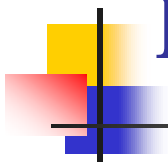


Why Are Texas' Sales and Property Taxes So High?

(relative sources of revenue)



	<u>Sales</u>	<u>Property</u>	<u>Income</u>
Washington	67.6	32.4	0
Florida	61.2	38.8	0
Texas	57.3	42.7	0
Georgia	43.1	27.5	29.5
North Carolina	37.9	24.2	37.9
California	37.6	24.9	33.3
Illinois	37.7	40.8	21.5
Michigan	36.5	35.0	28.5
Pennsylvania	35.9	33.3	30.8
Ohio	33.0	30.4	36.5
Indiana	34.2	37.2	28.6
Virginia	31.8	31.9	36.4
New York	29.4	33.0	37.5
New Jersey	27.5	48.3	24.2
Massachusetts	23.6	35.0	41.4

SOURCE: CQ's State Fact Finder 2003

We Have Pushed Our Sales and Property Taxes to the Limit

A stable and adequate tax system is like a stool -- three legs offer balanced support. Most state tax systems attempt to avoid relying too heavily on one or two sources of revenue so that during an economic downturn, the shortcomings of any single tax can be offset by the strengths of another. In Texas, tax revenue is generated primarily by the sales and property tax, making these taxes among the highest in the nation. This over-reliance on just two taxes has distorted the state and local tax system: while Texas ranks 49th among the 50 states in total *state* taxes per capita, our high property tax ranks Texas 15th in *local* taxes per capita. It has also distorted funding for education. The state pays only 38% of the cost of education, while the bulk of our schools are funded by local property taxes. Almost every other state has a third important source of revenue -- a state personal income tax -- to help balance their revenue systems and fund their schools. Forty-one states have a broad based personal income tax and two others tax interest and dividends. Without the financial support of an income tax, Texas' two-legged tax system is teetering on the edge--and our children and public schools will suffer the fall.