

A FIELD GUIDE

TO THE

TAXES

OF

TEXAS

JANUARY 2022

GLENN HEGAR • TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

A FIELD GUIDE TO THE TAXES OF TEXAS

The data represented in this report are available in accessible data form (Excel).

Every year, the state of Texas collects billions of dollars in state taxes and fees, federal receipts and other sources of revenue. These funds are used to pay for all of the responsibilities of the state government, including the education of nearly **5.4 million** public school students and the provision of health insurance for more than **5 million** low-income Texans.

This guide provides an overview of the major Texas state taxes. Read on to:

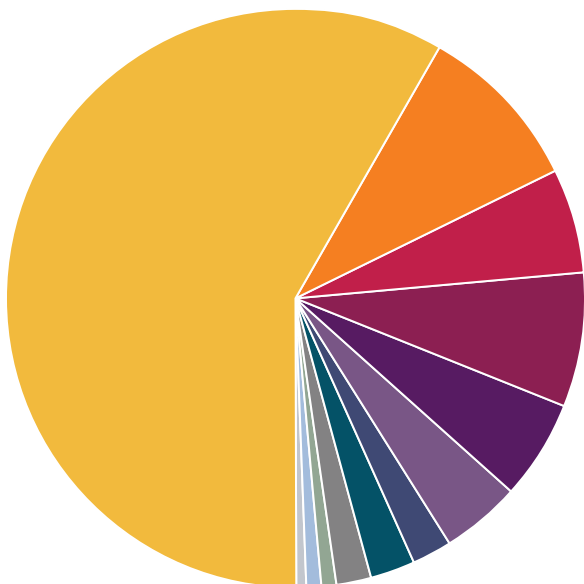
- learn how major taxes have contributed to state revenue during the past 10 years;
 - see on one page revenue collections, estimates and allocations; and
 - connect to other in-depth resources about state taxes and finances.

State Tax Revenue By Source

FISCAL 2021

All Funds, Excluding Trusts

TOTAL = \$61,473,483,316



% OF TAXES	SALES AND USE TAXES
58.6%	\$36,019,605,414
9.3%	\$5,730,933,538
5.9%	\$3,596,891,570
7.4%	\$4,529,829,616
5.6%	\$3,449,131,602
4.4%	\$2,699,643,241
2.3%	\$1,397,304,315
2.6%	\$1,568,541,762
2.0%	\$1,257,444,097
0.8%	\$487,815,057
0.9%	\$538,814,591
0.3%	\$197,528,512

Source: Annual Cash Report 2021, Texas Comptroller of Public Accounts

Note: Percentages may not sum to 100.0 due to rounding.

Texas' total tax revenue rose by 7.1 percent in fiscal 2021, to \$61.5 billion. Most taxes saw growth over the previous year as the economy began to recover from the COVID-19 pandemic.

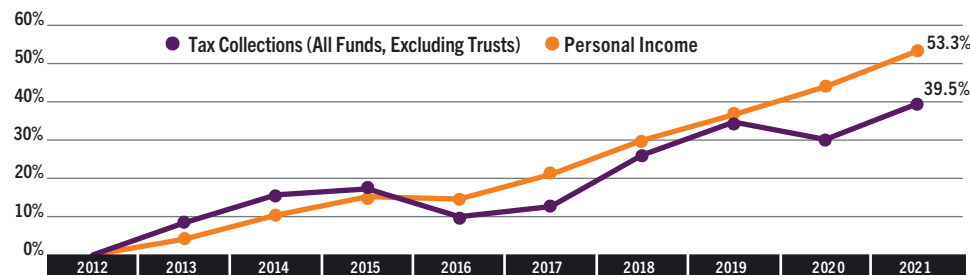
STATE TAX COLLECTIONS AND PERSONAL INCOME

FISCAL 2012-2021

Cumulative Growth Rates

State tax collections saw higher cumulative growth rates than Texas personal income from fiscal 2012 through 2015. Collections declined in 2016 due to franchise tax cuts and a slowdown in the oil and gas industries. Tax collections rebounded in 2018 due mostly to increased remittances from taxpayers in the oil and gas industries and rose moderately in 2019 as taxable spending in these industries plateaued.

Some tax categories saw record year-over-year declines in fiscal 2020 collections due to the COVID-19 pandemic and a collapse in oil prices. As the Texas economy began to recover and oil prices rebounded, tax collections in nearly every category grew in fiscal 2021.



Where Does Texas' Tax Revenue Come From?

While Texas is a relatively low-tax state, it relies on revenue generated by more than 30 different taxes to fund the functions of state government. Nearly all of this revenue is generated by the following major taxes:

- Texas imposes a 6.25 percent **sales and use tax** on sales, leases and rentals of goods as well as on taxable services such as telecommunications and amusement services.
- Texas taxes **motor vehicle sales** at a rate of 6.25 percent of the sales price minus any trade-in allowance. **Motor vehicle rentals** are taxed at 6.25 percent or 10 percent of gross receipts depending on the length of the rental contract.
- Texas' **motor fuel tax** rates can vary depending on the type of fuel; the two most common, gasoline and diesel, are both taxed at 20 cents per gallon.
- The state's **franchise tax** is imposed on certain kinds of businesses operating in Texas such as corporations, banks, limited liability corporations and partnerships. Of the millions of businesses across the state, only about 140,000 filers usually owe any franchise tax.
- Texas' **severance taxes** are imposed on entities that extract nonrenewable natural resources such as oil or natural gas. They are levied at rates of 4.6 percent of market value for oil and condensate and 7.5 percent of market value for natural gas. Revenues from these taxes are highly variable depending on market conditions.
- The state's **insurance taxes** include a number of premium taxes levied at rates ranging from 0.5 percent to 4.85 percent of gross premiums, as well as various maintenance taxes.
- Texas' **"sin" taxes** are levied on tobacco and alcoholic beverage products. The largest taxes in revenue terms are the cigarette tax, levied at \$1.41 per pack of 20, and mixed beverage taxes, imposed on consumers at 8.25 percent of the sales price and on business permit holders at 6.7 percent of gross receipts.

Where Does Texas' Tax Revenue Go?

For accounting and budgeting purposes, state revenue is deposited or transferred into various funds, with most going into the General Revenue Fund (GR) for appropriation by the Legislature. Some tax revenue, however, is deposited directly or transferred into special funds for specific purposes. Three of the state's most prominent special revenue funds are the State Highway Fund (SHF), the Property Tax Relief Fund (PTRF) and the Economic Stabilization Fund (ESF).

The SHF is used for the construction, maintenance and policing of public roads. Historically, the primary revenues for this fund have been federal receipts, 75 percent of motor fuel tax net collections, most motor vehicle registration fees and, since fiscal 2015, one-half of 75 percent of oil production and natural gas production tax revenues exceeding fiscal 1987 collections in any fiscal year. Beginning in fiscal 2018, based on a constitutional amendment approved by Texas voters in 2015, the first \$2.5 billion of state sales tax collections in excess of \$28 billion a fiscal year are transferred to the SHF. Beginning in fiscal 2020, 35 percent of motor vehicle sales and rental tax collections in excess of \$5 billion are transferred into the SHF, a threshold that was first met in fiscal 2021. In the

State Highway Fund (SHF)

	FISCAL 2020	FISCAL 2021	FISCAL 2022	FISCAL 2023
	ACTUAL	ACTUAL	ESTIMATED	ESTIMATED
Total State Revenue	\$8,798,742,701	\$8,835,169,725	\$8,912,099,000	\$10,007,311,000
Total Federal Income	\$5,182,182,072	\$5,358,072,653	\$5,413,924,000	\$4,054,849,000
Total Revenue	\$13,980,924,773	\$14,193,242,378	\$14,326,023,000	\$14,062,160,000

Property Tax Relief Fund (PTRF)

	FISCAL 2020	FISCAL 2021	FISCAL 2022	FISCAL 2023
	ACTUAL	ACTUAL	ESTIMATED	ESTIMATED
Total State Revenue	\$2,140,483,244	\$2,196,639,520	\$2,140,787,000	\$2,282,930,000
Transfers	-	\$1,000,000,000	-	-
Total Revenue and Other Sources	\$2,140,483,244	\$3,196,639,520	\$2,140,787,000	\$2,282,930,000

Economic Stabilization Fund (ESF)

	FISCAL 2020	FISCAL 2021	FISCAL 2022	FISCAL 2023
	ACTUAL	ACTUAL	ESTIMATED	ESTIMATED
Ending Cash Balance	\$5,895,953,909	\$5,000,594,507	\$2,549,840,965	\$3,243,327,794
Ending Invested Balance	\$4,100,561,030	\$5,273,897,763	\$7,507,327,216	\$9,372,163,601
Total Ending Balance	\$9,996,514,939	\$10,274,492,270	\$10,057,168,181	\$12,615,491,396
ESF Cap	\$18,797,980,185	\$18,797,980,185	\$20,260,891,219	\$20,260,891,219

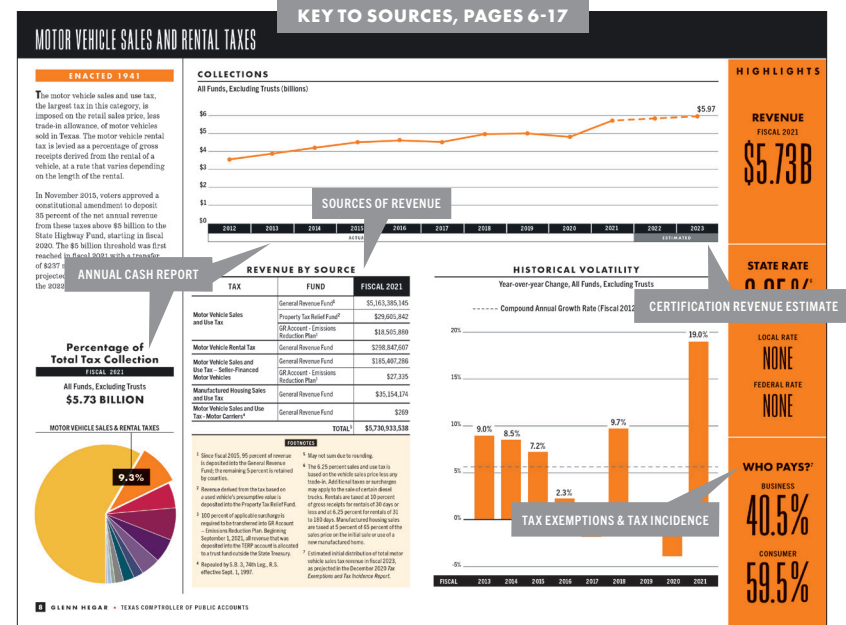
2022-23 biennium, the Comptroller's office estimates the SHF will receive **\$28.4 billion** from all sources.

