



A FIELD GUIDE

TO THE

**TAXES**

OF

**TEXAS**

MARCH 2021

GLENN HEGAR • TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

# A FIELD GUIDE TO THE TAXES OF TEXAS

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 **5.5 million** public school students and the provision of health insurance for more than **4.6 million** low-income Texans.

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

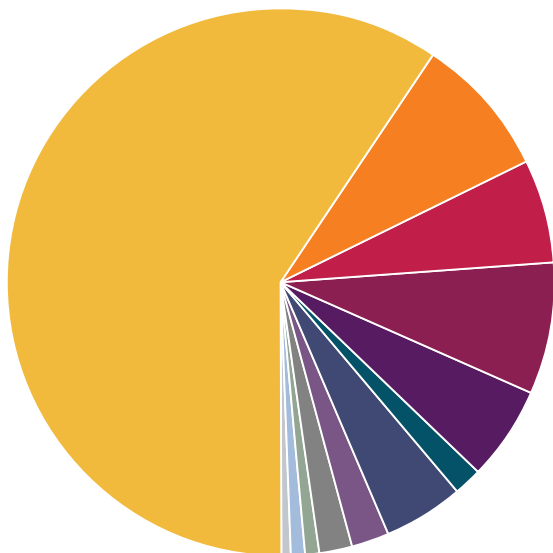
- learn how major taxes have contributed to state revenue during the past 10 years;
- see on one page revenue collections, estimates and tax allocations; and
- connect to other in-depth resources about state taxes and finances.

## State Tax Revenue By Source

FISCAL 2020

All Funds, Excluding Trusts

**TOTAL = \$57,379,818,422**



% OF TAXES	SALES AND USE TAXES
59.4%	\$34,099,115,139
8.4%	\$4,815,240,348
6.1%	\$3,524,712,191
7.7%	\$4,418,420,390
5.6%	\$3,229,346,924
1.6%	\$925,472,744
4.8%	\$2,741,653,397
2.3%	\$1,299,013,633
2.0%	\$1,125,321,869
0.8%	\$470,702,524
0.8%	\$478,154,826
0.4%	\$252,664,439

Source: Annual Cash Report 2020, Texas Comptroller of Public Accounts  
Note: Percentages may not sum to 100.0 due to rounding.

Texas' total tax revenue fell by 3.4 percent in fiscal 2020, to \$57.4 billion. Sales taxes posted slight gains compared to the previous year, but many tax collections declined due to COVID-19.

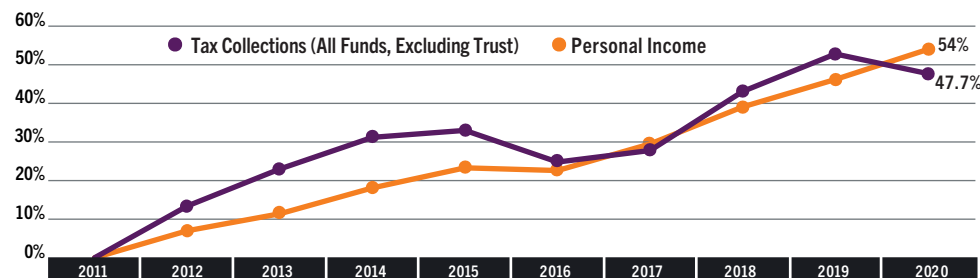
## STATE TAX COLLECTIONS AND PERSONAL INCOME

FISCAL 2011-2020

Cumulative Growth Rates

State tax collections saw higher cumulative growth rates than Texas personal income from fiscal 2011 through 2014. 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. The decrease in total tax collections would be even more substantial if not for sales tax revenue, which was buoyed by strong online sales and spending on building materials, home furnishings and sporting goods.



## 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, both are 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. A constitutional amendment approved by Texas voters in 2015 allocated the first \$2.5 billion of state sales tax collections in excess of \$28 billion in a fiscal year to the SHF. Starting in fiscal 2020, 35 percent of motor vehicle sales and rental taxes collections in excess of \$5 billion

### State Highway Fund (SHF)

	FISCAL 2020	FISCAL 2021	FISCAL 2022	FISCAL 2023
	ACTUAL	ESTIMATED	ESTIMATED	ESTIMATED
Total State Revenue	\$8,798,742,701	\$8,296,224,000	\$8,209,828,000	\$8,670,804,000
Total Federal Income	\$5,182,182,072	\$5,853,758,000	\$4,329,196,000	\$3,963,289,000
Total Revenue	\$13,980,924,773	\$14,149,982,000	\$12,539,024,000	\$12,634,093,000

