



TEXAS ASSOCIATION OF REALTORS®
NEWS RELEASE

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Leading researchers reveal impact of current tax proposals on Texas economy

Model developed by Perryman calculates economic impact of proposed Texas taxes

AUSTIN, Texas – February 25, 2005 – Today, leading researchers released reports revealing the economic impact of reducing property tax, a real estate transfer tax and a business activity tax – all of which may affect decisions regarding public-school funding in Texas. Conducted by Dr. Ray Perryman of The Perryman Group and Dr. Charles Gilliland of Texas A&M University, the reports explain the benefit of reducing property taxes and hazards of a real estate transfer tax. The reports discuss revenue generated, job growth and loss and impacts to homeownership in Texas.

In addition, Dr. Perryman's report contains an important model that enables him to determine the economic impact of any tax proposed by the Texas Legislature. Referred to as the Texas Multi-Regional Impact Assessment System, Dr. Perryman's model is a powerful tool to help legislators make informed decisions on public school finance that are beneficial to the Texas economy.

The Real Estate Transfer Tax

Defined as a tax assessed on real estate when ownership of a property is sold or transferred from one party to another, the real estate transfer tax has been proposed as one solution to funding public schools in Texas. However, according to Dr. Gilliland's report, *Analysis of a Potential Transfer Tax for Financing Education in Texas*, the tax will do more to hurt the Texas economy than help it.

In Texas, which ranks 45th among states in the U.S. in homeownership levels, Dr. Gilliland asserts that this tax, in combination with expected property tax decreases, will serve to increase the tax burden for all the households he studied, disproportionately affect minority groups and cost the Texas economy up to 17,000 jobs.

According to Dr. Gilliland, "A real estate transfer tax is an unpredictable revenue source that would damage the Texas economy, lead to lost jobs and prevent thousands of families from achieving their dreams of owning a home."

Lance Lacy, chairman of the Texas Association of REALTORS®, commented on Dr. Gilliland's findings, "What this study reveals to Texas homeowners is that replacing one property tax with another is just not an effective way to fund our public education system." He continued, "It is the responsibility of all Texans to care for our children, and a tax that punishes homeowners for investing in their future is an unpredictable, ineffective and unfair way to do that."

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For more on the potential effects of a real estate transfer tax, and to view the entire contents of Dr. Gilliland's report, please visit www.TruthAboutTexasTaxes.com.

The Business Activity Tax

Another alternative proposed to solve public school finance in Texas is the business activity tax. Defined as a low-rate, broad-based tax on business activity, this tax is very common around the world.

According to Dr. Perryman's report, *The Consequences of Selected Potential Tax Reforms for Real Estate Performance and Business Activity in Texas*, "A business activity tax has generally proven to be a relatively equitable and efficient option for generating necessary revenue." His report details the following characteristics of business activity taxes:

- Equitable because they do not discriminate between capital-intensive and labor-intensive industries.
- Relatively stable without underlying structure changes.
- Flexible in responding to future revenue needs.
- Highly efficient from the standpoint of collections and compliance.
- Solves the problem of penalizing efficient companies since all companies pay the same rate.

Dr. Perryman's report also asserts that, in combination with expected property tax decreases, Texas could generate \$6.9 billion in annual expenditures, \$2.5 billion in annual gross product, \$1.5 billion in annual personal income and more than 28,000 new permanent jobs from implementation of a property tax cut paid for by a business activity tax.

In addition to the direct benefits of a business activity tax, Dr. Perryman also encourages lawmakers to consider potential indirect benefits, such as improving Texas' attractiveness for business location, retention and expansion of major facilities, thus promoting greater levels of economic development.

Texas Association of REALTORS Lance Lacy commented, "As Dr. Perryman's report proves, TAR believes a business activity tax is a fair and equitable way to fund public education in Texas. In addition, it will have a positive impact on the Texas economy without increasing the barriers to homeownership in our state."

For more on business activity taxes, and to view the entire contents of Dr. Perryman's report, please visit www.TruthAboutTexasTaxes.com.

About the Texas Association of REALTORS®

The Texas Association of REALTORS® is a not-for-profit professional membership association representing more than 70,000 members statewide who are involved in all aspects of real estate. For more information about legislative topics of interest to homeowners and real estate professionals, visit www.TruthAboutTexasTaxes.org. For more regarding the organization, real estate practitioners should visit TexasRealtors.com and consumers should check out TexasRealEstate.com.

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