption taxes. In addition to the sales tax, Texas state government counts heavily on the motor vehicle sales tax (11 percent of tax revenue), motor-fuels tax (10 percent), and “sin taxes” on alcohol and tobacco (4 percent). Consumption taxes account for a total of 80 percent of all tax revenue collected by Texas state government.<sup>18</sup>



The state’s major business tax, the corporate franchise tax, generated only seven percent of all state tax revenue in fiscal year 2005. Taxes are based on assets or income, whichever yields the higher tax. The majority of franchise taxpayers calculate their tax liability based on assets, but companies paying on the basis of income generate most of the tax revenue.

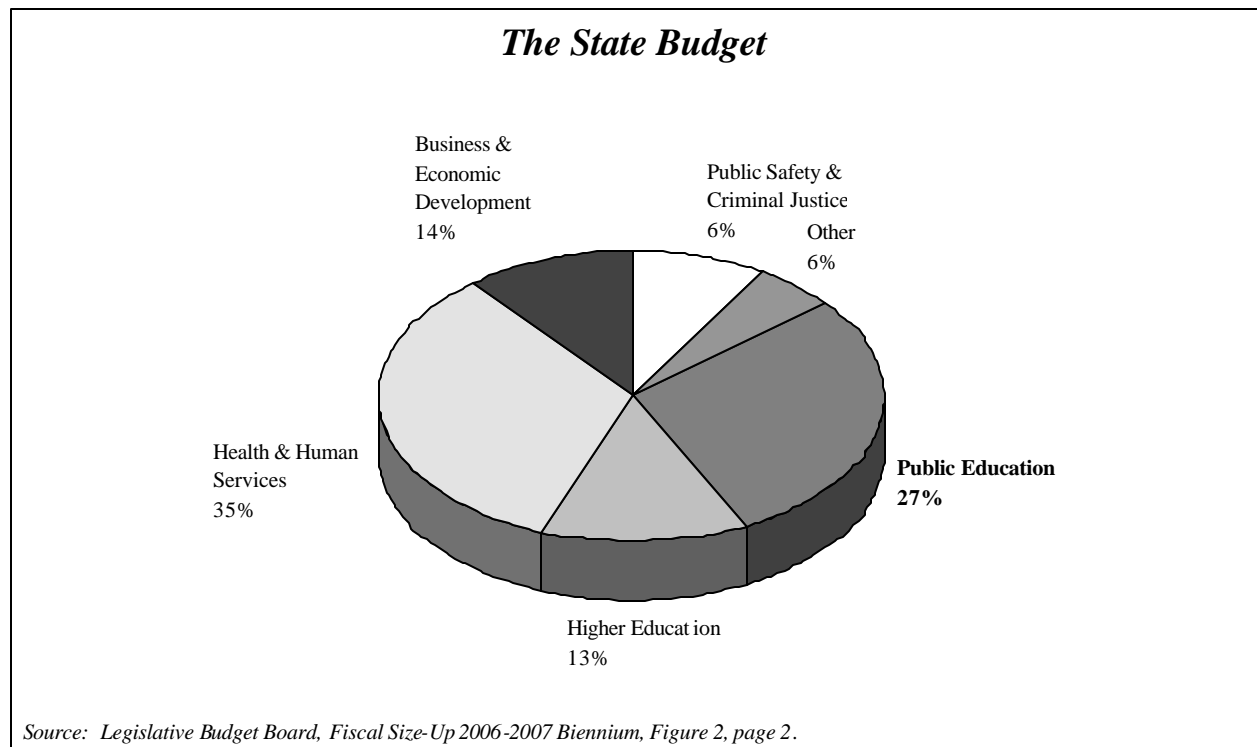
Only corporations pay the franchise tax; non-corporate businesses, such as partnerships, associations and proprietorships are not subject to the tax. Seventy-four percent of businesses have avoided franchise taxes completely by reorganizing themselves as partnerships rather than corporations, even though the operations of these businesses remain unchanged.<sup>19</sup> Former Lt. Governor Bob Bullock, who was also the State Comptroller for 15 years, used to say "corporations don't pay taxes, consumers do." When confronted by new business taxes,



businesses calculate how many employees to shed, how to increase productivity, and how much increased taxes can be exported to consumers. The Texas State Comptroller calculated that 56 percent of the limited sales and use tax charged to businesses is actually borne by consumers.<sup>20</sup>