### Property Tax Relief Fund (PTRF)

	FISCAL 2020	FISCAL 2021	FISCAL 2022	FISCAL 2023
	ACTUAL	ESTIMATED	ESTIMATED	ESTIMATED
Total Revenue	\$2,140,483,244	\$2,084,728,000	\$2,028,444,000	\$2,180,666,000

### Economic Stabilization Fund (ESF)

	FISCAL 2020	FISCAL 2021	FISCAL 2022	FISCAL 2023
	ACTUAL	ESTIMATED	ESTIMATED	ESTIMATED
Ending Cash Balance	\$5,895,953,909	\$4,487,131,546	\$2,229,764,919	\$2,392,573,583
Ending Invested Balance	\$4,100,561,030	\$4,460,062,140	\$7,843,874,317	\$9,162,013,189
Total Ending Balance	\$9,996,514,939	\$8,947,193,686	\$10,073,639,236	\$11,554,586,772
ESF Cap	\$18,797,980,185	\$18,797,980,185	\$19,652,476,717	\$19,652,476,717

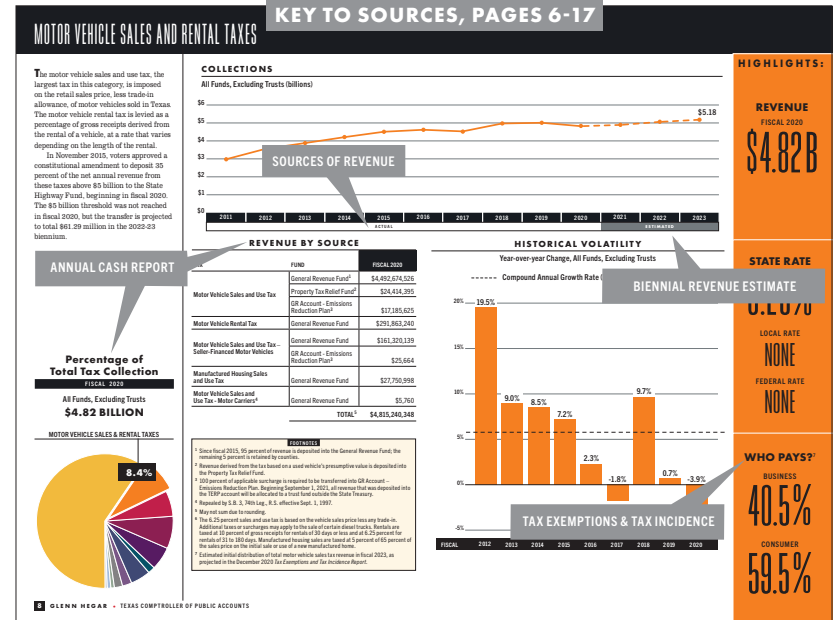
are transferred into the SHF. In the 2022-23 biennium, the Comptroller's office estimates the SHF will receive \$25.2 billion from all sources.

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. Over the 2022-23 biennium, the Comptroller's office estimates the PTRF will receive \$4.2 billion from all sources.

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 \$11.6 billion, assuming no withdrawals are made during the 2022-23 biennium. This balance would represent 58.8 percent of the cap, as set by the Texas 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](http://comptroller.texas.gov/transparency/reports).



## Net State Revenue By Source

FISCAL 2020 • ALL FUNDS, EXCLUDING TRUSTS

SOURCE	REVENUE	CHANGE FROM FISCAL 2019
Tax Collections	\$57,379,818,422	-3.4%
Federal Income	\$58,116,753,533	38.7%
Licenses, Fees, Fines and Penalties	\$6,241,255,968	-4.6%
State Health Service Fees and Rebates	\$7,497,445,421	5.8%
Net Lottery Proceeds	\$2,391,653,302	-4.7%
Land Income	\$1,809,260,539	-19.6%
Interest and Investment Income	\$2,529,037,070	1.0%
Settlements of Claims	\$624,354,317	-3.4%
Escheated Estates	\$715,456,256	3.2%
Sales of Goods and Services	\$254,791,196	-8.6%
Other Revenue	\$4,016,496,511	-3.0%
<b>Total Net Revenue</b>	<b>\$141,576,322,535</b>	<b>10.7%</b>

## 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 more than **41 percent** of total state net revenue in fiscal 2020.



# 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 2020**. 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.

A 2015 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.

