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# Forward thinking tax policy: Give Texas a competitive tech edge

By Billy Hamilton

When businesses look to Texas, they see a leader among the states economically. Our job creation and business-friendly climate is legendary.

Other states yearn for the Texas advantage, but in many cases, twenty states plus the District of Columbia, our competition is well ahead of the game when it comes to attracting the engine of the new economy--technology investment. And, that's all because of the way Texas chooses to tax the manufacturers of technology and telecommunications networks.

Most Texans know the sales tax because they pay it on many of the items they buy—such as clothing, furniture, cable, Internet, and phone service. But in fact, 45 percent of all sales taxes are paid by not by individuals, but by businesses on the items they buy.

For example, Texas is one of 30 states that apply sales tax to business purchases of telecommunications network equipment and one of 31 states plus the District of Columbia that taxes cable network investment, according to the Broadband Tax Institute.

Texas has the eighth highest tax rate for wireless and wireline telecommunications and the 7th highest rate for cable investment. Other states are able to lure greater technology investment because they don't subject that investment to a 6 percent state sales tax, as Texas does. That means those states offer lower costs and better investment returns, and as a result attract better telecommunications networks and coverage for their residents and customers.

Think wireless smartphones. Think broadband connectivity for your homes and businesses. Think of the infrastructure that delivers the health care, education, transportation, communications and consumer innovations that you enjoy each and every day. All of these things rely on wireless and wireline networks to "power" them.

That's why House Bill 1133 by Representative John Otto of Dayton could be a game changer in this respect. HB 1133 would remove a hurdle in our state's ability to remain competitive when it comes to technology and telecommunications infrastructure.

HB 1133 extends the current exemption from state sales tax for manufacturing equipment to the investments companies make to build and maintain our crucial networks.

The current manufacturing exemption was enacted in the 1980s, and it fit the shape of the economy back then—a time before the Internet, the tech revolution, mobile broadband and the apps economy swept the globe. The idea is that you do not tax capital investment that is used to make the products and deliver the critical technology services we use every day.

But that's exactly what we're doing: saddling investment in new economy equipment under an antiquated tax policy built around what manufacturing meant 30 years ago, not today.

That's a problem because Texas effectively imposes an 8.25 percent sales tax on investment that we should be trying to encourage and that we need to attract to remain competitive on the job, at home and around the globe.

Rep. Otto's legislation is the kind of forward thinking policy that will put Texas back on top in leading the charge for investment and innovation in this fast-paced, dynamic and highly competitive economy driven by tech. It's a job creating, investment spurring powerhouse bill.

Billy Hamilton is a former deputy comptroller for the State of Texas.