***How Does the State Spend our Money?***

The bulk of state spending goes toward public and higher education, and health and human services, which together account for three quarters of the state budget. The majority of state education spending goes to public schools, which alone accounts for nearly 30 percent of all state expenditures. The chart, *The State Budget*, illustrates that another one-quarter of state spending goes to the Medicaid program.<sup>21</sup>

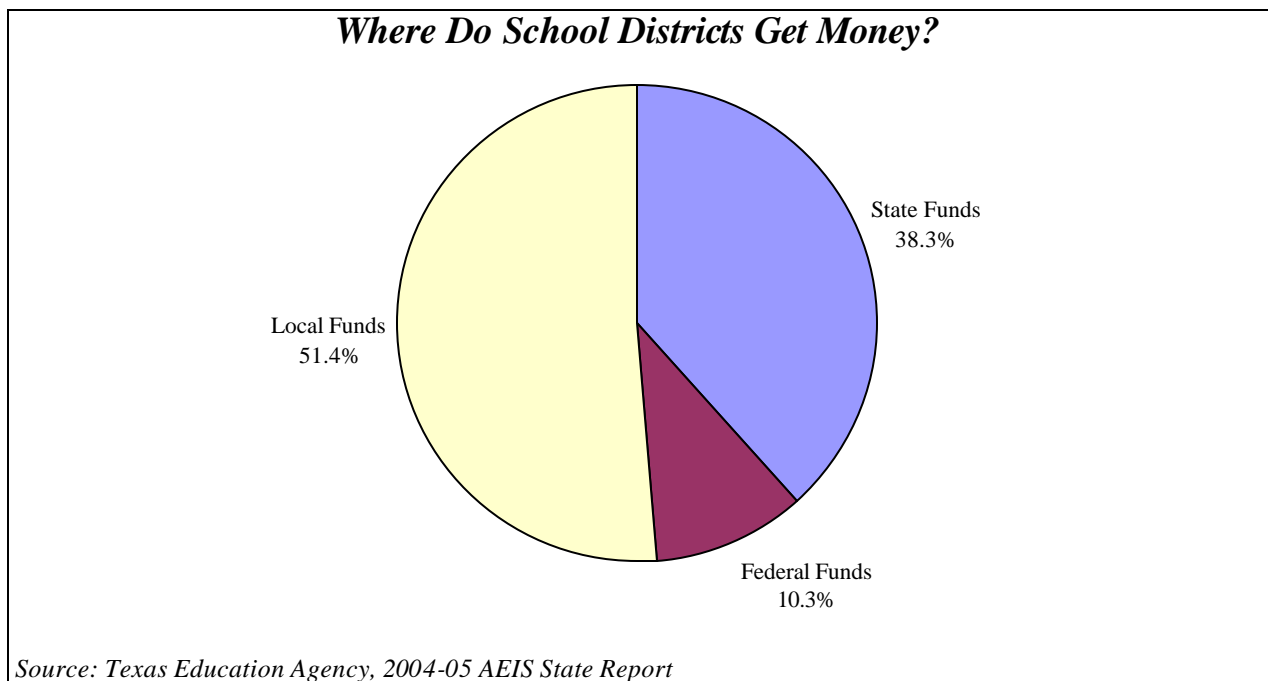


***Who Pays for Public Schools?***

Texas public schools are funded primarily by a combination of state and local funds. Local revenues, mainly from property taxes, comprise 51.4 percent of total school revenue and are the largest source of school districts' budget. The state's contribution of 38.3 percent provides most of the remainder of public school support; the federal government contributes only 10.3 percent of total school revenue.<sup>22</sup>