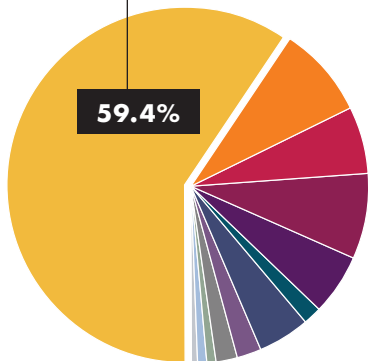
The 2019 passage of House Bill 1525 by the 86th Legislature, requiring online marketplace providers to collect taxes on sales made through their platforms, will result in estimated additional sales tax collections of \$1.5 billion in 2020-21 and \$1.8 billion in 2022-23. This revenue will be deposited outside the General Revenue Fund to the newly created Tax Reduction and Excellence in Education Fund.

## Percentage of Total Tax Collection

FISCAL 2020

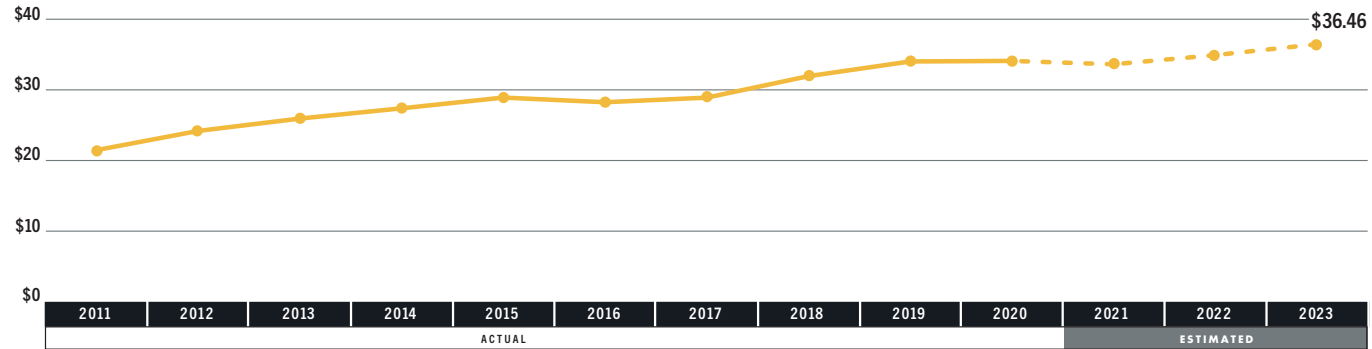
All Funds, Excluding Trusts  
**\$34.1 BILLION**

SALES AND USE TAXES



## COLLECTIONS

All Funds, Excluding Trusts (billions)



## REVENUE BY SOURCE

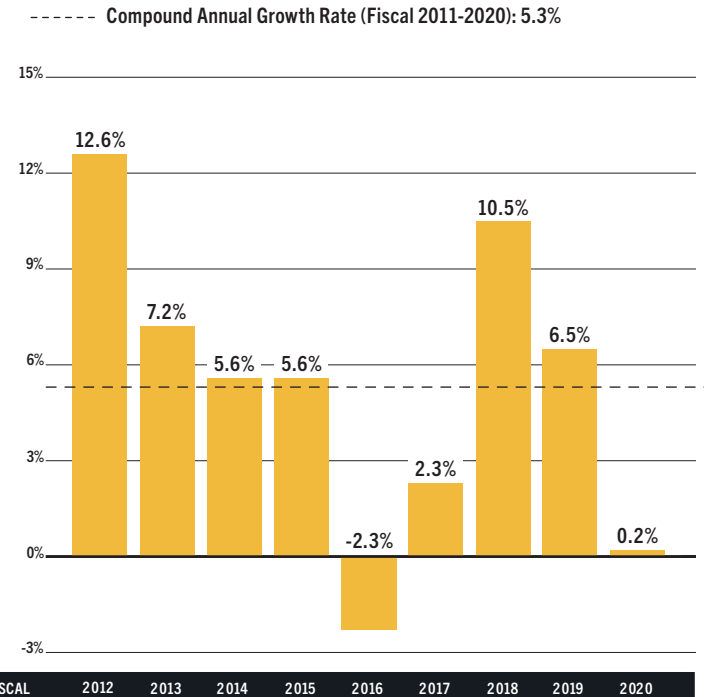
TAX	FUND	FISCAL 2020
Limited Sales and Use Tax	General Revenue Fund <sup>1</sup>	\$21,686,832,222
	GR Account - Emissions Reduction Plan <sup>2</sup>	\$76,820,862
	Tax Reduction and Excellence in Education Fund	\$678,000,000
Prepayments of Limited Sales and Use Tax	General Revenue Fund	\$11,522,593,663
	General Revenue Fund	\$79,578,777
Boat and Boat Motor Sales and Use Tax <sup>3</sup>	GR Account - Game, Fish, and Water Safety	\$6,794,001
Motor Fuel Lubricants Sales Tax	State Highway Fund	\$38,000,000
Limited Sales and Use Tax - State <sup>4</sup>	General Revenue Fund	\$9,821,108
Fireworks Tax <sup>5</sup>	GR Account - Rural Volunteer Fire Department Insurance	\$266
Interest on Retail Credit Sales	General Revenue Fund	\$629,974
Discount for Sales Tax - State Agencies and Higher Education	General Revenue Fund	\$44,266
<b>TOTAL<sup>6</sup></b>		<b>\$34,099,115,139</b>