The PTRF is used along with GR and other funds to finance the state's K-12 public education system. The major revenue sources for this fund include the amount of franchise tax collections generated by its restructuring in fiscal 2008, and revenue generated from the \$1.00 increase in the cigarette tax rate implemented in fiscal 2007. A \$1 billion transfer to the PTRF from GR was made at the end of fiscal 2021, and over the 2022-23 biennium, the Comptroller's office estimates the PTRF will receive **\$4.4 billion** from all revenue sources for a total of **\$5.4 billion**.

The ESF, also known as the Rainy Day Fund, receives one-half of 75 percent of oil production and natural gas production tax revenues in any fiscal year that exceeds fiscal 1987 collections, and one-half of any unencumbered GR surplus remaining at the end of each biennium. By the end of fiscal 2023, the total ending balance of the ESF is projected to reach **\$12.6 billion**. This balance would represent **62.3 percent** of the cap, as set by the Constitution.

Want More Details?

The Comptroller's office publishes many reports that assist state government planning and decision-making and account for state spending to the taxpayers of Texas. This guide highlights some of the current data from several of these reports and provides links to find more in-depth or updated data. The full reports can be found at comptroller.texas.gov/transparency/reports.



Net State Revenue By Source

FISCAL 2021 • ALL FUNDS, EXCLUDING TRUSTS

SOURCE	REVENUE	CHANGE FROM FISCAL 2020
Tax Collections	\$61,473,483,316	7.1%
Federal Income	\$81,940,095,823	41.0%
Licenses, Fees, Fines and Penalties	\$6,325,234,467	2.4%
State Health Service Fees and Rebates	\$6,815,774,313	-9.9%
Net Lottery Proceeds	\$2,954,627,489	23.5%
Land Income	\$2,147,842,115	18.7%
Interest and Investment Income	\$1,975,495,905	-21.9%
Settlements of Claims	\$761,238,736	21.9%
Escheated Estates	\$792,564,461	10.8%
Sales of Goods and Services	\$321,236,646	26.1%
Other Revenue	\$4,988,857,796	24.2%
Total Net Revenue	\$170,496,451,068	20.4%

Non-Tax Revenue

The state's major non-tax revenue sources are federal income, fees and licenses, state health-related fees and rebates, state lottery proceeds, land income and proceeds from the state's investments.

Taxes That Texas Does Not Levy

Texas does not collect a state property tax. Property taxes are levied by local governmental entities, school districts and special purpose districts (see p. 20).

Texans pay only federal and not state or local income taxes. Federal dollars contributed **48 percent** of total state net revenue in **fiscal 2021**.

SALES AND USE TAXES

ENACTED 1961

Sales and use taxes are the state's single largest source of tax revenue, raising about 59 cents of every state tax dollar in fiscal 2021. The sales tax generally is imposed on final sales, rentals and leases of tangible personal property – physical goods or their classified equivalent – and on sales of certain services, such as amusements, telephone services and the repair of tangible personal property.

Starting in fiscal 2018, a constitutional amendment requires up to \$2.5 billion to be transferred to the State Highway Fund from net sales tax revenue in excess of \$28 billion.

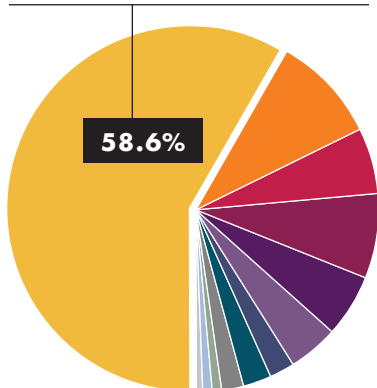
The 2019 passage of House Bill 1525 by the 86th Legislature, requiring online marketplace providers to collect taxes on sales made through their platforms, resulted in additional sales tax collections of an estimated \$1.8 billion in 2020-21 and will result in an estimated additional \$2.4 billion in 2022-23. This revenue is deposited outside the General Revenue Fund to the Tax Reduction and Excellence in Education Fund.

Percentage of Total Tax Collection

FISCAL 2021

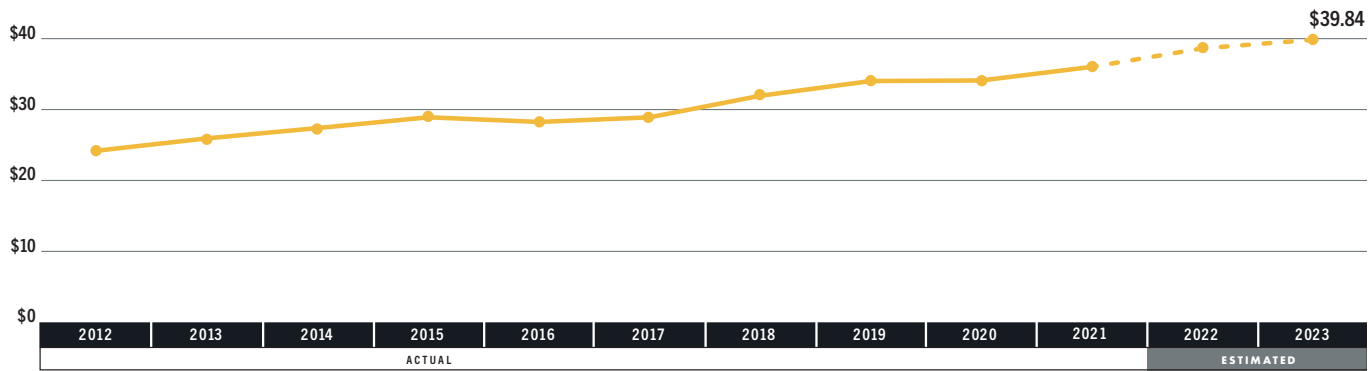
All Funds, Excluding Trusts
\$36.02 BILLION

SALES AND USE TAXES



COLLECTIONS

All Funds, Excluding Trusts (billions)



REVENUE BY SOURCE

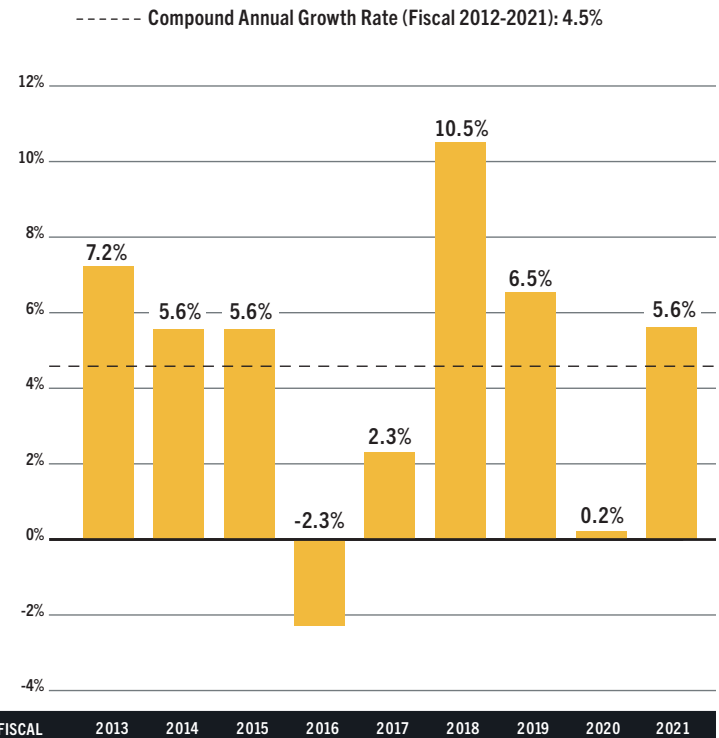
TAX	FUND	FISCAL 2021
Limited Sales and Use Tax	General Revenue Fund ¹	\$23,632,229,172
	GR Account - Emissions Reduction Plan ²	\$69,824,489
	Tax Reduction and Excellence in Education Fund	\$1,156,700,000
Prepayments of Limited Sales and Use Tax	General Revenue Fund	\$10,998,441,761
Boat and Boat Motor Sales and Use Tax ³	General Revenue Fund	\$113,650,877
	GR Account - Game, Fish, and Water Safety	\$2,515,056
Motor Fuel Lubricants Sales Tax	State Highway Fund	\$37,000,000
Limited Sales and Use Tax - State ⁴	General Revenue Fund	\$8,303,716
Fireworks Tax ⁵	GR Account - Rural Volunteer Fire Department Insurance	\$598
Interest on Retail Credit Sales	General Revenue Fund	\$769,351
Discount for Sales Tax - State Agencies and Higher Education	General Revenue Fund	\$170,395
TOTAL⁶		\$36,019,605,414

FOOTNOTES

- Taxes on certain sporting goods are constitutionally appropriated to the Texas Parks and Wildlife Department and Texas Historical Commission. For additional information on special allocations, refer to the *Sources of Revenue* report.
- Revenue from a 1.5 percent diesel equipment surcharge formerly deposited into the Texas Emissions Reduction Plan (TERP) account is allocated to a trust fund outside the State Treasury beginning Sept. 1, 2021.
- County tax assessor-collectors or the Texas Parks and Wildlife Department may retain 5 percent of collections.
- This amount represents the taxes collected on sales made by state agencies, departments, institutions, universities and colleges.
- The 2 percent additional sales tax levied on fireworks was eliminated on Sept. 1, 2015; an equivalent amount now is transferred to GR Account – Rural Volunteer Fire Department Insurance from General Revenue.
- May not sum due to rounding.
- Estimated initial distribution of total limited sales and use tax revenue in fiscal 2023, as projected in the December 2020 *Tax Exemptions and Tax Incidence Report*.