The chart on the next page, *Where Do School Districts Get Money?*, shows that State aid accounted for less than 40 percent of total state and local support in the 2003 fiscal year, the lowest percentage in decades.<sup>23</sup> The bulk of state funds comes from the General Revenue Fund, more than half of which is generated by the sales tax. The next most important source is the Available School Fund, which receives the investment income of the Permanent School Fund, a \$17 billion dollar trust fund invested in stocks and bonds.<sup>24</sup> Federal aid to schools is earmarked

for specific programs, such as school breakfast and lunch programs and grants for low-income students, and is not distributed through state school-finance formulas.



The atypical reliance of the state public education system on local property taxes was an important factor in the *Edgewood* lawsuits that challenged the state's school finance system in the late 1980s and early 1990s. The wide variation in the amount of property wealth per student among school districts led to a severe disparity in the amount of revenue available to educate students in each district. For example, a taxable value of \$1,269,197 means that the Highland Park community in the Dallas area will raise \$126.00 per student for each penny of tax effort, while San Elizario, on the Border, can only raise \$2.70 per student.<sup>25</sup> The school finance system was revised several times to diminish the impact of wealth differences in order to pass court review, but local school districts have continued to remain responsible for more than half of school funding each year since 1987.<sup>26</sup>

In order to make up for the lack of state support, many school districts have gradually raised their local tax rates to the maximum of \$1.50 per \$100 of property valuation. In 2001, a coalition of property wealthy and property poor school districts sued the state, alleging that they were forced to adopt this rate in order to meet state requirements and that the local property tax had become a state property tax, which is prohibited by the Texas Constitution.<sup>27</sup> Other districts joined the suit, alleging that the state had failed to support an adequate level of spending. They point to the provision in the Texas Constitution that requires the state to "make suitable provision" for an education system that ensures "a general diffusion of knowledge."<sup>28</sup>

On November 22, 2005, the Texas Supreme Court, in a 7-1 opinion, found that the school finance system had evolved into an unconstitutional state property tax and gave the Texas Legislature a deadline of June 1, 2006 to correct the constitutional violation. The Court's warning that "structural changes, and not merely increased funding are needed in the public

education system to meet the constitutional challenges that have been raised" will require the Legislature to consider both new revenue and new revenue sources other than the property tax to fund education.<sup>29</sup>

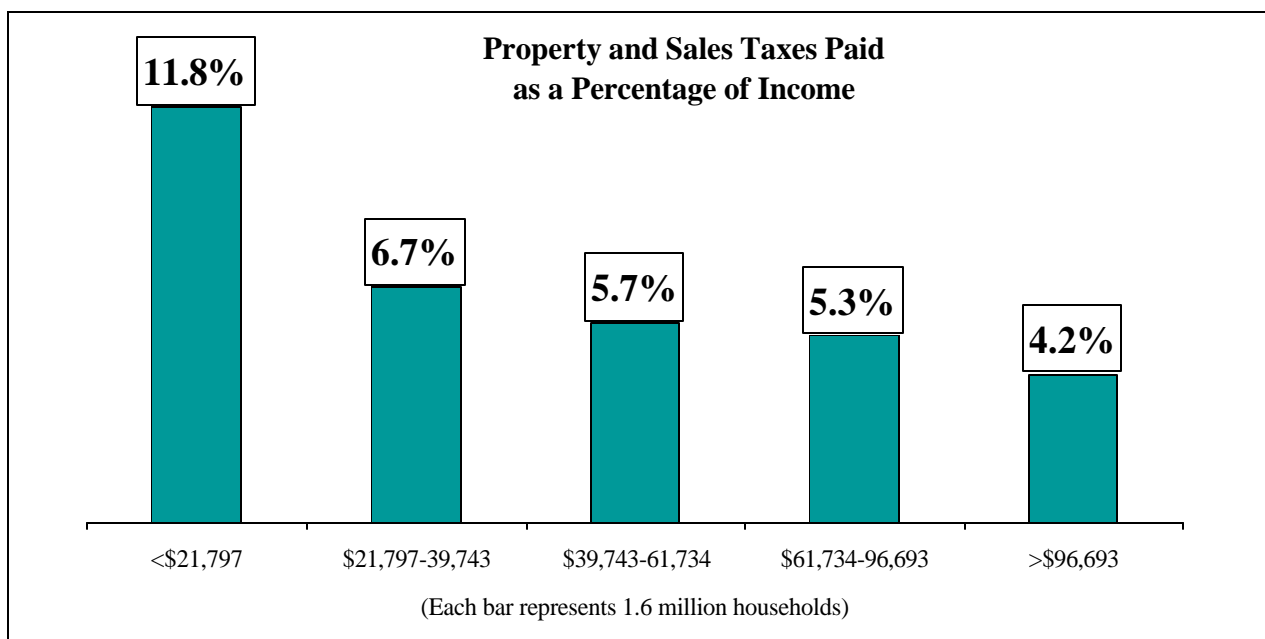
## How Does the Texas Tax System Rate?