### 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 currently deposited into the Texas Emissions Reduction Plan (TERP) account will be allocated to a trust fund outside the State Treasury beginning on 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 2020

**\$34.10B**

STATE RATE

**6.25%**

LOCAL RATE

**UP TO 2%**

FEDERAL RATE

**NONE**

WHO PAYS?<sup>7</sup>

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.

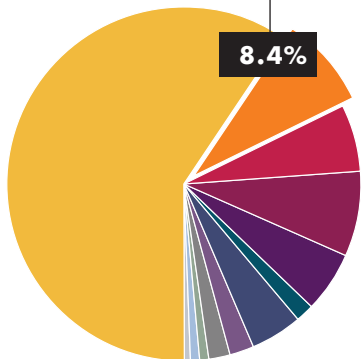
In November 2015, voters approved a constitutional amendment to deposit 35 percent of the net annual revenue from these taxes above \$5 billion to the State Highway Fund, beginning in fiscal 2020. The \$5 billion threshold was not reached in fiscal 2020, but the transfer is projected to total \$61.29 million in the 2022-23 biennium.

## Percentage of Total Tax Collection

FISCAL 2020

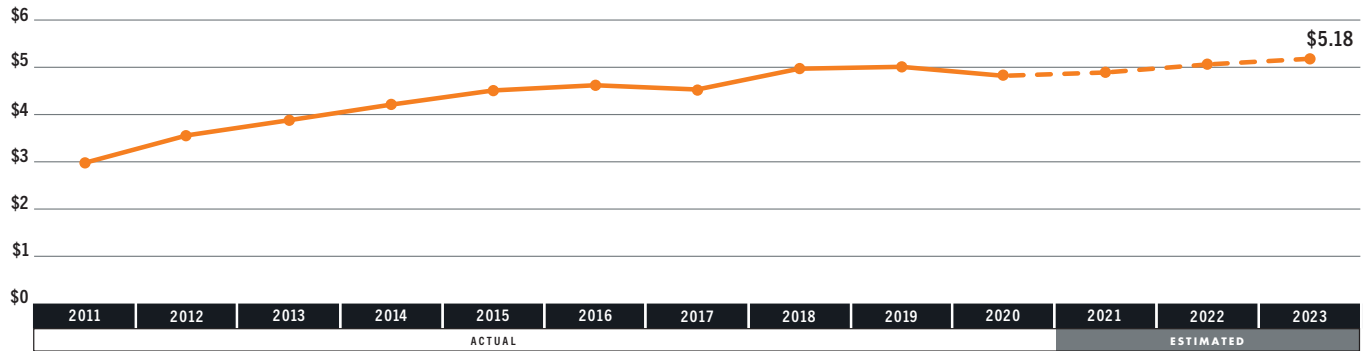
All Funds, Excluding Trusts  
**\$4.82 BILLION**

## MOTOR VEHICLE SALES & RENTAL TAXES



## COLLECTIONS

All Funds, Excluding Trusts (billions)