HISTORICAL VOLATILITY

Year-over-year Change, All Funds, Excluding Trusts



HIGHLIGHTS

REVENUE

FISCAL 2021

\$36.02B

STATE RATE

6.25%

LOCAL RATE

UP TO 2%

FEDERAL RATE

NONE

WHO PAYS?⁷

BUSINESS

38.9%

CONSUMER

61.1%

MOTOR VEHICLE SALES AND RENTAL TAXES

ENACTED 1941

The motor vehicle sales and use tax, the largest tax in this category, is imposed on the retail sales price, less trade-in allowance, of motor vehicles sold in Texas. The motor vehicle rental tax is levied as a percentage of gross receipts derived from the rental of a vehicle, at a rate that varies depending on the length of the rental.

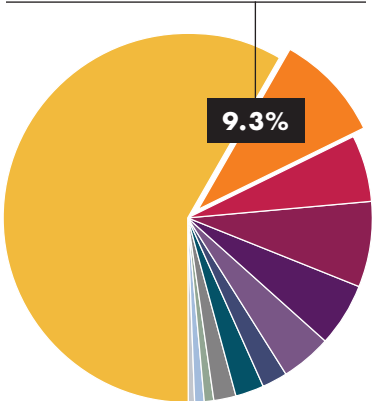
In November 2015, voters approved a constitutional amendment to deposit 35 percent of the net annual revenue from these taxes above \$5 billion to the State Highway Fund, starting in fiscal 2020. The \$5 billion threshold was first reached in fiscal 2021 with a transfer of \$237 million, and the transfer is projected to total \$635 million in the 2022-23 biennium.

Percentage of Total Tax Collection

FISCAL 2021

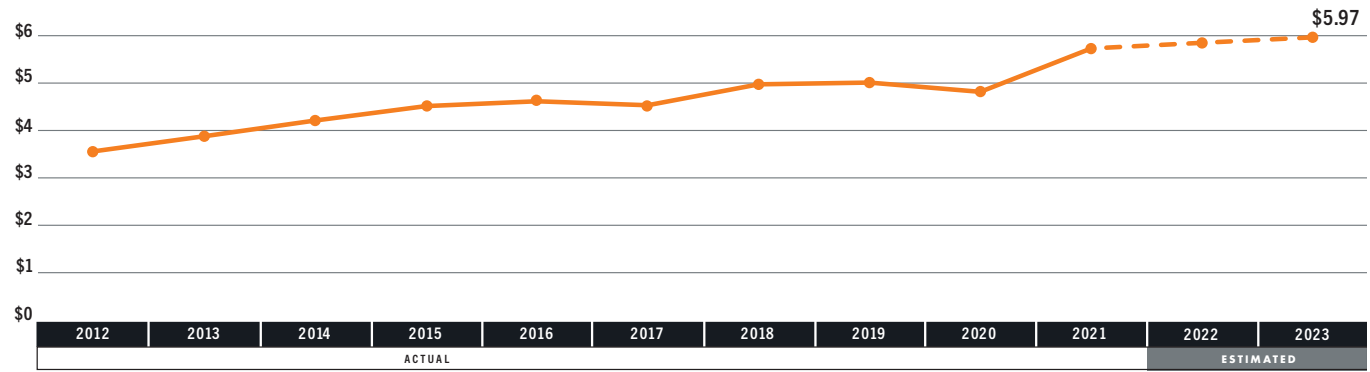
All Funds, Excluding Trusts
\$5.73 BILLION

MOTOR VEHICLE SALES & RENTAL TAXES



COLLECTIONS

All Funds, Excluding Trusts (billions)



REVENUE BY SOURCE

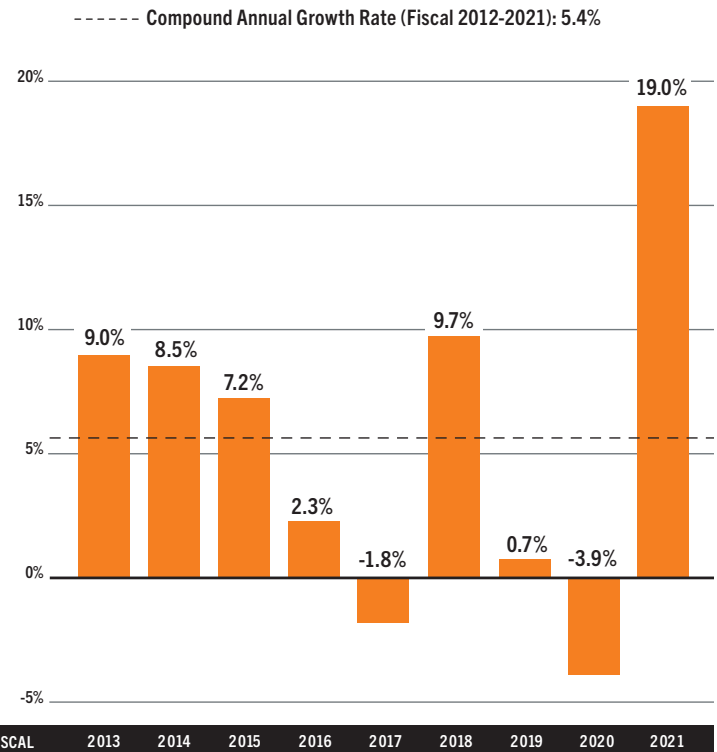
TAX	FUND	FISCAL 2021
Motor Vehicle Sales and Use Tax	General Revenue Fund ¹	\$5,163,385,145
	Property Tax Relief Fund ²	\$29,605,842
	GR Account - Emissions Reduction Plan ³	\$18,505,880
Motor Vehicle Rental Tax	General Revenue Fund	\$298,847,607
Motor Vehicle Sales and Use Tax – Seller-Financed Motor Vehicles	General Revenue Fund	\$185,407,286
	GR Account - Emissions Reduction Plan ³	\$27,335
Manufactured Housing Sales and Use Tax	General Revenue Fund	\$35,154,174
Motor Vehicle Sales and Use Tax - Motor Carriers ⁴	General Revenue Fund	\$269
TOTAL⁵		\$5,730,933,538

FOOTNOTES

- Since fiscal 2015, 95 percent of revenue is deposited into the General Revenue Fund; the remaining 5 percent is retained by counties.
- Revenue derived from the tax based on a used vehicle's presumptive value is deposited into the Property Tax Relief Fund.
- 100 percent of applicable surcharge is required to be transferred into GR Account – Emissions Reduction Plan. Beginning Sept. 1, 2021, all revenue that was deposited into the TERP account is allocated to a trust fund outside the State Treasury.
- Repealed by S.B. 3, 74th Leg., R.S. effective Sept. 1, 1997.
- May not sum due to rounding.
- The 6.25 percent sales and use tax is based on the vehicle sales price less any trade-in. Additional taxes or surcharges may apply to the sale of certain diesel trucks. Rentals are taxed at 10 percent of gross receipts for rentals of 30 days or less and at 6.25 percent for rentals of 31 to 180 days. Manufactured housing sales are taxed at 5 percent of 65 percent of the sales price on the initial sale or use of a new manufactured home.
- Estimated initial distribution of total motor vehicle sales tax revenue in fiscal 2023, as projected in the December 2020 Tax Exemptions and Tax Incidence Report.

HISTORICAL VOLATILITY

Year-over-year Change, All Funds, Excluding Trusts



HIGHLIGHTS

REVENUE

FISCAL 2021

\$5.73B

STATE RATE

6.25%⁶

LOCAL RATE

NONE

FEDERAL RATE

NONE

WHO PAYS?⁷

BUSINESS

40.5%

CONSUMER

59.5%

MOTOR FUEL TAXES

ENACTED 1923

Motor fuel taxes are the state's consumption taxes on gasoline, diesel fuel and liquefied and compressed natural gas. In general, these taxes are charged on each gallon of fuel sold in Texas used to propel vehicles on Texas' public roads.

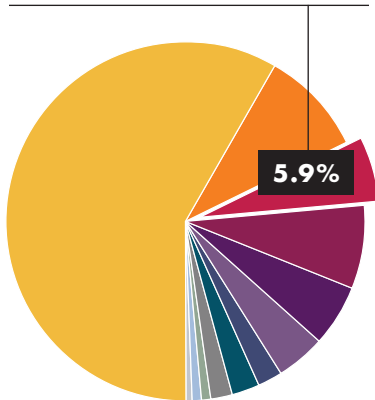
The rates for the gasoline and diesel fuel taxes last changed in 1991, when they were both increased from 15 cents to 20 cents per gallon.