There are certain principles of good tax policy that are consistently recognized by tax groups, academic and governmental studies.<sup>30</sup> The Texas tax system does not measure up in two of the key criteria of a good tax policy. It does not distribute the tax burden equitably and it does not provide a stable source of adequate revenue from a balance of sources.

### *Is Our Tax System Fair?*

An equitable tax system distributes the burden of paying taxes according to the ability of each taxpayer to bear that burden. A generally accepted measure of ability to pay is the current income of the taxpayer. Since lower-income taxpayers typically require a larger proportion of their income for necessities, an equitable system would require them to pay a smaller percentage of their income in taxes than a higher-income taxpayer.

A tax system that takes a larger share of the income of higher-income taxpayers is known as "progressive," while a tax system that takes a larger share of the income of lower-income taxpayers is known as "regressive." The Texas tax system is regressive, primarily because it relies so heavily on the sales tax, which takes a larger proportion of income from a low-income person than from a high-income person. "Citizens for Tax Justice" ranks Texas fifth in the nation among states with the most regressive tax systems.<sup>31</sup> The Texas State Comptroller has calculated that the one-fifth of Texas families with the lowest income paid 11.8 percent of their income in state and local taxes. In contrast, the chart below, *Percentage of Taxes Paid by Income Level*, reveals that families in the middle of the income distribution paid 5.7 percent and those in the top one-fifth percent paid only 4.2 percent.<sup>32</sup>