## REVENUE BY SOURCE

TAX	FUND	FISCAL 2020
Motor Vehicle Sales and Use Tax	General Revenue Fund <sup>1</sup>	\$4,292,674,526
	Property Tax Relief Fund <sup>2</sup>	\$24,414,395
	GR Account - Emissions Reduction Plan <sup>3</sup>	\$17,185,625
Motor Vehicle Rental Tax	General Revenue Fund	\$291,863,240
Motor Vehicle Sales and Use Tax – Seller-Financed Motor Vehicles	General Revenue Fund	\$161,320,139
	GR Account - Emissions Reduction Plan <sup>3</sup>	\$25,664
Manufactured Housing Sales and Use Tax	General Revenue Fund	\$27,750,998
Motor Vehicle Sales and Use Tax - Motor Carriers <sup>4</sup>	General Revenue Fund	\$5,760
<b>TOTAL<sup>5</sup></b>		<b>\$4,815,240,348</b>

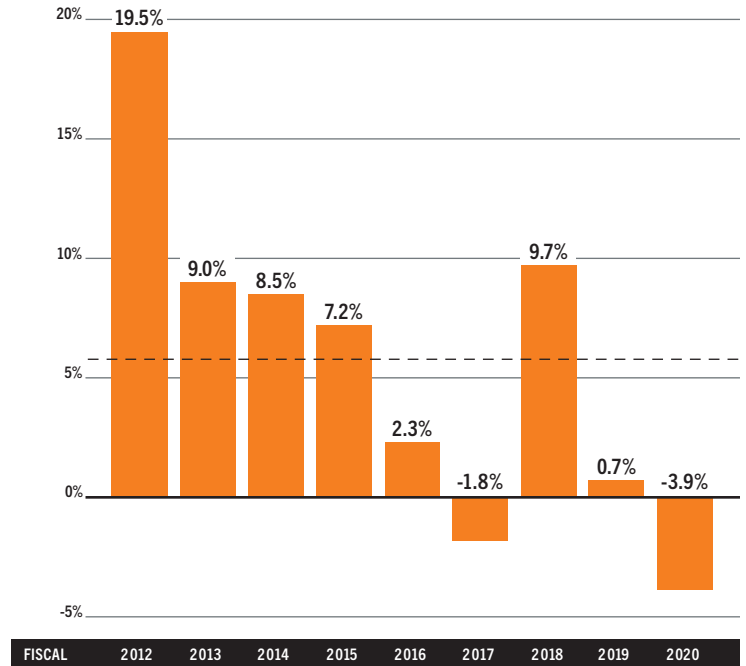
## FOOTNOTES

- 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 will be 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

----- Compound Annual Growth Rate (Fiscal 2011-2020): 5.5%



## HIGHLIGHTS:

### REVENUE

FISCAL 2020

**\$4.82B**

### STATE RATE

**6.25%**<sup>6</sup>

LOCAL RATE

**NONE**

FEDERAL RATE

**NONE**

### WHO PAYS?<sup>7</sup>

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.

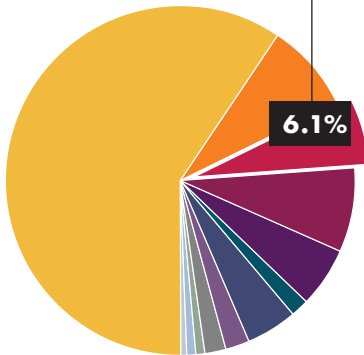
The rates for the gasoline and diesel fuel taxes last changed in 1991, when they were both increased from 15 cents to 20 cents per gallon.

## Percentage of Total Tax Collection

FISCAL 2020

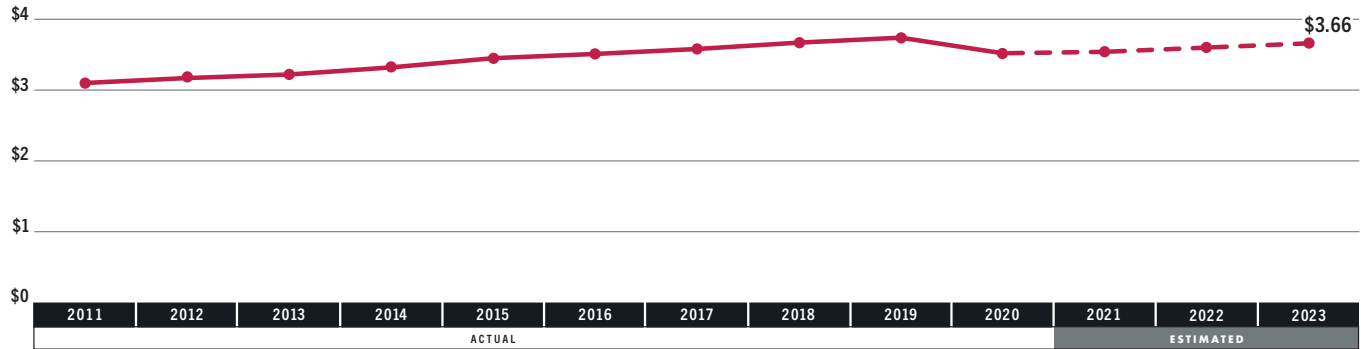
All Funds, Excluding Trusts  
**\$3.52 BILLION**