Percentage of Total Tax Collection

FISCAL 2021

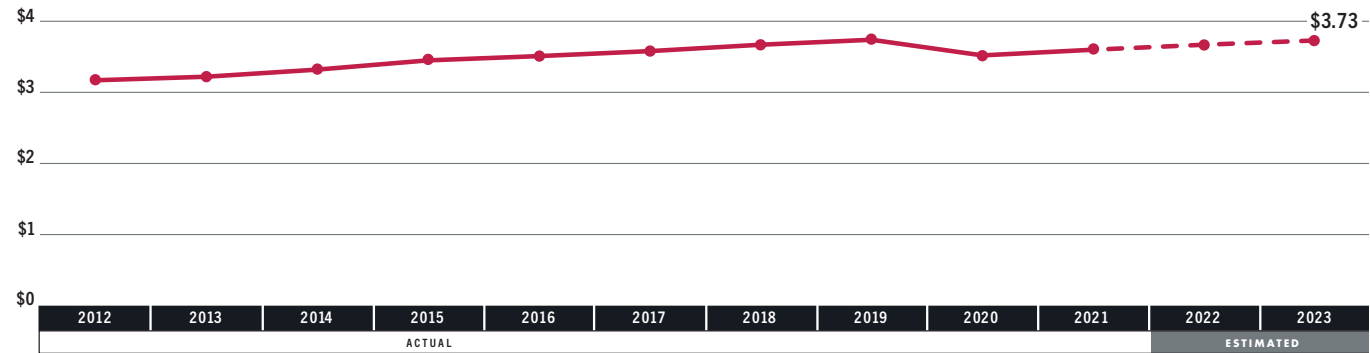
All Funds, Excluding Trusts
\$3.6 BILLION

MOTOR FUEL TAXES



COLLECTIONS

All Funds, Excluding Trusts (billions)



REVENUE BY SOURCE

TAX	FUND	FISCAL 2021
Gasoline Tax ¹	General Revenue Fund	\$2,626,158,320
Diesel Fuel Tax ²	General Revenue Fund	\$964,923,804
Liquefied and Compressed Natural Gas Tax ²	General Revenue Fund	\$5,809,446
TOTAL³		\$3,596,891,570

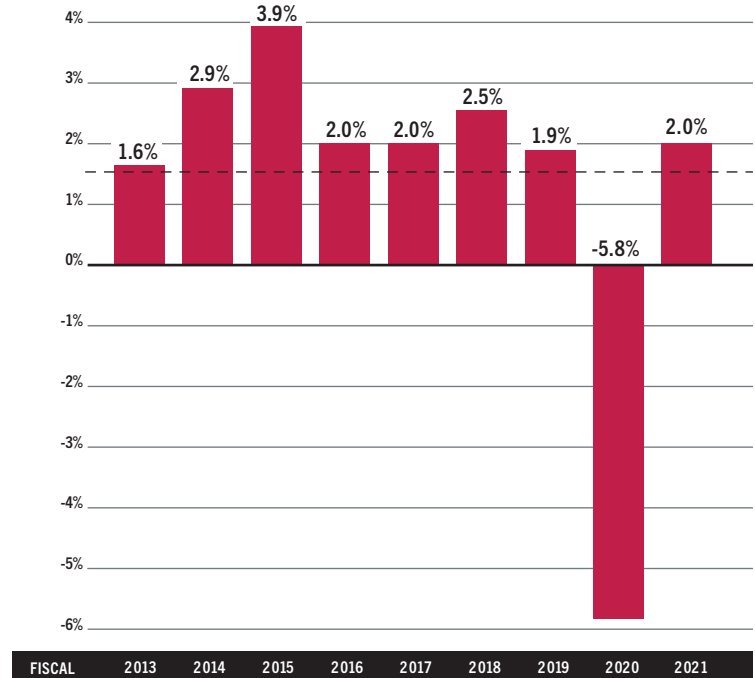
FOOTNOTES

- After deductions for refunds and other purposes, 25 percent is allocated to the Available School Fund; 50 percent is allocated to the State Highway Fund; and the remaining 25 percent also is deposited to the State Highway Fund, except that the first \$7.3 million is deposited to the County and Road District Highway Fund.
- After deductions for refunds, 25 percent is allocated to the Available School Fund and 75 percent is allocated to the State Highway Fund.
- May not sum due to rounding.
- This rate is for gasoline and diesel fuel (eligible transit companies qualify for a refund of 1 cent per gallon on gasoline and 1/2 cent per gallon on diesel fuel). Liquefied natural gas and compressed natural gas are taxed at 15 cents per gallon.
- This rate is for gasoline. The federal tax rate for diesel fuel is 24.4 cents per gallon.
- Estimated initial distribution of total gasoline tax revenue in fiscal 2023, as projected in the December 2020 *Tax Exemptions and Tax Incidence Report*.

HISTORICAL VOLATILITY

Year-over-year Change, All Funds, Excluding Trusts

----- Compound Annual Growth Rate (Fiscal 2012-2021): 1.4%



HIGHLIGHTS

REVENUE

FISCAL 2021

\$3.6B

STATE RATE

\$0.20⁴ PER GALLON

LOCAL RATE

NONE

FEDERAL RATE

\$0.184⁵ PER GALLON

WHO PAYS?⁶

BUSINESS

21.9%

CONSUMER

78.1%

FRANCHISE TAX

ENACTED 1907

The franchise or “margins” tax is the current version of one of the state’s oldest taxes, levied for the privilege of doing business in Texas. The tax due is based on an entity’s apportioned taxable margin.¹

In 2006, the Legislature made significant changes to the tax, including transitioning to the taxable margin as the sole base component and expanding the tax to limited partnerships, business trusts and other legal entities.

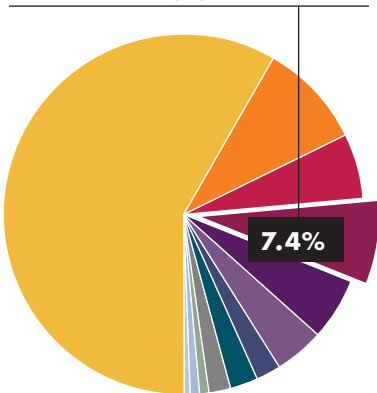
In 2015, the Legislature voted to reduce franchise tax rates by 25 percent.

Percentage of Total Tax Collection

FISCAL 2021

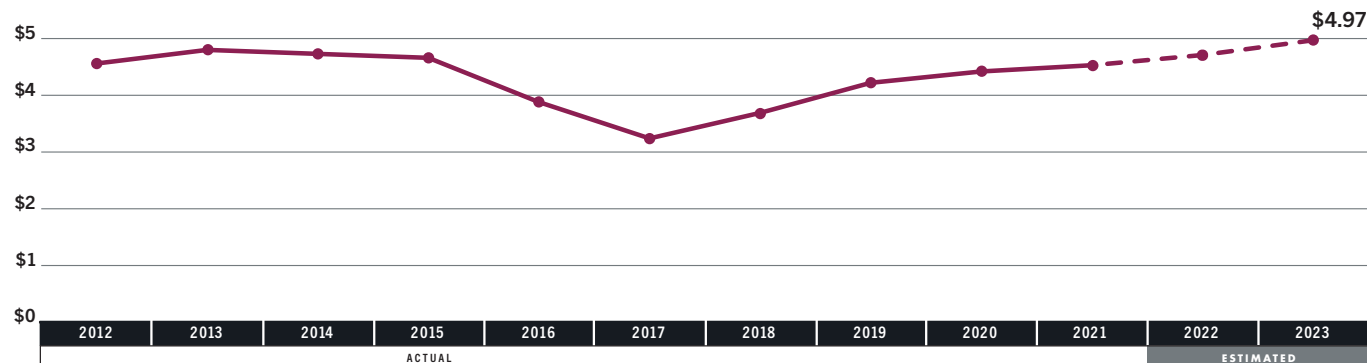
All Funds, Excluding Trusts
\$4.53 BILLION

FRANCHISE TAX



COLLECTIONS

All Funds, Excluding Trusts (billions)



REVENUE BY SOURCE

TAX	FUND	FISCAL 2021
Franchise/Margins Tax	General Revenue Fund ²	\$3,173,209,102
	Property Tax Relief Fund ³	\$1,358,948,885
Franchise Tax	General Revenue Fund ⁴	\$(2,328,371)
TOTAL⁵		\$4,529,829,616

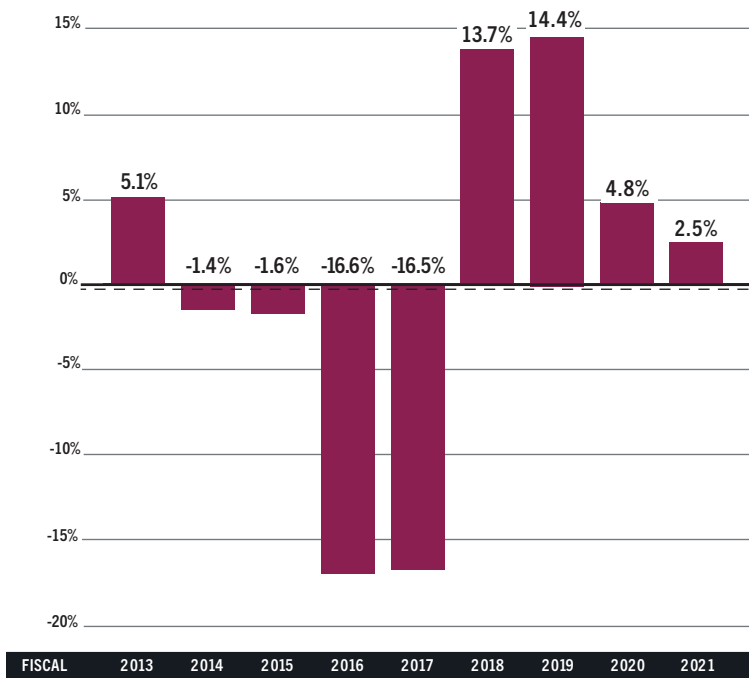
FOOTNOTES

- 1 Taxable margin is defined as total revenue less the greater of (1) the cost of goods sold, (2) total compensation, (3) 30 percent of total revenue or (4) \$1 million. An apportionment factor based on the portion of receipts that occurred in Texas then is applied.
- 2 The estimated amount of franchise tax revenues that would have been generated had the 2006 reforms not occurred.
- 3 All revenue exceeding the estimated amount that would have been brought in under the previous version of the franchise tax.
- 4 Reflects net payments and refunds related to franchise tax liability from reports due before the 2008 tax year.
- 5 May not sum due to rounding.
- 6 A tax rate of 0.375 percent applies to taxpayers in the retail or wholesale trade; other taxpayers pay a rate of 0.75 percent. Firms with less than \$20 million in total revenues may elect to file an EZ return. The tax rate for EZ filers is 0.331 percent.
- 7 There is no federal franchise tax, but a corporate income tax is levied at 21 percent of net income.
- 8 Estimated initial distribution of total franchise tax revenue in fiscal 2023, as projected in the December 2020 *Tax Exemptions and Tax Incidence Report*.

