



HB 2806

Music to One's Ears

Tax Relief for Everyone, Not Just a Few

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Purpose and Analysis of the Bill

[HB 2806](#) would create the Music Incubator Rebate program to be administered by the Music, Film, Television, and Multimedia Office in the Office of the Governor. The program would consist of some tax revenues from the mixed beverage gross receipt tax and from the sales tax on the sale of beer and wine that would be set aside in order to offer “rebates” to certain music venues and promoters of music festivals.

Eligible applicants could receive rebates up to the lesser of \$100,000 or the amount they paid in either of these taxes in the previous fiscal year. According to the bill, the rebates aim to “assist eligible music venues and eligible music festival promoters in their efforts to support and continue to bring to local communities in this state live musical performances, including the recruitment of musical performance artists.”

The bill lists a number of requirements for eligibility, narrowing the pool of possible applicants for the rebates. The bill also aims to help venues and festivals in counties that have been declared a disaster area in the previous two years.

Each fiscal year the Comptroller would have to deposit \$100,000 of the revenues received from the sales tax and \$10,000,000 of the revenues received from the mixed beverage gross receipt tax into the Texas Music Incubator Account created by the bill. Any unobligated and unexpended money on the last day of each state fiscal biennium would be returned to the general revenue fund.

Economic Development Programs

Texas is known for many popular attractions, including its landscape, its excellent food, its diversity, and of course its music scene, among many other attributes. Texas is also known as a state where it is good to do business: A limited

government, generally lower taxes and fewer regulations, fewer frivolous lawsuits make the state a place where it is cheaper to do business—and live—leaving businesses—and individuals—with more freedom to invest their money as they see fit. This environment allows for the creation of jobs, economic growth, innovation, and for more opportunities for everyone to prosper.

Unfortunately, [the multiplication of programs that collect money from taxpayers](#)—individuals and businesses—and that redistribute a portion or grant special privileges to select groups of businesses is endangering the benefits of the Texas Model. These programs generally aim at creating jobs, bringing capital to the state, or supporting the development or survival of specific industries.

Texas already has several such programs. The [Texas Moving Image Industry Incentive Program](#) (TMIIP) gives rebates to eligible moving image productions representing a percentage of their eligible expenses. In certain cases, some taxes are even dedicated to supporting a specific industry. This is the case with a large part of the [hotel occupancy tax](#).

However well-intended the creation of these programs may be, they have severe although sometimes unseen consequences:

- They distort the market by allowing government to pick winners and losers, favoring a few at the expense of all others.
- They encourage businesses to seek government favors instead of focusing on creating value for their customers.
- They increase the role of government beyond what its limited role should be, creating fiscal costs that may need to be compensated for by either cutting some useful services or increasing taxes—or both.

- Their opportunity cost in terms of job creation and prosperity of all taxpayers is unknown.

Focus on Taxpayers and Consumers

Through taxes, Texan taxpayers and consumers end up paying for activities or industries they might not want to support with their own money. As a result, they are left with less money to support those they'd like to support. For example, if the money appropriated to the TMIIP was left in the pockets of taxpayers, how many of them could have more money left to spend listening to live music or visiting Texas historic dance halls? Ultimately, the success of an industry and its businesses, *in a free market*, should depend on the value they create for their customers and the demand for their services and products—not on government favors.

The problem of tax relief is on everyone's mind this session, and the property tax burden in Texas has become so important that Texans are losing their homes and businesses over their property tax bills. It can become more and more difficult for businesses in all industries to stay in business with rents or property taxes increasing constantly and at a pace taxpayers can't keep up with. But the solution is to *lower taxes for everyone*, so that all taxpayers can benefit and not just a few.

A [recent study by the Mercatus Center](#) reported that “neither economic theory nor empirical evidence suggests that ... targeted incentives work.” It found that if Texas got rid of its corporate incentives, the state could lower total taxes by 1.7 percent, or corporate taxes by 24 percent.

Recommendations

The Texas Legislature should not create one more business incentive program that will distort the market and benefit just a few businesses.

The concern of ever-increasing taxes—in Texas, property taxes especially—and how they might force taxpayers out of their homes or businesses to close down is a real concern that needs to be addressed. However, the solution is not in programs that favor just a few. This concern should be addressed by limiting spending and decreasing taxes for everyone. It will then become easier to continue to operate for successful businesses. More importantly, by staying loyal to the model that made it so successful, Texas will be best able to *give all taxpayers and businesses a chance to prosper.* ★

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