MOTOR FUEL TAXES



## COLLECTIONS

All Funds, Excluding Trusts (billions)



## REVENUE BY SOURCE

TAX	FUND	FISCAL 2020
Gasoline Tax <sup>1</sup>	General Revenue Fund	\$2,605,183,035
Diesel Fuel Tax <sup>2</sup>	General Revenue Fund	\$913,551,912
Liquefied and Compressed Natural Gas Tax <sup>2</sup>	General Revenue Fund	\$5,977,245
<b>TOTAL<sup>3</sup></b>		<b>\$3,524,712,191</b>

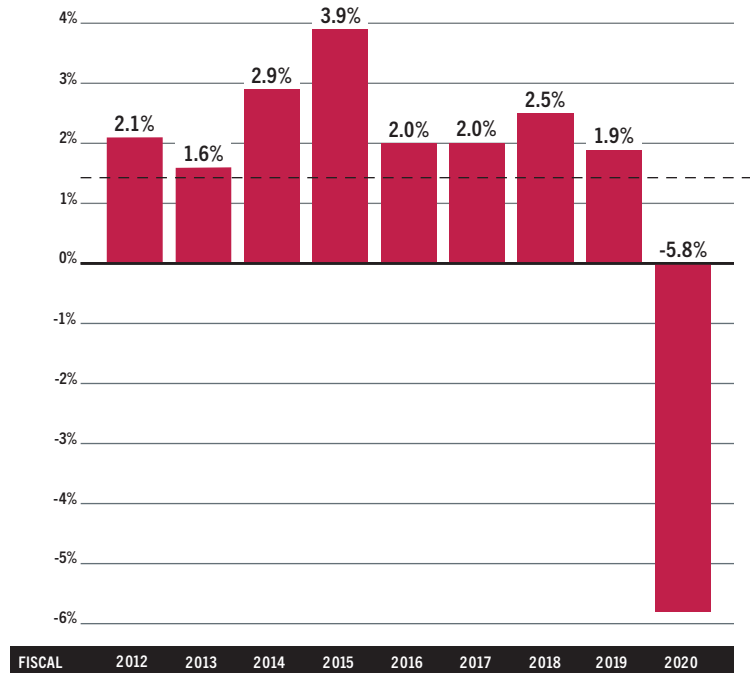
### FOOTNOTES

- 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.
- 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 2011-2020): 1.4%



## HIGHLIGHTS:

### REVENUE

FISCAL 2020

**\$3.52B**

### GASOLINE TAX

STATE RATE

**\$0.20**<sup>4</sup> PER GALLON

LOCAL RATE

**NONE**

FEDERAL RATE

**\$0.184**<sup>5</sup> PER GALLON

### WHO PAYS?<sup>6</sup>

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.<sup>1</sup>

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.

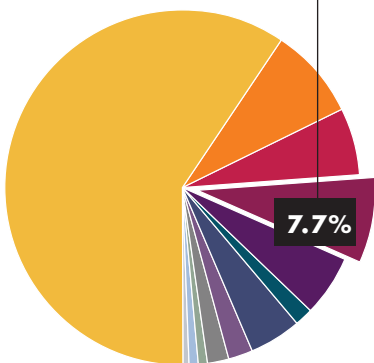
In 2015, the Legislature voted to reduce franchise tax rates by 25 percent.

