



**Update From  
Representative  
James Frank  
84th Legislative Session  
May 4, 2015**



### **This week in the Legislature...**

The past week in the Texas House was truly outstanding for anyone who is a fiscal conservative. We passed 5 major pieces of legislation that I believe will serve Texas well for many years in the future. All 5 will now have to pass the Senate; from there, 4 will have to be signed by the governor, and one will have to be voted on by the public. However, if they end up close to their current form, I will be most pleased.

The House passed **two different tax cuts** this week that will benefit every Texan. First, we passed a sales tax reduction (HB 31) from 6.25% to 5.95%. There is no better way to make sure that government does not grow too fast than to cut its long-term revenues. This cut would represent nearly a 5% decrease in future sales tax revenues to the state and can only be undone by future legislators (something that is unlikely to be done unless truly needed).

Franchise taxes (which are essentially business income taxes regardless of whether a business has income) were also targeted by the House this week. Rep. Dennis Bonnen's HB 32 would **decrease taxes for all businesses** in the state of Texas by 25%. HB 32 would also put into statute further reductions in the franchise tax for future bienniums in which state revenues meet or exceed the state's spending cap (i.e. strong economic times). It is worth noting that even if the franchise tax is eventually phased out, the vast majority of these businesses contribute to the Texas economy with real estate taxes as well as sales taxes.

The **House and the Senate currently have two different tax plans**, which will have to be consolidated in conference committee. The Senate plan includes property tax relief instead of a sales tax cut. While I would love to cut all taxes, I think the state should cut the sales tax and franchise tax rates as those revenues go to the state. The property tax revenues go primarily to local governments and school districts, and the rates are largely set by them. The state could restrict these, but I believe it is more appropriately done by local voters. The House tax cut plan cuts the taxes that go to the state **without micromanaging local governments**.

The House also passed HJR 111 last week, which, if approved by Texas voters, would amend the Texas Constitution by ending the practice of using General Revenue-Dedicated balances for certifying other parts of the state budget in the coming years. This is an **important step toward increasing transparency in our budget making process**. I'm glad we're keeping the momentum from last session on reducing our dependence on dedicated funds.

In line with HJR 111, HB 6 and HB 7 take important steps toward the purpose of decreasing the amount of dedicated funds we use to certify the budget. I've outlined the details of those steps below.

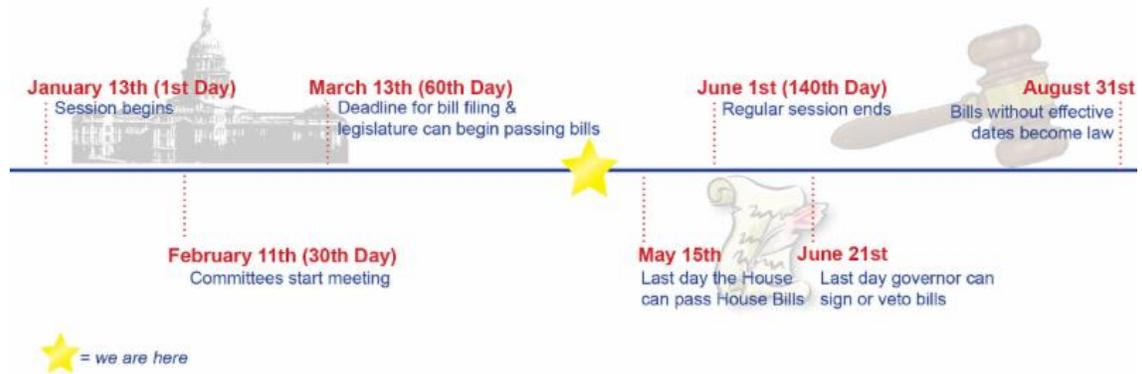
Now that we're in May, we're really in crunch time. Deadlines for getting bills out of committee and out of the chamber are coming up, so expect a lot of legislative movement in the next few weeks.

Thank you for allowing me to serve as your State Representative. Alisha, the boys and I look forward to being home in 28 days (not that I'm counting).

