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Perry 'Never' Raised Taxes?

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Former Texas Gov. Rick Perry said he "never raised taxes" in his 14 years as governor of the state. That's not the case. During his tenure, he increased taxes on businesses, cigarettes, fireworks, diesel equipment and insurance.

It's true that Perry did not raise broad-based taxes such as an individual income tax — the state doesn't have one — or the state retail sales tax while governor. Texas' tax burden for state and local individual taxes ranks 47th in the nation, according to the Tax Foundation's fiscal 2011 numbers, the most recent available. (Tax burden is the total amount of taxes paid by state residents divided by total income.)

But "never raised taxes"? That's a tough boast to back-up, and, in fact, Perry can't accurately claim it.

A spokesman for Perry says that he "never increased taxes, on net." But that's not what the governor said, and that qualifier would only negate some of the tax increases that were packaged with tax cuts under Perry's tenure.

Perry, a Republican presidential candidate in 2012 and a potential one for 2016, made the tax claim in New Hampshire, at a politics and eggs breakfast event at St. Anselm College in Manchester on March 12 (see the 40:57 mark).

Perry, March 12: *Under my leadership, we had 14 years of balanced budgets. Never skipped a debt payment, never raised taxes. In fact, I signed the largest tax cut in Texas history.*

We'll note that the state Constitution requires a balanced budget and prohibits the Legislature from appropriating more money than the state is expected to have in revenue.

The "largest tax cut" in state history that Perry mentions was actually a 2006 package of school property tax cuts paired with increases in business franchise, tobacco and used-car sales taxes. Even on net, the Texas Taxpayers and Research Association, a nonprofit organization supported primarily by businesses and trade groups, says the tax package, which it estimated at a net $2.5 billion per year, was the biggest cut in Texas history. Dale Craymer, president of the group, told us that was based on sheer dollars, not inflation-adjusted amounts. But the big tax cuts in state history, he said, made for a short list. Another — a 1997 property tax cut under then-Gov. George W. Bush — amounted to $1.04 billion, according to a January 2015 report by the Texas Comptroller of Public Accounts. That total isn't close to the 2006 package estimate after adjusting for inflation.

And, as it turned out, the change in business franchise taxes didn't bring in as much revenue as had been expected. The measure was supposed to raise about $6 billion a year, but brought in $4.5 billion in 2008, a 41.6 percent increase from the amount raised by the franchise tax in 2007, says the Comptroller's Office report, which gives a detailed account of state taxes and fees from 1972 through 2014.

The 2006 package of bills was designed to restructure school financing, which is attained through local property taxes. Perry has argued in the past (see the 33:00 minute mark of this 2010 interview with the Texas Tribune) that the revamped franchise tax doesn't count as an increase, since the sum of the various tax measures was a net decrease. Some will agree with that assessment. For example, the group Americans for Tax Reform, which asks political candidates to sign a pledge to not raise taxes, doesn't count an increase paired with larger cuts, or even revenue-neutral cuts, as a violation of the pledge.

But the tax package wasn't a net tax decrease for all affected parties — some paid more, some paid less. The changes to the business franchise tax have been controversial. The Tax Foundation said in a 2011 report that the revamped tax had caused "significant confusion" and "should not be used as a model tax reform for any other state." In its 2012 scorecard on governors' fiscal policies, the libertarian Cato Institute said Perry's "record on taxes is mixed," citing the 2006 franchise tax changes and tax and fee increases in 2003. The governor got a grade of "C" from the group that year, but the latest report card from 2014 gives Perry a "B," and notes adjustments made to that business tax and other tax cuts.

The revamped franchise tax expanded the businesses that were subject to it, and changed the way the tax was calculated, from one based on capital and earned surplus, to one based on "margin," which is total revenue minus cost of goods sold or total compensation, whichever is greater. That's why it's referred to as the "margin tax." The Texas Taxpayers and Research Association found that businesses with under $1 million in revenue (which later became exempt from the tax) saw their taxes drop by 46 percent from 2007 to 2009, according to the group's October 2011 report. And those with revenue between $1 million and $10 million saw a 72 percent increase.

Overall, for all businesses, the impact was a 46 percent jump in tax owed. TTARA said the tax caused "substantial differences in tax liability across, and in some instances, even within, industry groups."

In that 2006 package, the cigarette tax was raised by $1 per pack and the tax rate on other tobacco products, except cigars, was raised by nearly 5 percentage points to 40 percent. Taxes paid on personal used-car sales were also increased to bring in $30.6 million in 2007 and $85.1 million in 2008-2009, according to the Comptroller's Office report. Buyers now have to pay sales tax on the "presumptive value" of the car, not what they said they had paid for it.

Beyond the 2006 tax package, however, there were other tax increases under Perry. All figures come from the January Comptroller's Office report:

- In 2001, a tax on the sale of fireworks was enacted, estimated to generate $848,000 in 2002 and 2003. Also, that year the Texas Emissions Reduction Plan Fund was created, and the legislation included a sales tax on diesel construction equipment and a tax surcharge on certain diesel vehicles as part of the funding mechanisms. The total net gain of the law was expected to be $231.8 million for the next two years.
- In 2003, another law increased the revenue measures for the emissions reduction fund, with an estimated net gain of $230 million for 2004-05. Another piece of legislation expanded taxation on premiums and insurance to Medicaid and CHIP insurance, raising an estimated $51.1 million.
- In 2009, a new law limited the use of a $10 gift tax for car transfers, raising an estimated $26 million for 2010-11.

There were also some fee increases under Perry, including the 2001 reinstatement of a petroleum products delivery fee, a new admissions fee for strip clubs in 2007, an increase in assessments on property and casualty insurance to fund a Volunteer Fire Department Assistance Fund, and increases and surcharges on motor vehicle fees as part of the 2001 and 2003 emissions reduction measures.

When we asked Travis Considine, a spokesman for Perry, about the tax increases beyond the 2006 tax package, he told us that Perry had cut taxes more than 75 times and sent us a spreadsheet of those cuts and their savings over five-year periods.

We're not saying that Perry didn't cut taxes — or that he raised taxes significantly while governor. The comptroller's report notes that when facing a revenue shortfall in 2003, the Legislature didn't enact major tax increases, instead "focusing on spending reductions and relatively obscure fee/assessment hikes." (The report later notes that "there is no one universally agreed upon distinction between taxes and fees, and many people may not be able to tell the difference when paying a government levy.")

But Perry's claim was that he "never raised taxes," a definitive statement that goes too far. Never say never.