## Percentage of Total Tax Collection

FISCAL 2020

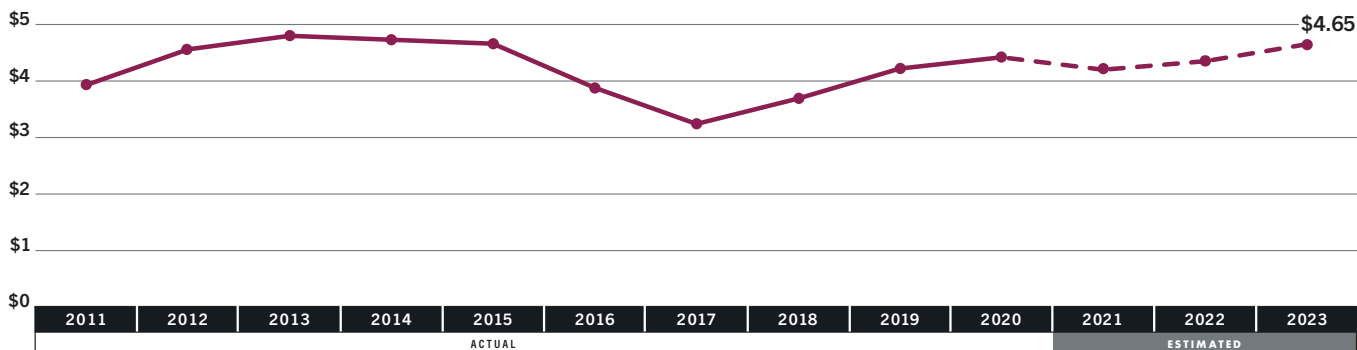
All Funds, Excluding Trusts  
**\$4.42 BILLION**

FRANCHISE TAX



## COLLECTIONS

All Funds, Excluding Trusts (billions)



## REVENUE BY SOURCE

TAX	FUND	FISCAL 2020
Franchise/ Margins Tax	General Revenue Fund <sup>2</sup>	\$3,054,350,542
	Property Tax Relief Fund <sup>3</sup>	\$1,363,043,390
Franchise Tax	General Revenue Fund <sup>4</sup>	\$1,026,458
<b>TOTAL<sup>5</sup></b>		<b>\$4,418,420,390</b>

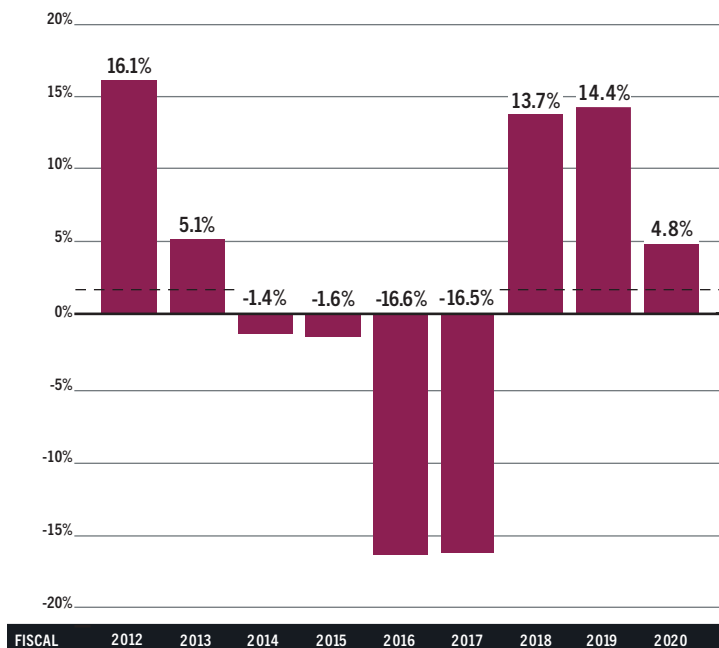
### FOOTNOTES

- 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 2011-2020): 1.3%



## HIGHLIGHTS:

REVENUE  
FISCAL 2020

**\$4.42B**

STATE RATE

**0.75% /  
0.375%**<sup>6</sup>

LOCAL RATE

NONE

FEDERAL RATE

NONE<sup>7</sup>

WHO PAYS?<sup>8</sup>

BUSINESS

**100%**

CONSUMER

**0%**

# OIL PRODUCTION TAX

## ENACTED 1905

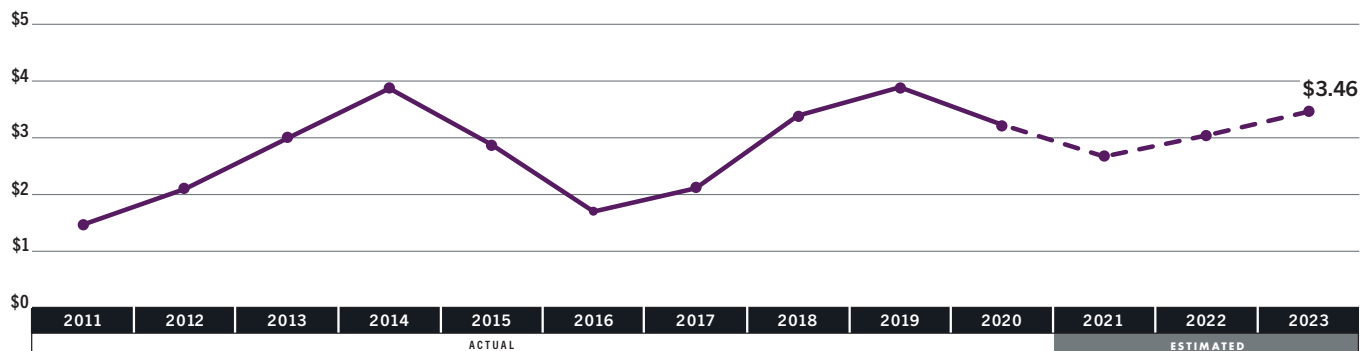
The oil production tax is a severance tax on the removal of crude oil from Texas land. The rate has remained unchanged since 1951, longer than for any other major state tax.

