



## DAN FLYNN

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★ DISTRICT 2 ★

### **Flynn joins other Conservative Legislators to Recommend Changes to Business Tax; Job Creation and Economic Growth a Top Priority**

**AUSTIN** – With thousands of Texas businesses filing the new business tax for the first time, members of the Texas Conservative Coalition, the conservative caucus of the Texas Legislature, announced the formation of a Business Tax Study Group to examine possible alternatives to the tax and necessary reforms to the new business tax.

"Rural Texas has special needs when it comes to our businesses, and I stand ready to defend those needs and encourage economic development in House District 2," stated Flynn. "This tax was created out of court-ordered necessity at the time, and I see clearly that revisions are a necessity in order to keep Texas business - especially small and newly created businesses - prosperous."

The Gross Margins Tax was passed in 2006 in order to raise the revenue necessary to fund reductions of school district property tax rates, as mandated by the State Supreme Court in its *Neeley v. West Orange-Cove CISD* decision. As a result of the Supreme Court's 2005 decision, the Legislature had to reform the public education finance system by June 1, 2006 so that public schools could open in the Fall, 2006. Legislators approved the plan drafted by former Comptroller John Sharp.

According to the State Comptroller, the revised franchise tax has produced about \$4.2 billion in revenue through June 24, 2008, exceeding the original fiscal estimate for the tax based on the approximately 133,000 payments that have been received. About 46,000 extension payments have been filed so far this year.

Some options to be considered by the Study Group include:

- ★ Scrapping the tax altogether and replacing it with an alternative plan
- ★ Cut the rates at which the tax is levied in half.
- ★ Ensure that only profitable businesses pay a business tax.
- ★ Raise the small business exemption to at least \$1 million in total revenue.
- ★ Prohibit small business tax liability increases of more than 100 percent.
- ★ Ensure that if any business tax is equitable to all businesses, including small and capital-intensive businesses

The Texas Conservative Coalition Business Tax Study Group to release its recommendations later this year, prior to the start of the 81<sup>st</sup> Session of Texas Legislature which convenes in January 2009. Representative Flynn will work diligently within this group to bring much needed relief to Texas' businesses.

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