

April 29, 2008

The Honorable Dan Patrick
State Senator, District 7
Texas Senate
11451 Katy Freeway, Suite 209
Houston, Texas 77079-2009

Dear Senator Patrick:

Thank you for your letter regarding the due date of the franchise tax. In response to a number of inquiries from both taxpayers and practitioners, our office granted an additional 30 days to send in original returns beyond the due date of May 15. We believe it was very reasonable to do so considering the complexity of the revisions made to the franchise tax and the number of new taxpayers.

Your suggestion to move the original due date to Oct. 15 would have a number of effects beyond providing taxpayers with additional time. As you will recall, the revenue from the revisions to the franchise tax are appropriated specifically for property tax relief and the funding of our schools.

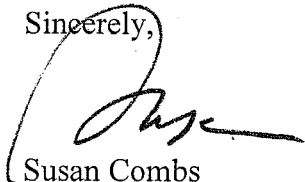
This fiscal year, the state borrowed \$4.9 billion in Tax and Revenue Anticipation Notes (TRAN) to fund temporary cash flow shortfalls resulting from state payments to schools that are made predominantly at the beginning of the fiscal year. Delaying collections would increase the existing cash flow shortfall early in the fiscal year thereby increasing borrowing costs because more school funding would have to be paid with borrowed funds in the short-term.

Also, delaying the receipt of any money from the tax until fiscal 2009 would result in a loss of interest from earlier collections of at least \$17 million. Finally, our official statement to the rating agencies used to rate our current TRAN issue reflected a collection cycle that would be drastically changed by such a delay and could imperil the credibility of future statements.

Please also note that under the current due dates, taxpayers can request an extension that will delay the submission of a final return until Nov. 17 this year. Once again, I thank you for your comments and interest in this tax.

If you have further questions, please do not hesitate to contact me.

Sincerely,



Susan Combs

cc: Capitol Office