

RICK PERRY AND LARGEST TAX INCREASE

The Dallas Morning News Called Perry's 2006 Tax Hike "The Largest Tax Increase In Texas":

In 2006, Perry Signed Legislation That "Counts As The Largest Tax Increase In Texas." "THE FACTS: On cutting taxes, Perry is taking credit for only half the equation. He could also take credit for increasing taxes more than any other governor in state history. In 2006, the state was facing a judicial mandate to change the unconstitutional way it funded public schools, mostly through property taxes. Under Perry's leadership, a tax swap was created that cut school property taxes by up to one-third. To pay for that, Perry signed a bill that nearly tripled the amount Texas collects from businesses. The tax swap created a net tax decrease, but the new business tax coupled with one added to tobacco still counts as the largest tax increase in Texas." (Ryan J. Rusak and Christy Hoppe, "Heat Index: A Fact Check Of Perry's Claim On Taxes, Spending," *The Dallas Morning News*' "Trail Blazers" Blog, trailblazersblog.dallasnews.com, 1/9/10)

- **Perry's New Margins Tax Cost Taxpayers \$8.8 Billion In 2008-2009.** (Susan Combs, "Biennial Revenue Estimate," Texas Comptroller, www.window.state.tx.us, 1/09)
- **Perry's Dollar-A-Pack Tax Increase On Cigarettes Is Estimated To Have Raised Taxes By 59.2 Percent In 2008-2009, To \$3 Billion.** "In 2008-09, the cigarette tax rate will be at \$1.41 per pack in both years, and cigarette and cigar/tobacco products tax collections are expected to total \$3.0 billion, 59.2 percent above the amount collected in the previous biennium." (Susan Combs, "Biennial Revenue Estimate," Texas Comptroller, www.window.state.tx.us, 1/09)

Prior To Perry's 2006 Tax Hike, The Largest Texas Tax Increase Was \$5.7 Billion In The 1988-89 Biennium, Which Perry Voted For:

In 1987, Gov. Bill Clements Signed Budget That Raised Taxes \$5.7 Billion In 1988-89 Biennium, Tax Hike Was Largest Increase In ANY State's History. "One day after Texas lawmakers passed a \$38.3 billion budget that includes the largest tax increase in any state's history, the state comptroller certified Wednesday the revenue hike will keep the 1988-89 budget in the black. Gov. Bill Clements, who ran last year on a no-new-taxes promise, signed the tax package into law after lawmakers passed it just before their special session expired. 'They are higher than I would have liked,' the governor said of the tax increases, which totaled \$5.7 billion. 'They're higher than other people, other leaders in the Legislature, would have liked. But I also want to quickly add that we did what we had to do.' Twelve hours after the governor signed the package, State Comptroller Bob Bullock certified that the tax increases give Texas a balanced budget, which the state constitution requires by Sept. 1." (Ken Herman, "Texas Tax Increase Called National Record," *The Associated Press*, 7/22/87)

- **Adjusted To 2008 Dollars, Clements Tax Increase Would Have Been Over \$10.8 Billion.** (U.S. Labor Department's Bureau of Labor Statistics, Inflation Calculator, <http://data.bls.gov/cgi-bin/cpicalc.pl>, Accessed 8/10/09)

Then-Democrat Rick Perry Voted For The \$5.7 Billion Tax Increase. "Then-Gov. Bill Clements, a Republican, finally dropped his pledge to veto any tax bill over \$2.9 billion. He signed the largest state tax increase in history -- \$5.7 billion -- to finance the two-year budget. Why? 'We did what we had to do,' Clements said at the time. 'I don't think we had any choice.' One young House Democrat who agreed then, and voted for that tax bill, was named Rick Perry. Wonder whatever happened to that guy?" (Dave McNeely, "Perry wasn't always afraid of new taxes," *Austin American-Statesman*, 5/27/04)

RICK PERRY'S 2006 TAX HIKE HAS BEEN REPEATEDLY CALLED LARGEST IN TEXAS HISTORY

Rick Perry's Margins Tax Package Has Repeatedly Been Referred To As "Largest Tax Bill In State History"

2006 Dallas Morning News Article Called Gross Receipts Tax Plan "Largest Tax Bill In State History." "Texas lawmakers, thwarted repeatedly in past efforts to fix school funding, finally ended a session on a successful note Monday by finishing work on a massive tax-swap plan that takes care of the state's legal troubles - for now. The final two bills of the package - increasing the cigarette tax by \$1 per pack and dedicating new tax revenue to school property tax relief - won final approval from House members. ... Mr. Perry praised legislators for their work and indicated he would sign the bills in a

public ceremony. He also credited the tax commission for coming up with a plan 'that was fair, that was equitable and that was forward-looking.' And he applauded business leaders for getting behind the proposal and helping persuade the Legislature to pass the largest tax bill in state history, along with the largest cut in property taxes." (Terrence Stutz, "Lawmakers head home feeling victorious," *The Dallas Morning News*, 5/16/06)

Texas Conservative Review Editorial Declared Gross Receipts Tax "Largest Tax Increase In Texas History," And Called It "Worse Than A Corporate Income Tax." "It's hard to believe but the Texas Gross Receipts (Margins) Tax on business proposed by a Republican, Governor Perry, and passed by a GOP dominated legislature in 2006 was further complicated in 2007. This was the largest tax increase in Texas history, which requires business to pay up to 10% of its gross income to the state while large corporations were given loopholes. Of course, what really irks conservatives is a business would have to pay taxes whether it made a profit or not. In that way, it is worse than a corporate income tax. You need a profit to pay that one!" (Editorial, "Texas Gross Receipts (Margins) Tax," *Texas Conservative Review*, 6/5/09)

