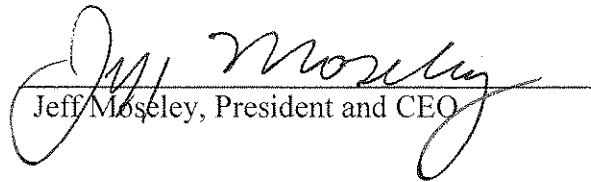


**Resolution of the Board of Directors in Support of a Broad-Based State
Margin Tax**

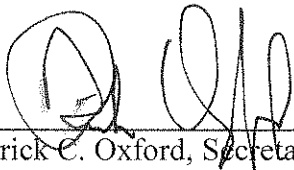
The Greater Houston Partnership supports the concept of a broad-based state margin tax. Inclusion of an extensive number of businesses not only increases the fairness and equity of the system, but also aligns with the tenets of the legislation's intent. The legislature should examine rate cuts as opposed to increased exemptions to the extent that the current margin tax creates an undue burden on small businesses. A broad-based state margin tax can be accomplished in one of several ways, including adjustments to the rates under the E-Z computation.



Daniel G. Bellow, Chairman



Jeff Moseley, President and CEO



Patrick C. Oxford, Secretary

MEMORANDUM

DATE: May 19, 2009

TO: Greater Houston Partnership Board of Directors

FROM: Roland Rodriguez
Chairman, Tax and Fiscal Advisory Committee

SUBJECT: Resolution of the Board of Directors in Support of a Broad-Based State Margin Tax

RECOMMENDATION:

The Greater Houston Partnership supports the concept of a broad-based state margin tax. Inclusion of an extensive number of businesses not only increases the fairness and equity of the system, but also aligns with the tenets of the legislation's intent. The legislature should examine rate cuts as opposed to increased exemptions to the extent that the current margin tax creates an undue burden on small businesses. A broad-based state margin tax can be accomplished in one of several ways, including adjustments to the rates under the E-Z computation.

BACKGROUND:

Under the current Tax Code, a business does not have to pay the margin tax if: 1) the tax owed by the entity is less than \$1,000; or 2) the total revenue from the entity's entire business is less than or equal to \$300,000. Those businesses with annual total revenue over \$300,000 must pay the margin tax but are eligible for a discount depending on the amount of their annual total revenue.

As an alternative method of computation, the Tax Code provides an E-Z computation for those businesses with revenue of less than \$10 million. The E-Z computation computes the taxable margin by multiplying the taxable revenue by 0.575 percent.

Legislation has been filed that amends the Tax Code to raise the margin tax exemption from \$300,000 to \$1 million. Raising this exemption would remove 39,000 businesses statewide from the margin tax base.

IMPLEMENTATION:

To implement this recommendation, the Partnership will communicate its support of this resolution to the Legislature.

FISCAL IMPACT:

Decreasing the number of businesses subject to the margin tax will result in a loss to the state's general revenue and, in turn, the state's ability to fund essential public services. Furthermore, lowering the tax base of the margin tax will cut the amount of money going into the Property Tax Relief Fund. Reducing the amount of money in the Property Tax Relief fund will mean less money to the local school districts and less property tax relief.

KNOWN OPPOSITION:

Multiple bills have been filed raising the small business exemption from \$300,000 to \$1 million.

RESOURCES REQUIRED:

No resources are required to implement this recommendation.