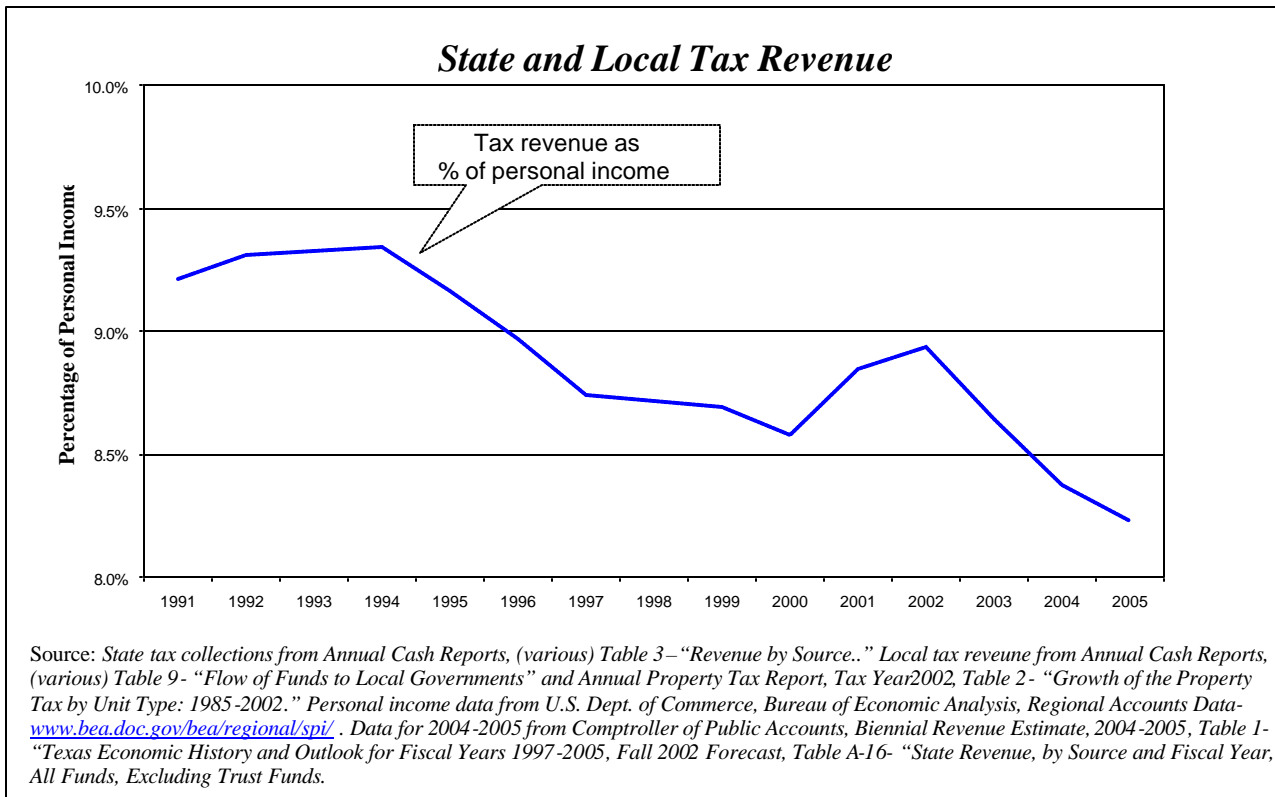
Source: Comptroller of Public Accounts, *Tax Exemptions & Tax Incidence*, Jan. 2005. (<http://window.state.tx.us/taxinfo/incidence05/>), calculations by Center for Public Policy Priorities.

The average family income in the Border region is roughly two-thirds the average income of a non-Border family. Per capita personal income in 2001 along the Border was \$14,832, while the per capita personal income for the rest of the state was \$27,165.<sup>33</sup> Given that per capita personal income is lower along the Border, one can draw the inference that when combined, household income will also be lower when compared to the rest of the state. Thus, families along the Border pay more of their income in state and local taxes. The Texas tax system, which takes a larger percentage of the income from a family with lower income, places a heavier burden on the average family in the Border region than the average family in other parts of the state that enjoy higher household incomes. Twenty-four percent of the Border population is between the ages of 5 and 17 years old, 16 percent of its children under age 19 are uninsured, 43 percent of its adult population do not have a diploma, and 29 percent of the Border population live in poverty—these facts illustrate that those on the Border most in need of state public services are paying an inordinate amount of their income to taxes.<sup>34</sup> This is not sound tax policy for a state that is eighth in the nation in the percentage of its people in poverty.<sup>35</sup>

As previously reported in this chapter, most states rely on a personal income tax to balance their tax systems and to counteract the regressivity of sales and property taxes. An income tax can be designed to ease the burden on middle- and low-income families by exempting all persons below a certain level of income or applying a lower tax rate to persons with lower incomes.

