



The Flynn Report

June 20, 2008

Greetings Friends, Constituents and Supporters:

Since we are midway through this interim much has been going on I wanted to take this opportunity to give an update as we move into the beginning of this campaign season of 2008.

As a member of the Executive Committee of the National Conference of State Legislators (NCSL) I attended the NCSL Spring Forum in Washington, D.C. While in Washington I visited with many of our US Congressman. Walking around the nation's capitol in the humidity and heat I understood why our founding fathers always tried to get their business done and get out of town before summer. Air conditions in their offices have allowed them to stay longer than perhaps they should because when members of Congress are in town they are affecting our lives and liberty. The NCSL meetings were very helpful and it gave me the opportunity to visit with members of other states and learn what they were doing to combat some of the challenges facing state governments. Something I noticed immediately was the increased security all around Washington and was sad to see the need for capitol police to carry automatic weapons. An obvious reminder of the War on Terror we are engaged in.

Before attending the Spring Forum I begin work on the interim charges to the committees I serve on; the Committee on State Affairs, Committee on Financial Institutions and the Sunset Commission. Each of these committees have been holding public meetings that will be very helpful in the coming session. While in Washington, I learned that Speaker Tom Craddick had appointed me to an interim Task Force to study property tax relief and appraisal reform. Working on these charges will continue to give me additional insight into the many issues so important to the citizens of House District 2 and all Texans.

Perhaps the most unintended consequence occurred during the 79th Legislature, 3rd Called Session, 2006, when the legislature enacted H.B. 3 to restructure the state's franchise tax. This was necessary to allow public schools to remain open and keep the state out of the court system. The restructuring included expanding the tax to include newly taxed entities and changing how the tax is calculated. This was to be done by changing the tax base and the tax rate and extending coverage to more businesses. The effort was to provide a fair and broad base tax base. It did in fact

bring approximately 200,000 new entities into the system including many of the states largest business to file franchise tax reports for the first time this year.

Under the revised franchise tax--effective January 1, 2008 and applying to all tax returns filed on or after that date--most partnerships, except general partnerships of natural persons, associations, business trusts, limited liability companies, and corporations are to pay a tax based on total revenue, less the taxpayer's choice of either cost of goods sold or compensation. A small business exemption was granted.

The resulting "taxable margin," that may not exceed 70 percent of total revenue, is apportioned using gross receipts, and is taxed at a one percent tax rate or at 0.5 percent for wholesalers and retailers. The first annual payment of the revised franchise tax was due May of 2008. Since a number of issues have been identified that require correction, clarification, or revision the Comptroller has extended the time for filing. I have joined a number of conservative members that are committed to addressing these challenges to either eliminate this unfair tax or make sure it is fair and is understood by all. The Texas Comptroller has prepared the forms to report the revised Texas franchise tax based on the new margin calculation and they are available on the Comptroller's website at: www.window.state.tx.us/taxinfo/taxforms/05-forms.html.

A recent clear victory for the citizens of Texas concerning the Trans Texas Corridor (TTC) as well as a direct response on the efforts by the Texas Conservative Collation (TCC) was recently announced. The Texas Department of Transportation (TxDOT) announced that after the extensive outcry and involvement by the public concerning the Interstate 69/Trans Texas Corridor (TTC) in which a record number of comments were filed. TxDOT said the new location corridors proposed and presented during the public hearings will no longer be under consideration. TxDOT went on to say they will recommend to the Federal Highway Administration that Interstate 69/TTC be developed using existing highway facilities wherever possible. They said their intention had always been to focus on making needed improvements to existing and planned transportation facilities within the study area. Such upgrades may fully satisfy the project's need to improve the international, interstate and intrastate movement of people and goods. It is refreshing to see the Transportation Commission respond to the concerns of so many Texans regarding state transportation policy. They must continue to move forward recognizing the future challenges ahead for Texas by creating a transportation policy that meets the needs and respects the rights of private property.

The first of many hearings to come of the House Select Committee on Property Tax Relief and Appraisal Reform of which I am a member began this week. The hearing lasted over six hours and members were able to hear testimony from the appraisal districts as well as various public policy groups. The problems involved with the way property is appraised in Texas were discussed and I was given the opportunity to express my concerns of how unfair the systems is and how homeowners never are able to own their on home but must basically "rent" their homes from the government for the rest of their lives. In town hall meetings by the TCC across the state most believe this system must be scrapped and replaced with consumption based tax. I was encouraged by testimony received and was also delighted to hear a resolution to

the RPT Convention in support. The desire on the part of a large majority of the public is to do away with property tax to be replaced by state surpluses, reduction of government and if necessary a consumption based tax. We will look forward to future hearings as we work towards making recommendations in the 81st Legislative Session on how we can correct this unfair burden on the people of Texas.

I was elected to serve as a delegate to the Republican Party of Texas Convention and was honored to be elected as an at large delegate to the Republican National Convention (RNC) to be held later this summer. In spite of all the rhetoric from radical and moderates in the GOP State Chair Tina Benkiser and State Vice Chair Robin Armstrong won reelection to lead the GOP for another two-year term with easy victories over challengers. Grass root activates Cathie Adams easily won the open seat on the RNC as National Committeewoman and Bill Crocker easily won reelection as National Committeeman. This leadership team will assure the conservative grass roots direction of the Texas GOP and will be able to excise influence on the RNC. These four state leaders have been very active and helpful in providing support to the legislature as we have worked to provide limited government, protect life and support our families. With these efforts Texas truly is the best place to do business, live and raise our families. This is evident by the number of business and individuals moving to our state on a daily basis. Texas Controller Susan Combs has already projected a surplus which conservative members are committed to work to return as much as possible to taxpayers in the coming legislative session.

It remains my pleasure and honor to represent all the people of House District 2. My staff and I continue to welcome your input and your questions. Contact our office located in the Capitol extension: E1.302. Mailing address: P. O. Box 2910, Austin, TX 78768. Email District2.Flynn@house.state.tx.us. Toll free number 1-800-734-9515.

May God bless you and our great state of Texas,

Dan Flynn
State Representative, District 2