- **Editorial Said Temporary Exemption Level Increase Passed In 81st Session Was Insufficient.** "The session just ended raised the exemption level to \$1 million, but like the Bush Federal tax cuts, it sunsets the reduction in a few years. Better than nothing, but does anyone believe that we can keep this higher exemption down the line?" (Editorial, "Texas Gross Receipts (Margins) Tax," *Texas Conservative Review*, 6/5/09)

Rep. Jim Dunnam: "Everybody Who Votes For [The Gross Receipts Tax] Is Voting For The Largest Tax Increase In State History." "The House narrowly voted late Monday to overhaul the state's business taxes as part of a broader effort to fix Texas' unconstitutional education funding system... 'This tax bill provides not one penny for public education, and it never will,' said Rep. Jim Dunnam of Waco, the House Democratic leader. He noted that all the revenue from the business tax and a proposed increase in the state cigarette tax would go to property tax relief. 'This tax bill never balanced from the day it was filed,' Mr. Dunnam said, cautioning that 'everybody who votes for this is voting for the largest tax increase in state history.'" (Terrence Stutz, "Business tax plan OK'd by House," *The Dallas Morning News*, 4/25/06)

Houston Small Business Owner Said Gross Receipts Tax Was "Largest Tax Increase In Texas History." "One of the loudest voices against the tax plan is Houston physician Steven F. Hotze. He says the gross-margin tax is really a thinly disguised income tax, which is prohibited by the state constitution, and he vows to seek retribution against Perry, Lt. Gov. David Dewhurst and lawmakers who pushed the plan. 'These guys have passed the largest tax increase in Texas history, and it's on the backs of businesses,' Hotze said. ... Hotze owns four medical companies, but two are exempt from the franchise tax because they are limited-liability partnerships. He said the other two paid \$5,500 in franchise taxes last year. Under the Perry plan, he said he would owe about \$140,000, mostly for his two firms that don't pay franchise taxes." (David Koenig, "Businesses divided over Legislature's tax fix," *The Associated Press*, 5/6/06)

"Conservative Talk Shows Have Criticized The [Perry's Tax Plan] As The Largest Tax Increase In State History." "Supporters of Gov. Rick Perry launched radio ads in Houston on Tuesday, aiming to give political cover to Republicans who voted for an overhaul of the state's business taxes. ... The bill replaces what most lawmakers admit is an outmoded and sievelike franchise tax, but it imposes \$4billion in broader-based business taxes. It also lowers homeowner and business property taxes by one-third. In Houston in particular, conservative talk shows have criticized the tax plan as the largest tax increase in state history." (Christy Hoppe, "Radio ads in Houston back Perry tax plan," *The Dallas Morning News*, 4/26/06)

In May 2006, Harris County Republican Party Passed Resolution Urging Perry To Veto Gross Receipts Tax. "Gov. Rick Perry -- despite a strong message from tax opponents that he risks the loss of his conservative base -- said he intended to sign House Bill 3 and sign it gladly. ... Last night, the Harris County Republican Party passed a resolution that called on Perry to veto the state's new business tax, calling it 'an end-run around the Texas Constitution's prohibition against a state income tax.'" (Harvey Kronberg, "Harris County Republican Executive Committee Urges Perry Veto Of HB3," *Quorum Report*, 5/16/06)

- **Resolution Declared Gross Receipts Tax "The Largest Tax Increase In Texas History."** "Whereas, the Texas Legislature recently passed House Bill 3 (HB 3), which enacts a new Business Tax, expanding the Franchise Tax, during its current Special Session, and... Whereas, HB 3 is the largest tax increase in Texas history and it is a permanent tax which will likely be increased in future legislatures... Therefore, Let It Be Resolved, that the Harris

County Republican Party opposes the new Business Tax enacted in HB 3 and calls upon Governor Perry to veto it.”
(*Quorum Report* Website, www.quorumreport.com, Accessed 8/12/09)

A Perry Finance Committee Member Even Called It The “Largest Tax Increase”:

Steven Hotze Is A Member Of Perry’s “Statewide Finance Committee.” (Texans for Rick Perry, “Perry Announces Finance Leadership For 2010 Gubernatorial Campaign,” Press Release, 6/29/09)

Hotze Served As Co-Chairman Of TEXANS For NO New TAXE\$, A Group Specifically Formed To Oppose The Gross Receipts Tax. “The co-chairmen of TEXANS for NO new TAXE\$ (TNT) -- formed specifically to oppose the Perry Tax Scheme, and a project of Conservative Republicans of Texas, PAC -- will testify today at 10 a.m. before the Senate Finance Committee against the margin tax proposal, pushed by Gov. Perry (R) and recently passed by the state House. Steven F. Hotze, M.D., founder of several enterprises in Texas, and Norman E. Adams, CIC, president of the Adams Insurance Service, Inc., will address the concerns of small- and medium- size business owners, who will be disproportionately affected if this thinly- veiled income tax is passed.” (TEXANS for NO new TAXE\$, “TNT’s Hotze and Adams to Testify Against Perry Tax Scheme Before Texas State Senate Finance Committee Today,” Media Advisory, 4/28/06)

Hotze Slammed Tax As “The Perry Business Tax” And “The Largest Tax Increase In The History Of Texas.” “But perhaps most objectionable of all is what goes into effect this month: the Rick Perry business tax. The Perry Business Tax, passed by the Republican-dominated Texas Legislature during the special session in May 2006, was revised and further complicated during the 2007 regular legislative session. It is the largest tax increase in the history of Texas. The average small business will pay 10 percent of its income in new state taxes, while large corporations were given loopholes by the governor in exchange for their support.” (Steven F. Hotze, “We won’t get fooled again, Rick Perry,” Conservative Republicans of Texas, www.conservativerеспублиcansoftexas.com, 6/14/08, Accessed 8/3/09)