### ***Does Our Tax System Provide Adequate Revenue?***

A good tax system should grow with the state's economy to provide enough revenue to support needed services. One widely accepted measure of the change in necessary spending from year to year is the state's average growth in personal income. Because personal income growth reflects both inflation and population changes, it tracks the increase in the cost of providing the same level of services year after year. In the average state, state taxes are able to grow more rapidly than personal income. Most states benefit from a state personal income tax, which can produce accelerating revenues as residents' incomes grow. However, the chart on the following page, *State and Local Tax Revenue* shows that revenue to state and local government in Texas has consistently trailed the growth of personal income since the mid-1990s.<sup>36</sup>



Tax rates in Texas have remained stable over the past twelve years, after a period of repeated rate increases during the 1980’s. The state sales tax rate, which was set at 4 percent in 1971, was increased to 4½ percent in 1984, 5¼ percent in 1986, 6 percent in 1987 and to the current 6¾ percent in 1990. Motor fuels taxes, the second most important state tax, was increased from 5 cents per gallon to 10 cents in 1984, 15 cents in 1987 and 20 cents in 1991. The fast-growing economy of the 1990’s increased the amount of revenue generated by these taxes without further rate hikes, but at a slower pace than the growth of the economy.

School district property taxes followed a similar pattern. The total effective school property tax rate was 59 cents per \$100 of property value in 1984, \$1.05 in 1990 and \$1.41 in 1994. Rising property values helped slow the pace of tax rate increases, but a substantial number of districts have already reached the legal maximum rate of \$1.50. As a result, these districts are unable to raise additional revenue to educate their students.<sup>37</sup>

A good tax system should reflect all sectors of a state’s economy, so that revenue grows naturally along with the economy, without frequent increases in tax rates. The mainstay of the Texas tax system, the sales tax, has not evolved to match the changing nature of the Texas economy. When the sales tax was adopted in 1961, the majority of the economy involved the sale of goods – items that had been manufactured. However, the fastest growing sectors of the modern Texas economy are related to services, not goods. The service-producing sectors are now responsible for more than 83 percent of the states’ total non-farm employment, and account for an even larger percentage of job growth. Just one area — professional services such as accounting, engineering, management, legal and healthcare— provides jobs to 40 percent of

Texas employees.<sup>38</sup> If the sales tax were applied to these services, it would better reflect the economy of modern Texas.

## Conclusion

The tax system should not rely too heavily on just one or two types of taxes, but should divide the burden among different sources of revenue to preserve balance in the system over the long-term. The people of the State of Texas need a better state and local tax system to support their government as it meets the challenges of the 21<sup>st</sup> Century. Texans need a tax system that contributes enough revenue to provide our students with a world-class education, to give us a transportation system that will help generate economic growth, to keep our cities safe and clean, and to help help less fortunate citizens in times of need. Revenue should be collected from Texas families and businesses in an equitable manner to ensure that all citizens pay a fair share.

---

<sup>1</sup> Brunori, David. *State Tax Policy: A Political Perspective*, The Urban Institute Press, Washington, D.C. 2001. ([http://window.state.tx.us/comptrol/san/fm\\_manuals/cr01\\_manual/96-368-1.pdf](http://window.state.tx.us/comptrol/san/fm_manuals/cr01_manual/96-368-1.pdf)).

<sup>2</sup> Select Committee on Tax Equity, *Rethinking Texas Taxes*, Vol. 2, *Analysis of the Tax System*, Table 1, page 8 (1989).

<sup>3</sup> Hovey, Kendra and Harold A. Harvey. *CQ's State Fact Finder 2005: Ranking Across America*, CQ Press, Congressional Quarterly, Inc., Washington, D.C., 2005. Table G-7, State and Local General Expenditures Per Capita, FY 2002. (<http://www.cqpress.com/gethome.asp>)

<sup>4</sup> Hovey, op. cit., Table F-7, Property Taxes Per Capita, FY 2002, page 154.