HISTORICAL VOLATILITY

Year-over-year Change, All Funds, Excluding Trusts

----- Compound Annual Growth Rate (Fiscal 2012-2021): -0.1%



HIGHLIGHTS

REVENUE

FISCAL 2021

\$4.53B

STATE RATE

0.75% / 0.375%⁶

LOCAL RATE

NONE

FEDERAL RATE

NONE⁷

WHO PAYS?⁸

BUSINESS

100%

CONSUMER

0%

OIL PRODUCTION TAX

ENACTED 1905

The oil production tax is a severance tax on the removal of crude oil from Texas land. The rate has remained unchanged since 1951, longer than for any other major state tax.

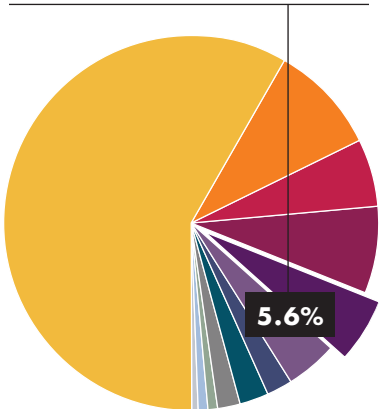
Twenty-five percent of the revenue from this tax is allocated to the Foundation School Account, with the remaining amount deposited into the General Revenue Fund. Portions of the amount deposited into GR may be transferred to the Economic Stabilization Fund and the State Highway Fund.

Percentage of Total Tax Collection

FISCAL 2021

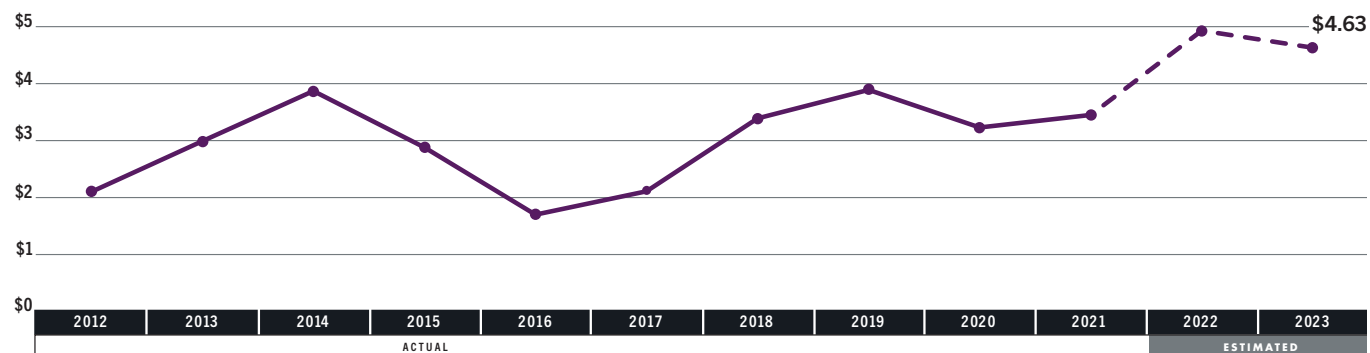
All Funds, Excluding Trusts
\$3.45 BILLION

OIL PRODUCTION TAX



COLLECTIONS

All Funds, Excluding Trusts (billions)



REVENUE BY SOURCE

TAX	FUND	FISCAL 2021
Oil Production Tax	General Revenue Fund ¹	\$3,449,131,602
TOTAL		\$3,449,131,602

FOOTNOTES

¹ Twenty-five percent is statutorily dedicated to public education funding and allocated to the Foundation School Account.

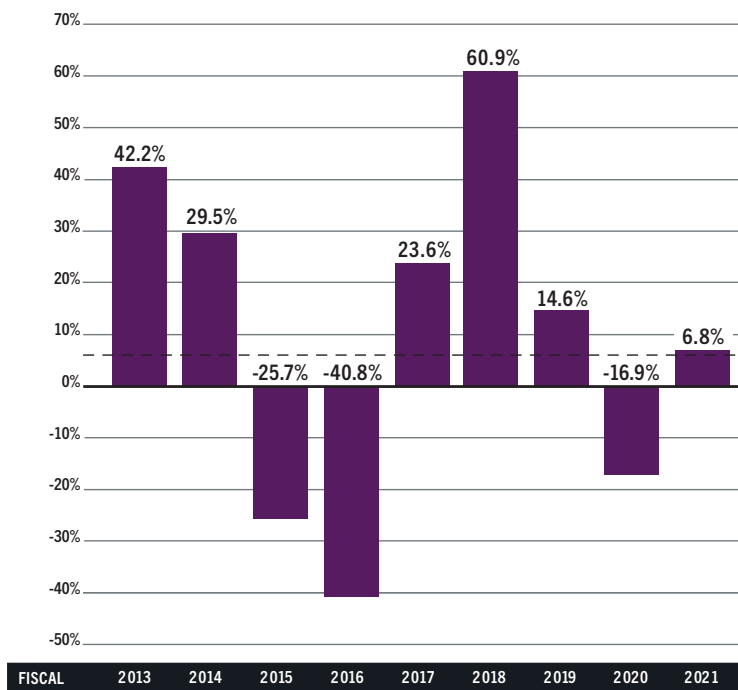
³ Estimated initial distribution of total oil production tax revenue in fiscal 2023, as projected in the December 2020 *Tax Exemptions and Tax Incidence Report*.

² Or 4.6 cents on each barrel for oil production, whichever is greater.

HISTORICAL VOLATILITY

Year-over-year Change, All Funds, Excluding Trusts

----- Compound Annual Growth Rate (Fiscal 2012-2021): 5.6%



HIGHLIGHTS

REVENUE
FISCAL 2021

\$3.45B

STATE RATE

4.6%²
OF MARKET VALUE

LOCAL RATE

NONE

FEDERAL RATE

NONE

WHO PAYS?³

BUSINESS

100%

CONSUMER

0%

NATURAL GAS PRODUCTION TAX

ENACTED 1931

Natural gas production is taxed as part of Texas' severance tax structure, which taxes the removal of natural resources from the state.

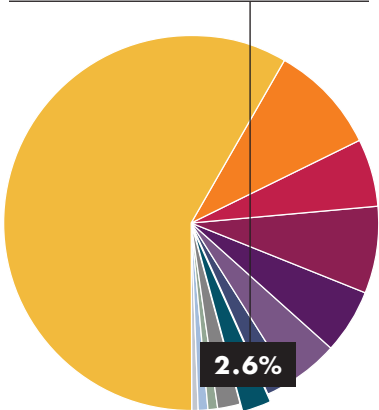
Twenty-five percent of the revenue from this tax is deposited into the Foundation School Account, with the remaining amount deposited into the General Revenue Fund. Portions of the amount deposited into GR may be transferred to the Economic Stabilization Fund and the State Highway Fund.

Percentage of Total Tax Collection

FISCAL 2021

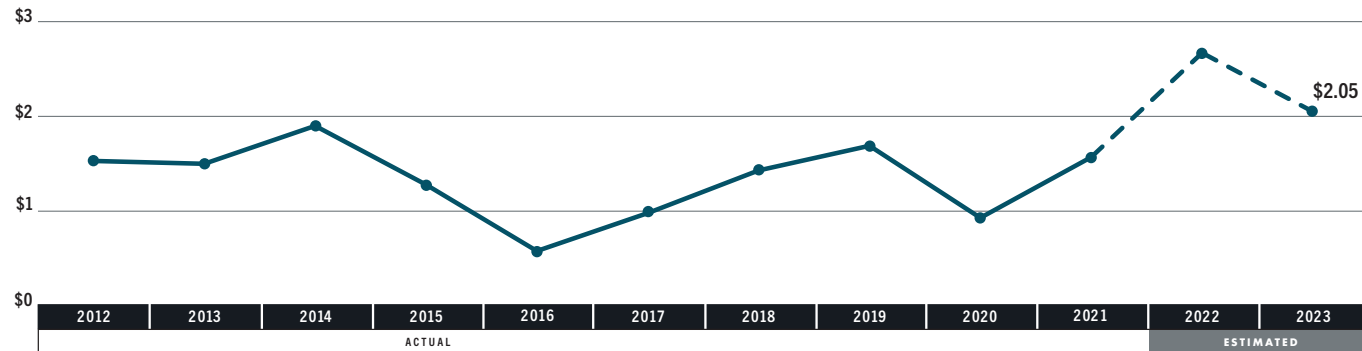
All Funds, Excluding Trusts
\$1.57 BILLION

NATURAL GAS PRODUCTION TAX



COLLECTIONS

All Funds, Excluding Trusts (billions)



REVENUE BY SOURCE

TAX	FUND	FISCAL 2021
Natural Gas Production Tax	General Revenue Fund ¹	\$1,568,541,762
TOTAL		\$1,568,541,762

FOOTNOTES

¹ Twenty-five percent is statutorily dedicated to public education funding and allocated to the Foundation School Account.

