

Report: Austinites faced with higher taxes, smaller paychecks

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On top of rising food and gas prices, Austinites are saddled with a heavier tax load and a smaller paycheck, according to the Real Estate Council of Austin's affordability index.

The annual Combined Cost of Government Index shows that the average household income declined by four-tenths of a percent to \$69,300 in 2007, while the tax burden on families grew.

The average Austin family paid \$5,984.43 in taxes last year, up 12.2 percent since 2004.

In other words, 8.6 percent of a family's total income goes toward taxes — the highest percentage in the index's 18-year history.

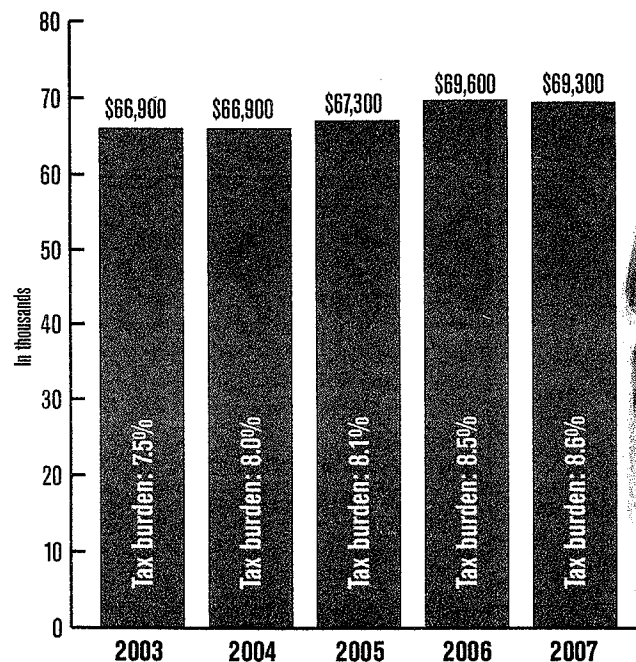
The index is a combined look at property and sales tax rates from Travis County, Austin Independent School District, the city of Austin, Capital Metropolitan Transportation Authority, Austin Community College and the Travis County Hospital District.

This year's index illustrates that the gap between tax burden and income is widening, says Tom Terkel, RECA's president.

"It's disturbing to see that 8.6 percent of a family's income is diverted to paying basic local taxes," Terkel says. "We are paying higher prices for gasoline, and the economy is, perhaps, slowing down a little bit, making it hard for families to make ends meet.

"And so the bite that government is taking out of their paycheck takes on even more of a critical importance than it has

AVERAGE FAMILY INCOME AND TAX BURDEN



in prior years," he adds.

Janice Cartwright, RECA's executive director, says RECA wants governmental decision makers to keep today's economic pressures in mind when crafting budgets.

"Whereas a family will have to tighten their belts because their income has gone down, shouldn't we ask governments to do the same?" Cartwright says.

One bright spot indicating that governmental entities are trying to keep spending in check is that taxes increased only 0.8 percent over last year — the smallest tax increase since the index's inception.

Last year, the city of Austin, Cap Metro, ACC and hospital taxes rose a little less than one percent. But that bump in taxes was offset by Travis County, which essentially held its tax rate flat, and the

Austin Independent School District, which slightly lowered its tax rate.

In addition, revenue generated by retail sales rose, helping to decrease city taxes. The city collected \$153.1 million in sales taxes in 2007, up from \$139.3 million the year before, according to the study.

"Sales tax [revenue] went up, and in a way that looks healthy because people are spending, but you are also paying sales tax on a lot of necessities," says Susan Engelking of Engelking Communications LLC, who co-authored the study.

Austin Budget Officer Greg Canally says the city has done a good job at maintaining a low tax rate

over the last decade. He points out that the city now accounts for 28.5 percent of the combined tax burden, down from 41 percent in 1993.

"This year, we are continuing to look into areas where we can scale back. We want to make Austin an affordable place to live while making sure that we are investing in and maintaining services that the community has asked for," he says.