<sup>5</sup> Comptroller of Public Accounts, *Annual Property Tax Report, Tax Year 2004*, Table 1, *Property Taxes Reported by Unit Type*, page 1 (2005). (<http://www.window.state.tx.us/taxinfo/proptax/annual04/96-318.pdf>)

<sup>6</sup> Comptroller of Public Accounts, *Annual Property Tax Report, Tax Year 2004*, Table 3, *State and Local Sales and Property Taxes as a Percentage of Total Major Taxes*, page 4 (200). (<http://www.window.state.tx.us/taxinfo/proptax/annual04/96-318.pdf>)

<sup>7</sup> Comptroller of Public Accounts. *Annual Cash Report Texas 2005, Nov.2005*, Table 3, *Revenue By Source*, pages 24-5.. ([http://www.window.state.tx.us/comptrol/san/fm\\_manuals/crtoc.html](http://www.window.state.tx.us/comptrol/san/fm_manuals/crtoc.html)).

<sup>8</sup> Ibid.

<sup>9</sup> Comptroller of Public Accounts, 2006-07 Certification Revenue Estimate, Table 1, General Revenue-Related Funds by Source. (<http://www.window.state.tx.us/taxbud/cre0607/alltables.pdf>).

<sup>10</sup> Comptroller of Public Accounts, 2004-05 Certification Revenue Estimate, Table 1, General Revenue-Related Funds by Source. (<http://www.cpa.state.tx.us/taxbud/cre0405/table01.html>).

<sup>11</sup> Center for Budget and Policy Priorities, *Many States Are Decoupling From The Federal Estate Tax Cut*, <http://www.cbpp.org/5-23-02sfp.htm>.

<sup>12</sup> Brunori, David. *State Tax Policy: A Political Perspective*, The Urban Institute Press, Washington, D.C. 2001. ([http://window.state.tx.us/comptrol/san/fm\\_manuals/cr01\\_manual/96-368-1.pdf](http://window.state.tx.us/comptrol/san/fm_manuals/cr01_manual/96-368-1.pdf)).

