

## Low-Tax Texas Should Pay Its Fair Share of Harvey Costs

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As the floodwaters from Hurricane Harvey recede, the humanitarian need for federal aid to help Texas and its residents is starkly evident. Lots of aid. Right now, or as soon as Congress can approve an appropriation.

Although members of Congress from New York and New Jersey complain about the hypocrisy of Texas requesting federal aid, given the fact that the Texas congressional delegation almost unanimously opposed the federal aid package for Hurricane Sandy in 2012, the grouching amounts to nothing. With the suffering in Texas visible on every news show, America is too good to withhold support as political payback.

But that doesn't mean funding should be a gift. Not at all. The bulk of the federal money to help Texas residents rebuild their lives and communities should come in the form of a loan — perhaps a long-term loan at a favorable interest rate, but definitely a loan.

Here is why: Texas is avowedly a low-tax state. There is no personal income tax. There is no corporate income tax (although there is a surrogate tax on corporate receipts). There is no state-level tax on estates or inheritances. Texas ranks No. 46 out of the 50 states in state and local tax burden per capita, according to recent data from the Tax Foundation. It ranks 43rd in state tax revenue per capita.

Texas wants and needs federal help to rebuild from Harvey, and the federal government should provide significant financial aid. But it is grossly unfair for Texas to accept funds from all of America's taxpayers to allow it to continue its exceptionally low-taxed ways. Unless Texas is willing to bear a reasonable share of the Harvey costs through increased state and local taxes, then the rest of the United States would just be giving Texas a handout. Better for the federal government to offer Texas a "hand-up" in the form of immediate cash support with the requirement that Texas generate tax revenue to repay that help.

Federal aid packages are generally a combination of grants and loans, of course. But Texas is a special case. Here, the loan portion of any aid should be calculated with an eye on the fact that Texas has the capacity to increase its revenue without unduly burdening its taxpayers. Compare that situation with New York and New Jersey's in the wake of Hurricane Sandy: Those states (plus Connecticut) already pushed a significant state and local tax burden onto their residents.

In the realm of international aid, there is a steady debate (and some controversy) over whether donor nations are entitled to require aid recipients to enact "good government" policies, including changed tax laws. Some commentators argue that donors are of course entitled to put conditions on aid; otherwise, aid might fail to achieve long-lasting reform. But others view such conditions as an infringement on sovereign rights.

More broadly, there is ongoing public debate regarding "tax morality" and whether taxpayers, both individuals and corporations, pay their "fair share." Although proud Texans often assert the state's sovereignty, the truth is that Texas has no moral entitlement to federal aid to rebuild itself unless Texas is willing to shoulder a fair share of the cost. And that means increasing taxes on its residents to a level more commensurate with the burdens of residents in other states.

Tax-burden statistics are never fully conclusive, because there are dozens of ways to measure that burden. Texas has no personal income tax, but the state's property taxes and sales taxes are comparatively high. But two facts stand out: Texas is not a poor state (with per capita income of \$46,947, it ranks 24th in the country, according to Tax Foundation data), yet its per capita tax burden ranks low. Furthermore, Texas receives more in federal payments than its residents pay in federal taxes.

"Ability to pay" is a well-accepted standard for treating people and cities differently; education aid is routinely apportioned on the basis of a student's, or school district's, need and level of affluence. Federal support for disaster relief should follow the same standard, particularly when the funds are used to pay for expenses such as roads, government buildings and local services that are quintessential state and local responsibilities. Looking more widely, such an "ability to pay" standard should guide Congress in allocating relief for Louisiana, Florida (if needed in the wake of Hurricane Irma) and the victims of the next Hurricane Sandy.

There is no single correct answer for how to split the aid to Texas between loans and grants. But the generosity of Americans outside Texas will be severely abused unless Congress requires Texas to raise the tax burden on itself to help pay the costs of Harvey.

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