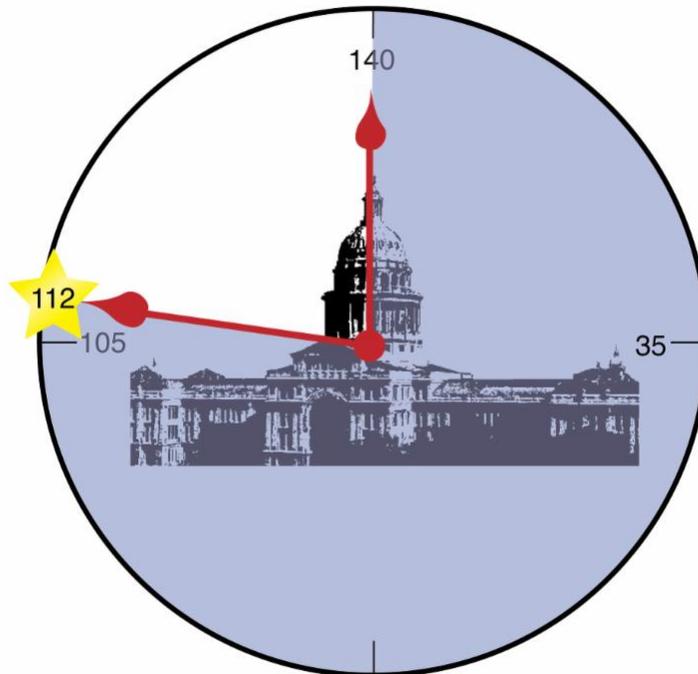
May God bless you and your family,

James B. Frank

## Where We Are in the Session



### 28 Days Left



### Texas 84<sup>th</sup> Legislative Session

## Legislation - An Update on Where Things Stand

### Our Legislation

**HB 2805 voted out of committee**

HB 2805 was voted out of the Natural Resources committee this week and has been sent to the Calendars committee to be placed on the general House calendar. This bill would remove state restrictions on transferring water between river basins. It would only apply to the City of Wichita Falls and negotiations taking place with water districts in the Trinity Basin (specifically, Tarrant Regional Water District). Effectively, it would expand the watershed of both regions to ensure against times of water scarcity. This is a local bill aimed at providing a tool for the City of Wichita Falls to use to get water.

### **Notable Legislation**

#### **HB 31 & 32 (Tax Cuts)**

The House passed HB 31 and HB 32 this week, which together cut both the sales and franchise tax rates. House Bill 31 cuts the state sales tax rate from 6.25% to 5.95%. House Bill 32 cuts the franchise tax rate by 25% across-the-board for all business, large and small, that currently pay the franchise tax. Retailers and wholesalers will pay 0.375%, and all other businesses will pay 0.75%. HB 32 also expands eligibility for the EZ computation by doubling the cap to \$20 million in total revenue and lowering the EZ rate from 0.575% to 0.331%. This will lower the cost of compliance for small businesses

#### **HJR 111**

HJR 111 by Rep. Darby passed this week, and it may be my favorite bill this session. This resolution, if passed by the Senate, will be put up to vote by you, Texas voters, in the next general election. Put simply, this would amend the Texas Constitution to stop legislators from using money dedicated for a specific purpose on something other than that purpose. Currently, a substantial amount of money, around \$2.9 billion, is in dedicated funds that are not appropriated. Those funds aren't being used for the purpose they were taken. Since they are not appropriated, these funds essentially give an extra \$2.9 billion to use toward certifying the budget is balanced. This amendment would keep the Legislature from using this practice in the future once we have eliminated it.

#### **HB 6 & HB 7**

The House passed HB 6 and 7 this week which would reduce the unspent balances used to certify the 2014-2015 budget by \$1.2 billion. I'm proud to be a joint author of HB 6, which is an important step toward clarifying our budget making process by decreasing our dependency on this accounting gimmick. I'm glad to see that the momentum from last session is being maintained and that we're making strides toward increasing transparency in budget making. This legislation is continuing the gradual process of getting the Legislature down to using zero dollars of dedicated revenue from budget certification. Coupled with HJR 111, we will end this gimmick by the end of the decade and not allow future Legislatures to start it up again.

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Please also feel free to visit my Texas House of Representatives website at <http://www.house.state.tx.us/members/member-page/?district=69>.

It is an honor to serve as your State Representative. As the session progresses, I look forward to hearing your input on proposed legislation.



Note: Please forward this email to individuals interested in receiving updates from Representative James Frank. If you, or someone you know, would like to receive these updates, please email [District69.Frank@house.state.tx.us](mailto:District69.Frank@house.state.tx.us).  
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