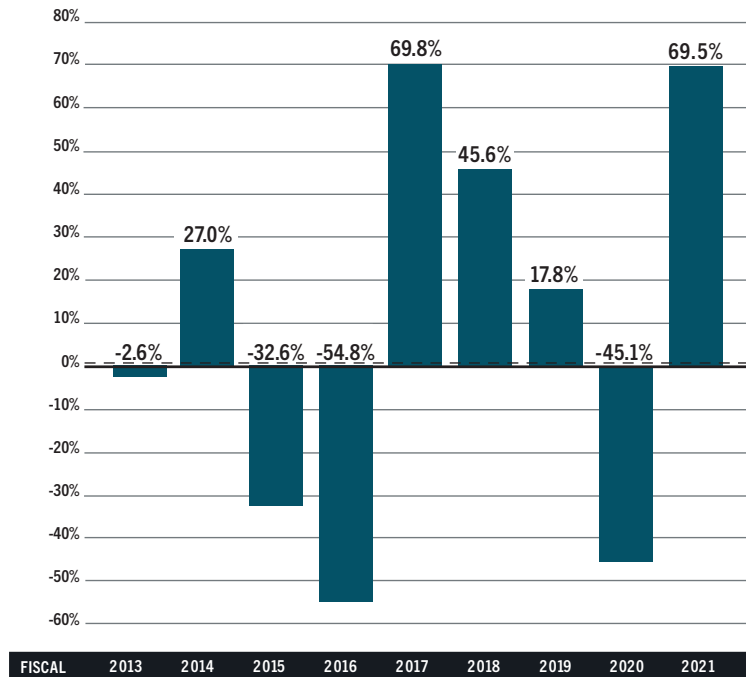
² Tax rate for condensate is 4.6 percent.

³ Estimated initial distribution of total natural gas production tax revenue in fiscal 2023, as projected in the December 2020 *Tax Exemptions and Tax Incidence Report*.

HISTORICAL VOLATILITY

Year-over-year Change, All Funds, Excluding Trusts

----- Compound Annual Growth Rate (Fiscal 2012-2021): 0.2%



HIGHLIGHTS

REVENUE

FISCAL 2021

\$1.57B

STATE RATE

7.5%²

LOCAL RATE

NONE

FEDERAL RATE

NONE

WHO PAYS?³

BUSINESS

100%

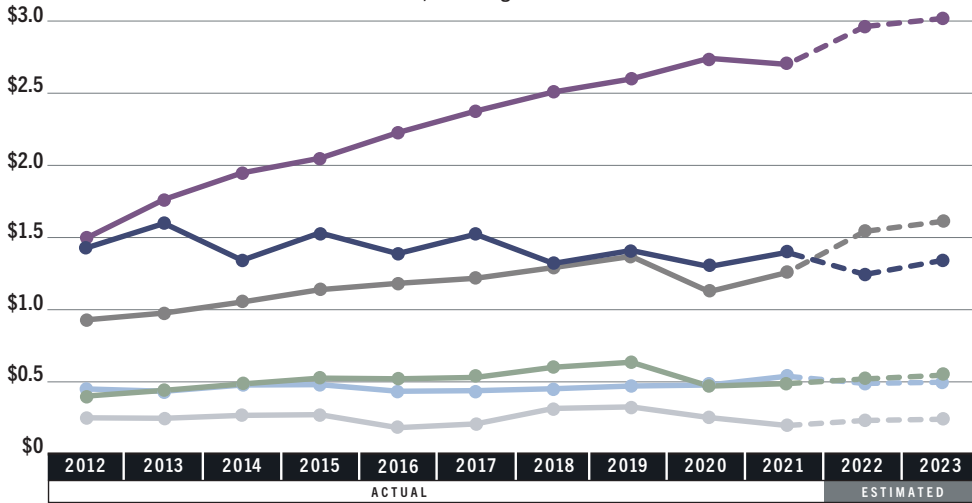
CONSUMER

0%

COLLECTIONS

FISCAL 2012-2023

All Funds, Excluding Trusts (billions)



INSURANCE TAXES

Insurance taxes include premium taxes and more than a dozen maintenance taxes collected on behalf of the Texas Department of Insurance. Insurance premium taxes generally apply to premiums paid on insurance that covers risk located in Texas.

FISCAL 2021 REVENUE: \$2.7 BILLION

TAX	RATE
Life insurance and HMO	0.875% of the first \$450,000 1.75% in excess of \$450,000
Property and casualty insurance	1.6%
Accident and health insurance	1.75%
Unauthorized, independently procured and surplus lines insurance	4.85%
Licensed captive insurance companies	0.5%
Title insurance	1.35%

CIGARETTE AND TOBACCO TAXES

Cigarette and tobacco taxes include the cigarette tax and the cigar and tobacco products taxes.

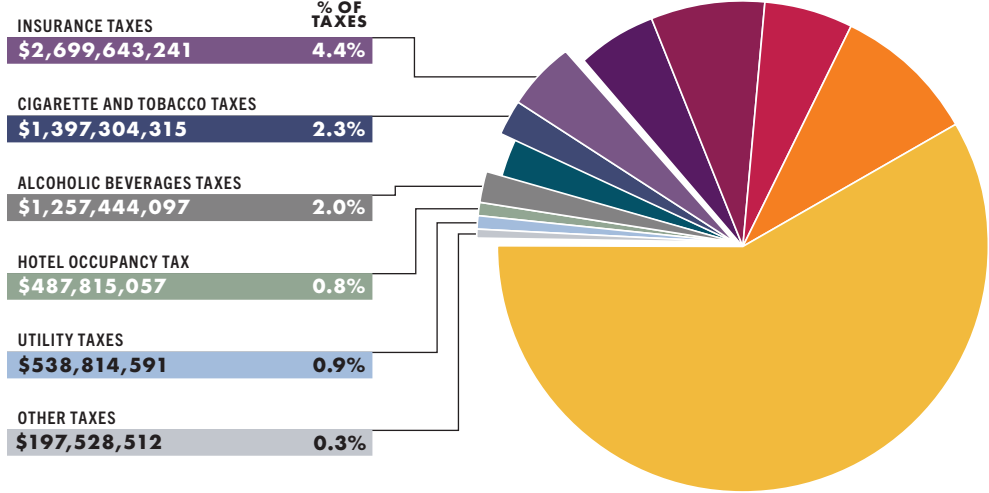
FISCAL 2021 REVENUE: \$1.4 BILLION

TAX	RATE
Cigarettes	\$70.50 per 1,000 cigarettes weighing 3 pounds or less (\$1.41 per pack of 20)
Cigars and tobacco products	Cigars weighing 3 pounds or less per 1,000 – 1 cent for each 10 cigars Cigars weighing more than 3 pounds per 1,000 and retailing for not more than 3.3 cents each – \$7.50 per 1,000 Cigars weighing more than 3 pounds per 1,000 and retailing for over 3.3 cents each, containing no substantial amount of non-tobacco ingredients – \$11 per 1,000 Cigars weighing more than 3 pounds per 1,000 and retailing for over 3.3 cents each, containing a substantial amount of non-tobacco ingredients – \$15 per 1,000 Each can or package of tobacco products (other than cigars, cheroots or stogies) – \$1.22 per ounce and a proportionate rate on all fractional parts of an ounce

PERCENTAGE OF TOTAL TAX COLLECTIONS

FISCAL 2021

All Funds, Excluding Trusts



ALCOHOLIC BEVERAGES TAXES

Alcoholic beverages taxes consist of separate excise taxes on the first sale in Texas of liquor, malt beverages (malt liquor, ale and beer) and wine, as well as the mixed beverage gross receipts tax and mixed beverage sales tax on alcoholic beverages sold to consumers by mixed beverage and private club permittees.

FISCAL 2021 REVENUE: \$1.26 BILLION¹

TAX	RATE
Malt Beverage ¹	\$6.00 per 31-gallon barrel (19.4¢ per gallon)
Liquor	\$2.40 per gallon
Wine	Alcohol volume ≤14% – 20.4¢ per gallon; >14% – 40.8¢ per gallon; Sparkling wine – 51.6¢ per gallon
Malt liquor (Ale) ¹	19.8¢ per gallon
Mixed beverage	6.7% of gross receipts 8.25% sales tax

HOTEL OCCUPANCY TAX

The hotel occupancy tax is imposed on a person who pays for a hotel room or space that costs \$15 or more per day.

FISCAL 2021 REVENUE: \$0.49 BILLION

RATE
6% of room rate paid by occupant

UTILITY TAXES

Utility taxes are a group of three related revenue sources, including the gas, electric and water utility tax; the public utility gross receipts assessment; and the gas utility pipeline tax.

FISCAL 2021 REVENUE: \$0.54 BILLION

TAX	RATE
Gas, electric and water utility	Cities 1,000-2,499 population – 0.581% of gross receipts Cities 2,500-9,999 population – 1.070% of gross receipts Cities ≥10,000 population – 1.997% of gross receipts
Public utility gross receipts assessment	One-sixth of 1% of gross receipts
Gas utility pipeline	0.5% of gross income of gas utilities

OTHER TAXES

Other taxes include the cement tax, oil and gas well servicing tax, occupation tax, combative sports admissions tax, coin-operated amusement machine tax, unemployment assessments and the tax refunds to employers of recipients of Temporary Assistance for Needy Families.

FISCAL 2021 REVENUE: \$0.2 BILLION

FOOTNOTES

¹ Effective Sept. 1, 2021, the beer tax was renamed malt beverage tax. The malt liquor (ale) tax was repealed and replaced, effective on the same date, with the malt beverage tax, which includes malt liquor, ale and beer.