- 
- <sup>13</sup> Federation of Tax Administrators, *2004 State Tax Collection by Source*, online database. Website: <http://www.taxadmin.org/fta/rate/04taxdis.html>.
- <sup>14</sup> Hovey, op. cit., Table F-2, Per Capita State and Local Tax Revenue, FY 2002, page 149.
- <sup>15</sup> Hovey, Kendra A. and Harold A. Hovey. *CQ's State Fact Finder 2005: Rankings Across America*, Tables F-8, *Property Tax Revenue as a Percentage of Three-Tax Revenue, FY 2002*; F-11, *Sales Tax Revenue as a Percentage of Three-Tax Revenue, FY 2002*; F-15, *Individual Income Tax Revenue as a Percentage of Three-Tax Revenue, FY 2002*, CQ Press, Congressional Quarterly, Inc., Washington, D.C., 2005. <http://www.cqpress.com/gethome.asp>.
- <sup>16</sup> Comptroller of Public Accounts. *Annual Cash Report 2005, Table 2, Revenue By Source*, p. 24. [http://www.window.state.tx.us/fm/pubs/cashrpt/05/texas\\_annual\\_cash\\_report\\_2005.pdf](http://www.window.state.tx.us/fm/pubs/cashrpt/05/texas_annual_cash_report_2005.pdf)
- <sup>17</sup> Comptroller of Public Accounts. *Sources of Revenue Growth: A History of State Taxes and Fees in Texas 1972-2003*, p. 103, September 2004. (<http://www.window.state.tx.us/taxbud/sources/sources2004.pdf>).
- <sup>18</sup> Comptroller of Public Accounts. *Annual Cash Report Texas 2005, Nov.2005, Table 3, Revenue By Source*, pages 24-5. [http://www.window.state.tx.us/fm/pubs/cashrpt/05/texas\\_annual\\_cash\\_report\\_2005.pdf](http://www.window.state.tx.us/fm/pubs/cashrpt/05/texas_annual_cash_report_2005.pdf).
- <sup>19</sup> Texas Taxpayers and Research Association, before the Senate Finance Committee, February 2002 (Texas Secretary of State and Comptroller of Public Accounts).
- <sup>20</sup> Comptroller of Public Accounts, *Tax Exemptions & Tax Incidence*, Jan. 2005. (<http://window.state.tx.us/taxinfo/incidence05/>).
- <sup>21</sup> Legislative Budget Board. *Fiscal Size-Up: Texas State Services 2006-2007 Biennium*, Table 1, *All Funds – Statewide Summary*, p. 2. Dec. 2005. ([http://www.lbb.state.tx.us/Fiscal\\_Size-up/Fiscal\\_Size-up\\_2006-2007\\_0106.pdf](http://www.lbb.state.tx.us/Fiscal_Size-up/Fiscal_Size-up_2006-2007_0106.pdf) )
- <sup>22</sup> Texas Education Agency, *2005 AEIS State Report*, (<http://www.tea.state.tx.us/perfreport/aeis/2005/state.html>).
- <sup>23</sup> Legislative Budget Board, op. cit., table 89, State and Local Revenue for Texas Public Schools, p. 189.
- <sup>24</sup> Texas Permanent School Fund, Annual Report Fiscal Year Ending August 31, 2002. (<http://www.tea.state.tx.us/psf/AR02.pdf>).
- <sup>25</sup> Texas Education Agency, *Academic Excellence Indicator Report, 2004-2005*.
- <sup>26</sup> [Texas](#) Association of School Boards, *TASB/Bench Marks 1994-95*, Table 10, *School District Property Tax Levies and Foundation School Program State Aid*, p. 15 (1995).
- <sup>27</sup> Texas Constitution, Art. 8, sec. 1-3.
- <sup>28</sup> Texas Constitution, Art. 7, sec 1.
- <sup>29</sup> Ibid.
- <sup>30</sup> Brunori, David. *State Tax Policy: A Political Perspective*, The Urban Institute Press, Washington, D.C. 2001. ([http://window.state.tx.us/comptrol/san/fm\\_manuals/cr01\\_manual/96-368-1.pdf](http://window.state.tx.us/comptrol/san/fm_manuals/cr01_manual/96-368-1.pdf)).
- <sup>31</sup> McIntyre, Robert S, et al, *Who Pays? A Distributional Analysis of the Tax Systems in All 50 States, 2nd Edition*, Institute on Taxation and Economic Policy, Washington, D.C. (January 2003), page 3.
- <sup>32</sup> Comptroller of Public Accounts, *Tax Exemptions & Tax Incidence*, Jan. 2005. (<http://window.state.tx.us/taxinfo/incidence05/>).

---

<sup>33</sup> Comptroller of Public Accounts, *The Border: Snapshot*, November 2003, <http://www.window.state.tx.us/specialrpt/snapshot/>.

<sup>34</sup> Ibid.

<sup>35</sup> U.S. Census Bureau, *Income, Poverty, and Health Insurance Coverage in the United States: 2004*, Table 10, *Percent of People in Poverty by State by using 2- and 3- year average: 2002-2004*. (<http://www.census.gov/prod/2005pubs/p60-229.pdf>).

<sup>36</sup> Comptroller of Public Accounts. *Annual Cash Report*, various years. Calculations by Center for Public Policy Priorities.

<sup>37</sup> Texas Education Agency, *2002-03 AEIS State Report*, (<http://www.tea.state.tx.us/perfreport/aeis/2003/state.html>).

<sup>38</sup> Legislative Budget Board. *Fiscal Size-Up: Texas State Services 2006-2007 Biennium*, Table 2, *Texas Nonagricultural Employment, By Sector*, p. 35. Dec. 2005. [http://www.lbb.state.tx.us/Fiscal Size-up/Fiscal Size-up 2006-2007 0106.pdf](http://www.lbb.state.tx.us/Fiscal%20Size-up/Fiscal%20Size-up%202006-2007%20106.pdf).