



## TEXAS TAX REFORM COMMISSION

JOHN SHARP  
CHAIRMAN

April 19, 2006

Dear Members of the Legislature:

Attached is a new tax incidence study completed by the staff of the Legislative Budget Board reflecting the updated fiscal impact of the Tax Reform Commission plan using Comptroller estimates.

The study shows the plan is a net tax cut to all income groups (deciles), even when tobacco taxes are included.

This effect occurs because of increases in the value of property tax relief. Those revisions require use of additional surplus to balance, resulting in a greater overall net tax cut.

I know the tax incidence issue is important to many of you. If you have questions or we can assist you in any way please feel free to contact me or Mike Morrissey, Director of Budget, Planning and Policy in the Governor's Office at 512-463-1778.

Sincerely,

A handwritten signature in black ink, appearing to read "John Sharp".

John Sharp  
Chairman, Texas Tax Reform Commission

JS:mm

**Table 3**

**Tax Incidence by Income Decile  
Current Law vs. Sharp Plan 3-31-06  
Taxes Effective in Fiscal Year 2008**

**Comparisons Include Property Tax, Sales and Excise Taxes and Taxes on Business**

Decile	Decile Income: Lower Bound	Decile Income: Upper Bound	Current Law Tax	Percent of Total	Proposed Law Tax	Percent of Total	Change in Tax	Percent Change in Tax
	[\$]	[\$]	[\$ Million]	[%]	[\$ Million]	[%]	[\$ Million]	[%]
1	0	14,042	2,153.2	3.6	2,124.1	3.7	-29.1	-1.35
2	14,042	23,872	2,485.7	4.2	2,457.9	4.3	-27.8	-1.12
3	23,872	33,190	3,217.2	5.4	3,180.8	5.6	-36.4	-1.13
4	33,190	43,403	3,552.4	6.0	3,506.8	6.1	-45.6	-1.28
5	43,403	53,968	4,375.6	7.4	4,318.4	7.5	-57.2	-1.31
6	53,968	67,019	5,112.2	8.6	5,015.5	8.8	-96.7	-1.89
7	67,019	82,976	6,151.9	10.4	6,007.3	10.5	-144.6	-2.35
8	82,976	104,865	7,470.7	12.6	7,245.5	12.7	-225.2	-3.01
9	104,865	146,804	9,292.5	15.7	8,881.5	15.5	-411.0	-4.42
10	146,804	and above	15,336.0	25.9	14,505.5	25.3	-830.5	-5.42
		Total:	59,147.3	100.0	57,243.1	100.0	-1,904.2	-3.22