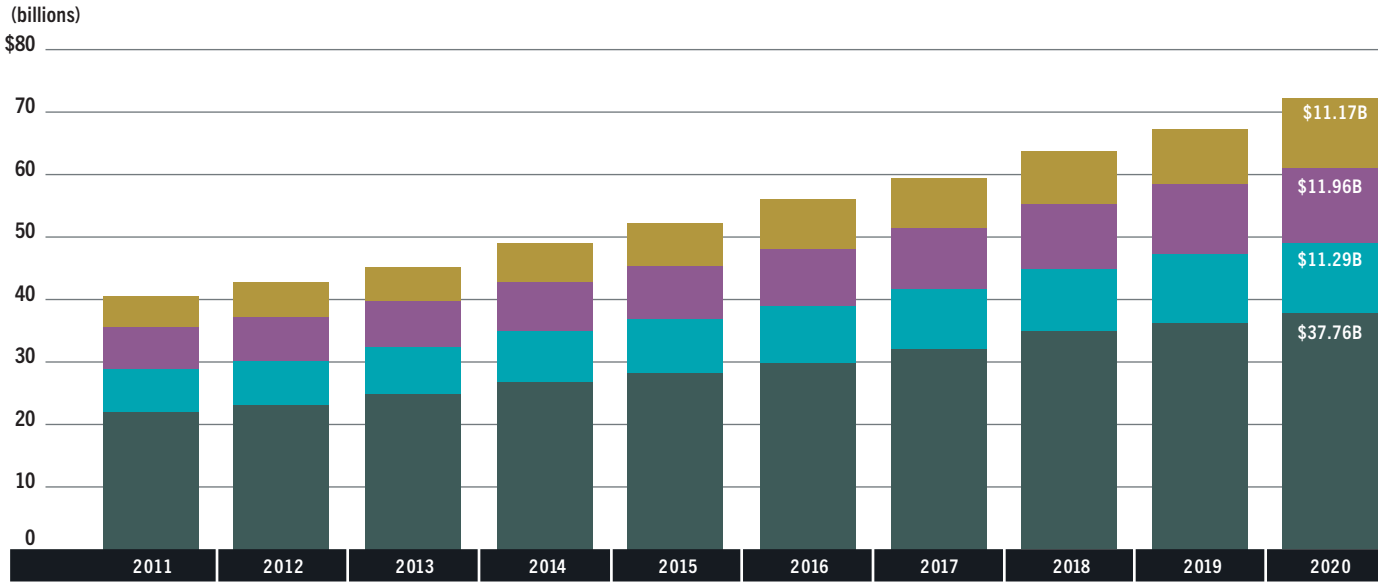
LOCAL PROPERTY TAXES

ENACTED 1837

Property taxes are levied by counties, cities, school districts and special purpose districts such as community colleges and public hospitals. These local entities can levy a property tax by adopting a tax rate with two components: a maintenance and operations (M&O) rate, and an interest and sinking (I&S) rate (also referred to as debt service). A separate entity called a county appraisal district is responsible for determining the market value of each property within each county.

While the state of Texas has not levied a property tax since 1980, local property values have a direct impact on the state budget due to the nature of the school finance system.

LOCAL PROPERTY TAX LEVIES¹



ENTITIES REPORTING BY TYPE (2020)¹

■ SPECIAL PURPOSE DISTRICTS: 2,063
■ CITIES: 1,089
■ COUNTIES: 254
■ SCHOOL DISTRICTS: 1,015

AVERAGE PROPERTY TAX RATES (2020)²

	M&O	I&S
School Districts	\$0.988	\$0.282
Cities	\$0.420	\$0.157
Counties (General Fund)	\$0.313	\$0.046

FOOTNOTES

- The figures presented are calculated totals based on data self-reported to the Comptroller's office and not actual total property tax levies. The Comptroller's office does not guarantee the accuracy of self-reported information.
- Average property tax rates are weighted by calculated property tax levies and include only entities that report levying the respective tax to the Comptroller's office.
- Rate limits represent the general rule applied to nearly all applicable entities. There may be cases, however, in which some entities can exceed this limit or are subject to a more restrictive tax rate limit.
- Tax rate compression began in tax year 2019 as the result of H.B. 3, 86th Leg., R.S. The maximum M&O tax rate for a school district is the district's maximum compressed rate, as calculated by the Texas Education Agency based on estimated property value growth and provided to the district each August, plus up to an additional 17 cents.
- Education Code Section 45.0031, sometimes referred to as the "50-cent test," requires school districts to demonstrate to the Attorney General's office their ability to pay the principal and interest on any proposed bonds, as well as all outstanding bonds, from a tax rate not to exceed 50 cents.
- Tax Code Section 302.001 restricts Type B general law municipalities to an annual property tax rate of no more than 25 cents. Texas Constitution Article XI, Sections 4 and 5, restrict other general law and home-rule municipalities based on population size.

MAXIMUM RATES³

(PER \$100 IN PROPERTY VALUE)

SCHOOL DISTRICTS

M&O VARIES BY DISTRICT⁴

I&S \$0.50⁵

CITIES

GENERAL LAW CITIES⁶
(POP. ≤ 5,000)

\$1.50

HOME RULE CITIES
(POP. > 5,000)

\$2.50

COUNTIES

GENERAL FUND

\$0.80

FARM-TO-MARKET & FLOOD CONTROL

\$0.30

SPECIAL ROAD & BRIDGE

\$0.15

LOCAL SALES TAXES

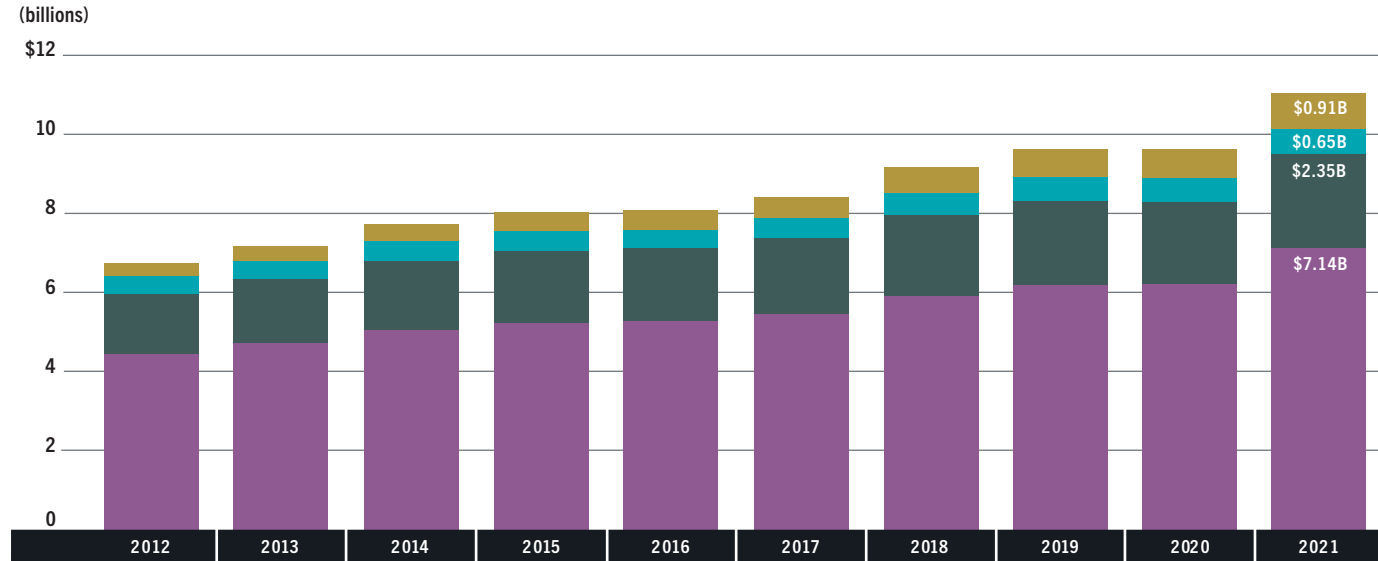
ENACTED 1967

Like the state sales tax, the local sales tax is imposed on final sales, rentals and leases of tangible personal property – physical goods or their classified equivalent – and on sales of certain services, such as amusement, information and telephone services, as well as the repair of tangible personal property.

The local sales tax is collected by retailers across the state and remitted to the Comptroller's office along with the state sales tax. The Comptroller then distributes the local portion of sales tax collections to the local governmental entities each month.

The passage of House Bill 2153 by the 86th Legislature provides a single local tax rate for remote sellers. Remote sellers with total Texas revenue above \$500,000 are required to collect and remit local use taxes, and may choose to collect the single local tax rate or the local tax based on the total local tax rate in effect at the destination. The single local tax rate for 2022 is 1.75 percent.

LOCAL SALES TAX ALLOCATIONS¹



ENTITIES BY TYPE²

■ SPECIAL PURPOSE DISTRICTS: 395
■ COUNTIES: 124
■ TRANSIT ENTITIES: 10
■ CITIES: 1,168

AVERAGE SALES TAX RATES³

SPECIAL PURPOSE DISTRICTS	COUNTIES	TRANSIT ENTITIES	CITIES
0.59%	0.50%	0.78%	1.38%

FOOTNOTES

¹ These figures represent sales tax allocations made during each calendar year. Revenue is allocated to local governments two months after taxes are paid to a business.

² Entity counts and averages are as of Dec. 8, 2021.

³ Average local sales tax rates are weighted by collection amounts and corresponding tax rates.

MAXIMUM RATES

THE SUM OF ALL LOCAL RATES CANNOT EXCEED 2%

SPECIAL PURPOSE DISTRICTS 2%

COUNTIES 1.5%

TRANSIT ENTITIES 1%

CITIES 2%

The Texas Constitution requires the Comptroller's office to estimate the amount of revenue available to the Legislature for general-purpose spending in each biennium. The Biennial Revenue Estimate (BRE) is published just before the start of each regular legislative session and revised if necessary at the beginning of each special session. During the 87th Legislature, the Comptroller released three subsequent BRE letters at the beginning of each of the three special sessions. Legislators must approve a balanced budget for state spending that may not become law until the Comptroller certifies that it is within available revenue.

