



Jobs for Texans

A Limited Government Approach to Job Creation

Overview

There is a conservative, limited government approach to job creation that is a proven alternative to federal (or state) “stimulus” spending. Jobs can be created and retained by reducing the tax burden on businesses, providing incentives for businesses to locate and stay in Texas, and investing in workforce development. These approaches can help Texas retain its position as the number one job creator in the nation.

- **Reducing the tax burden on businesses**

Reducing and reforming the margins tax must be a top priority for the 81st Legislature. The following margins tax reforms must be pursued to help ensure that Texas can retain and create jobs:

Cut the rates of the margins tax.

Cutting the margins tax rates is the most direct way to limit tax liability, which is the best way to help encourage short-term and long-term economic growth. This approach helps all businesses.

Lower the “Easy-File” Rate

To limit the burdens of computing tax liability, the Legislature authorized a simple “easy-file” rate of .575 percent. By lowering that rate to .45 percent, the Legislature can provide additional tax relief and further reduce compliance costs. It is estimated that this change will lower the tax bills and simplify compliance for up to 120,000 companies.

Raise the small business exemption.

According to the most recent data available from the Small Business Administration (2006), nearly half of employees in Texas work at companies with less than 500 workers. To retain jobs and promote economic growth, all small businesses with revenues of \$1 million or less must be exempted from any margins tax liability.

Allow deductions for compensation paid to contractors.

Businesses that rely primarily on contract workers have been unfairly penalized by the margins tax because they cannot deduct those costs when calculating their liability; this provision discourages employment of contract workers. Contract workers are an important part of our jobs base and play an integral role in the economy. Tax policy should encourage job creation, not penalize it.

- **Increase incentives to retain jobs in Texas**

Texas Enterprise Fund

Currently, the Texas Enterprise Fund (TEF) can be used for promoting economic development and is used primarily for attracting new businesses to the state and substantial expansions of existing businesses.ⁱ However, to protect jobs in the current economic climate it would be prudent to use some of these funds (currently \$136 million over the 2010-11 bienniumⁱⁱ) to incent businesses to retain jobs in Texas.

The CAPCO Investment Program

The Office of the Comptroller administers the Texas Certified Capital Company (CAPCO) Program, which supports economic development by promoting business growth and job creation. The Comptroller reports that CAPCO is used to provide “sources of venture capital to Texas entrepreneurs...A Certified Capital Company (CAPCO) is a private government-sponsored venture capital company formed to stimulate job creation and to increase the availability of growth capital for small businesses located in Texas.”ⁱⁱⁱ

- **Invest in workforce development**

Career and Technical Education Programs

Ensuring that Texans have the skills necessary to gain and hold employment is a vital part of promoting job creation and retention. According to the U.S. Census Bureau, 21.4 percent of Texans do not have a high school diploma; these individuals earn an average of \$16,300 less than high school graduates. Expanding workforce development efforts will enable Texans who do not have a high school diploma to receive the training and education they need to compete successfully in the workplace.

The Skills Development Fund

Fully funding the Skills Development Fund (SDF) will help job creation. According to the Texas Workforce Commission (TWC), which administers the SDF, “During Fiscal Year 2008, TWC awarded 41 grants totaling \$22,772,673, which served 148 businesses, generated 7,984 new jobs and upgraded the skills of 11,705 workers in existing jobs.”^{iv} The SDF must be fully funded over the 2010-11 biennium; the Legislative Budget Board’s proposed budget includes almost \$51 million for the SDF over the biennium.^v The Governor’s Office recommends increasing the SDF appropriation to \$60 million.^{vi}

ENDNOTES

ⁱ Texas Enterprise Fund, Office of the Governor;

http://governor.state.tx.us/priorities/economy/investing_for_growth/texas_enterprise_fund/

ⁱⁱ Legislative Budget Board Recommendations (House Version), 81st Legislature, 2010-11 Biennium.

ⁱⁱⁱ Office of the Comptroller, Overview of the Certified Capital Company Program;

<http://www.window.state.tx.us/capco/overview.html>

^{iv} Texas Workforce Commission, Skills Development Fund; <http://www.twc.state.tx.us/svcs/funds/sdfintro.html>

^v Legislative Budget Board Recommendations (House Version), 81st Legislature, 2010-11 Biennium.

^{vi} The Governor’s Budget 2010-11, Office of the Governor, January 27, 2009.