



# Manufacturing Matters

## OVERRELIANCE ON PROPERTY TAXES AN IMPEDIMENT TO MANUFACTURING GROWTH

In recent years, Texas continues to be ranked by numerous national polls as one of the best states to do business than nearly any other location in the world. Job creation and overall manufacturing activity continues to grow here at a record pace, primarily because of our conservative state tax policies, sensible regulations and tort system, affordable and reliable electricity supplies, proximity to domestic and export markets, a growing skilled workforce, and our record production of oil and gas and related resources.

However, Texas has a major impediment standing in the way of our ability to maintain our great business climate: **the growing local property tax burden.**

In the last decade or so, homeowners, businesses and industries are facing exponential growth in their property tax bills. Both skyrocketing property tax rates and appraisal values on real and personal property are producing annual tax bills that, for many property owners, have become unsustainable. Counties, cities, school districts and a growing list of smaller special taxing entities are all piling on to create a tax burden that will soon scare away future business and industry growth.

Property taxes are rising for the most part because of increasing local budgets and the subsequent tax rate increases needed to support more spending in school, city, county, and special district budgets.

Yes, appraisal values are rising, but the majority of the tax increases can be traced to the taxing entities' expanding budget and rising tax rates.

Capital-intensive industries operating in Texas are already heavily taxed compared to most other states. Texas is one of only a handful of states that tax business inventories (raw materials, spare parts, supplies, etc.). This factor alone has kept our state from growing critical segments of our diverse economy. For example, the aerospace and aviation industry sectors employ large workforces with high wages and are being forced to pursue operations in more friendly states.

TAM stands ready to work with state leaders to rectify this growing threat to our economy.

The Legislature must be careful not to create a "split tax roll" where homeowners or industry are assessed at unequal levels of taxation, shifting the property tax burden by way of lopsided exemptions or tax rates further harming either major taxpayer group.

And TAM also believes that the current Franchise Tax (generating \$5 billion in state revenue) should be kept as a revenue source and plays an important role in the ability to make reforms to the local property tax problem. **Reforms to our broken Property Tax system must come first.**

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