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Rick Perry's record on taxes (Fact Checker biography)

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Texas Gov. Rick Perry.

"I've cut taxes. I've delivered historic property tax reductions."

-- Texas Gov. Rick Perry at the RedState 2011 gathering in Charleston, S.C., Aug. 13, 2011

"I know how to create jobs. You let the private sector free them up from over-taxation, free them up from over-regulation, free them up from over-litigation, then government, get out of the way. Let the private sector do what the private sector knows how to do."

-- Perry, speaking in Des Moines, Iowa, Aug. 15, 2011

"One of the things we did in my home state, just so you've got a record to back up -- not just hear somebody talking -- we reduced our franchise tax from 4.5 percent down to 1 percent. And that's the type of message that you send across the board."

-- Perry, during Derby, N.H. town hall meeting, Sept. 30, 2011

Perry's comments fit with his usual vilification of taxes. His remarks in New Hampshire suggest the federal government has over-taxed businesses, while the others suggest he backs up his tax rhetoric with action.

We examined the Texas governor's record to see whether his policies match his tax-less mantra, or whether he runs into [the semantics issue we documented with former Massachusetts governor Mitt Romney](#), Perry's centrist rival who found new ways to raise revenue without adding taxes by name.

The Facts

Perry negotiated a reduction in school property taxes in 2006, when Texas schools were facing a shutdown. To cover the gap, he signed tax hikes on cigarettes and revamped the state's franchise tax, lowering the rate but applying it to a broader range of businesses.

The goal of this "tax swap" was to meet school-funding obligations while generating an extra \$3 billion in annual revenue. The effort fell short due to economic conditions, but [the state still collected about 25 percent more franchise tax in 2010 compared with 2007](#), the year before the changes took effect. Total collections for the tax would have doubled over the same period if the state reached its intended goal.

The Texas Taxpayers and Research Association, a tax watchdog group, [found that](#) the state's smallest businesses, those making less than \$1 million in receipts, saw their taxes shrink by 46 percent. But those reporting between \$1 million to \$10 million in receipts saw an enormous increase of 72 percent. Many of the companies that experienced such tax hikes fit the U.S. Small Business Administration's definition of small business.

The conservative Cato Institute criticized the revenue increase, noting that Texas was “rolling in a \$4 billion budget surplus.”

The “historic property tax reduction” Perry referred to in South Carolina alludes to the tax swap. That deal has [saved landowners between \\$6 billion and \\$7 billion](#), according to various tax watchdog groups.

The Texas Taxpayers and Research Association noted that the reforms resulted in a net tax cut for the economy, and that they did indeed constitute the largest tax cut in the state’s history.

But [the Tax Foundation reported a year after the changes took effect](#) that Texas had the 17th highest property taxes per capita in the nation -- better than its previous ranking of 13th, but hardly good enough to make the Lone Star State a poster child for tax restraint.

Perry also proposed new revenue adjustments, surcharges and fees in his 2003 budget to help overcome a \$10 billion deficit. The pro-business Club for Growth [called the new revenue-generating measures “anti-growth.”](#) saying they didn’t represent taxes in name, but they did “serve the same purpose of funding government.”

As for the business-tax climate, the Tax Foundation [ranked Texas 13th in the nation in 2011](#), a drop from seventh in 2006. Clearly the foundation, which is relatively hostile to taxes, doesn’t think Perry reduced the burden on businesses.

It’s also worth noting that Texas ranked fourth worst in terms of corporate tax alone, worse than left-leaning states like California (17th) and Massachusetts (14th). And in terms of individual taxes, [a report from the Tax Foundation](#) shows that Texas’s combined state and local tax burden increased .8 of a percentage point between 2000 and 2009, which was the last year included in the study.

The Pinocchio Test

True to his words, Perry reduced some taxes in the Lone Star State, and the net effect was an historic cut. But he also applied the franchise tax more broadly, created new forms of revenue collection through fees and surcharges, and signed a unequivocal increase on cigarette taxes.

The Texas governor tries to distinguish himself as above-the-cut when it comes to his conservative taxation credentials and shielding businesses from taxes, but he found creative ways to collect more money for the government treasury -- just like his opponent Romney.

Perry earns two Pinocchios for misleading voters about his record on taxes.