General Appropriations Act — "The Budget"

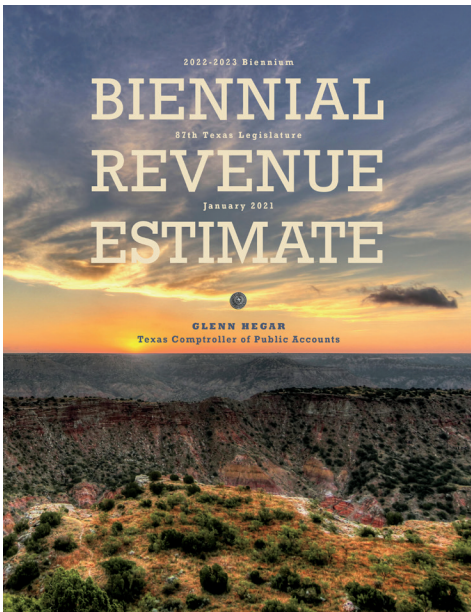
The General Appropriations Act embodies the Texas state government's two-year budget. The state constitution requires that this budget be balanced.

State budget writers also are required to limit spending growth from the current budget to the next. Under this spending limit, the growth rate of spending from tax revenue not dedicated by the state constitution must not exceed the estimated growth of the state's economy as determined by the Legislative Budget Board (LBB). Only majority votes by both the House and Senate can override the spending limit. For the 2022-23 biennium, the LBB approved a 7.06 percent cap on spending growth.

State Spending Decisions

In recent years, the majority of state expenditures have gone toward:

- health and human services programs such as Medicaid, adult and child protection and assistance to the disabled and those in poverty;
- public education spending that supplements local property tax revenues;
- transportation, road and bridge maintenance and construction and airports;
- higher education;
- law enforcement, courts and prisons;
- state government operations; and
- natural resources and state parks.



THE BUDGET PROCESS

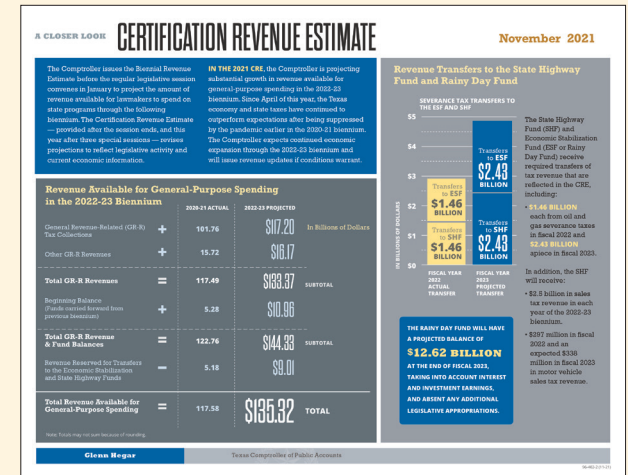
IN BRIEF

Each state agency prepares a detailed legislative appropriations request (LAR) itemizing the funding it seeks for the upcoming biennium.

After several reviews, hearings and approvals, the LBB uses the LARs to draft the general appropriations bill, which then is submitted to the Legislature.

The governor also submits an independently developed budget to the Legislature

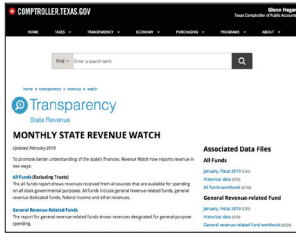
Prior to the legislative session, the Comptroller's office issues the **Biennial Revenue Estimate**, outlining funds to become available from taxes and other revenue sources for the biennium. Following the regular legislative session, and any special sessions that make an appropriation of state funds, the Comptroller's office reevaluates this estimate in light of changing economic conditions, as well as the fiscal impacts of any legislative changes. A **Certification Revenue Estimate** is published early in the new biennium that provides lawmakers with an updated picture of the state's expected fiscal condition during the two-year budget cycle.



Budget Approval Steps

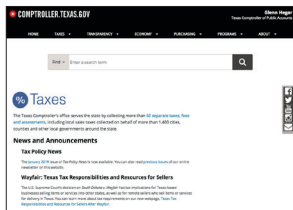
- The Texas House Committee on Appropriations and the Senate Finance Committee simultaneously deliberate on the general appropriations bill. After the committees pass their versions of the bills, the full House and Senate consider each version.
- A conference committee of both House and Senate members works to combine the two versions into the final General Appropriations Act, which then is voted on by both chambers.
- Once approved, it goes to the Comptroller's office for final certification that the bill is within available revenue.
- The last step is the Governor's signature. Once signed, the bill becomes law, allocating the state's funds for two more years. The governor may veto individual spending items within the budget.

Monthly Revenue Watch



Net state revenue collections by source are posted monthly to the Comptroller's website.

Texas Taxes and Tax Publication webpages



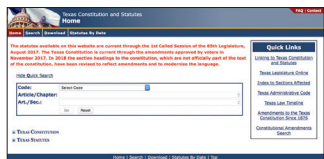
The Comptroller's office maintains extensive online resources on the more than 60 taxes, fees and assessments it collects.

State Tax Automated Research (STAR) System



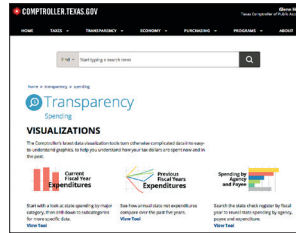
This online policy resource center facilitates research on Texas tax law and tax policy.

Texas Tax Code



Select "Tax code" followed by the desired chapter and section to see specific statutes.

State Spending: Where the Money Goes



These interactive tools on the Comptroller's website show state spending by agency, purchase code, category and more.

Annual Comprehensive Financial Report



This report presents information on state assets, liabilities and revenue and expenditure details for all state funds, including those held outside the Texas Treasury (February 2021).

Texas Annual Cash Report

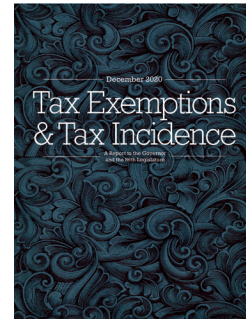


This report presents the state's financial condition; details revenues and expenditures on a cash basis; and shows revenue and expenditure details for all funds in the Texas Treasury (November 2021).

Certification Revenue Estimate

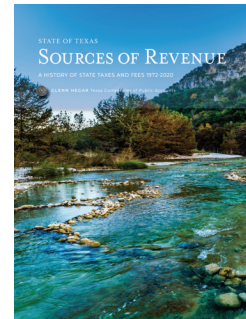
The Comptroller forecasts the amount of revenue available for spending during the current biennium based on the anticipated condition of the economy, incorporating changes to taxes and fees adopted by the Legislature during the previous session (November 2021).

Tax Exemptions & Tax Incidence



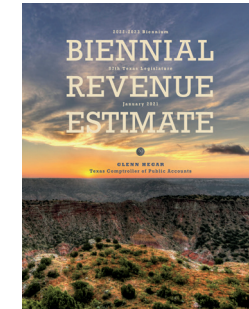
This legislatively required report estimates the value of exemptions, exclusions, discounts, deductions, special accounting methods, credits, refunds and special appraisals available under Texas' major state taxes and school property taxes (December 2020).

Sources of Revenue: A History of State Taxes and Fees in Texas



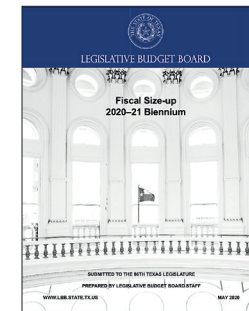
Providing a historical perspective, this guide reports on the current status of state revenue sources (January 2021).

Biennial Revenue Estimate

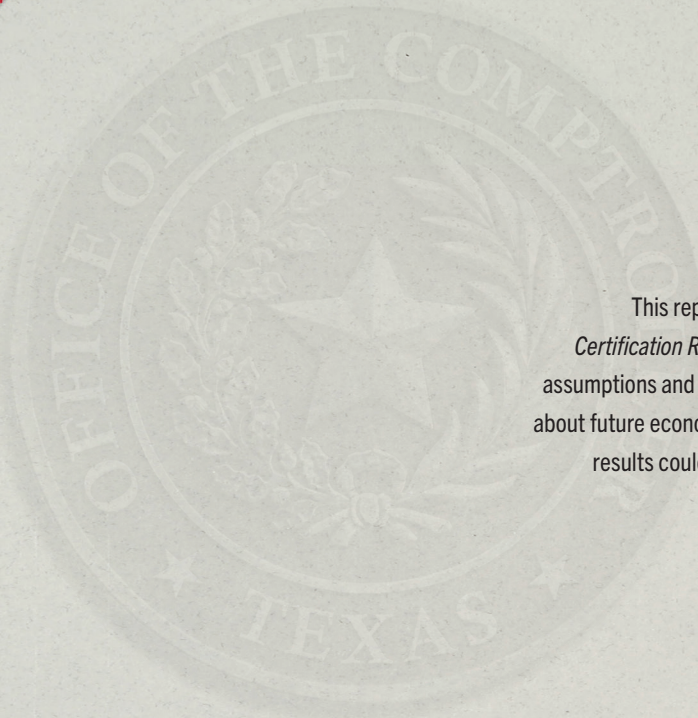


The Comptroller forecasts the amount of revenue available for spending each biennium, which Legislators then use to craft the state's budget (January 2021).

Fiscal Size-Up



The Legislative Budget Board produces this biennial report: a single source of information on the budget, fiscal actions of each Legislature and the state's fiscal condition (May 2020).



This report contains estimates and projections from the Comptroller's *Certification Revenue Estimate* for November 2021, based on available information, assumptions and estimates as of the date of the forecast. Assumptions involve judgments about future economic and market conditions and events that are difficult to predict. Actual results could differ from those predicted, and the difference could be material.

For additional copies, write:
TEXAS COMPTROLLER OF PUBLIC ACCOUNTS
P.O. Box 13528
Austin, Texas 78711-1440

This report is also available online at comptroller.texas.gov/transparency/revenue.

In compliance with the Americans with Disabilities Act, this document may be requested in alternative formats by emailing transparency@cpa.texas.gov.



Glenn Hegar
Texas Comptroller of Public Accounts