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.

In 2015, the Legislature repealed the oil regulation tax.

## COLLECTIONS

All Funds, Excluding Trusts (billions)



## REVENUE BY SOURCE

TAX	FUND	FISCAL 2020
Oil Production Tax	General Revenue Fund <sup>1</sup>	\$3,229,343,408
Oil Regulation Tax <sup>2</sup>	General Revenue Fund	\$3,515
<b>TOTAL<sup>3</sup></b>		<b>\$3,229,346,924</b>

### FOOTNOTES

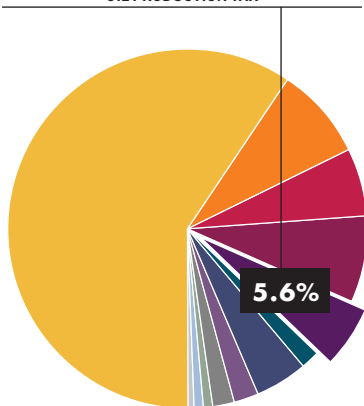
- <sup>1</sup> Twenty-five percent is statutorily dedicated to public education funding and allocated to the Foundation School Account.
- <sup>2</sup> The 0.1875 cents-per-barrel oil regulation tax was abolished effective Sept. 1, 2015.
- <sup>3</sup> May not sum due to rounding.
- <sup>4</sup> Or 4.6 cents on each barrel for oil production, whichever is greater.
- <sup>5</sup> Estimated initial distribution of total oil production tax revenue in fiscal 2023, as projected in the December 2020 Tax Exemptions and Tax Incidence Report.

## Percentage of Total Tax Collection

FISCAL 2020

All Funds, Excluding Trusts  
**\$3.23 BILLION**

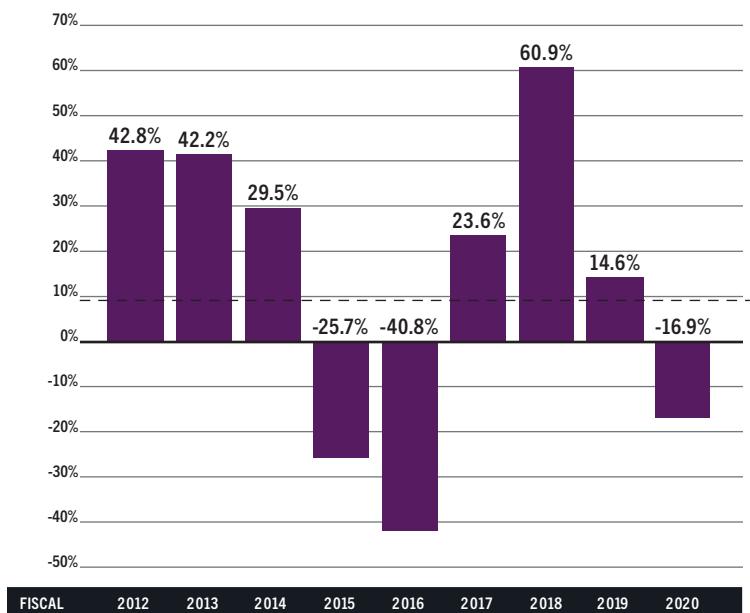
OIL PRODUCTION TAX



## HISTORICAL VOLATILITY

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

----- Compound Annual Growth Rate (Fiscal 2011-2020): 9.1%



## HIGHLIGHTS:

REVENUE  
FISCAL 2020

**\$3.23B**

STATE RATE

**4.6%**<sup>4</sup> OF MARKET VALUE

LOCAL RATE

**NONE**

FEDERAL RATE

**NONE**

WHO PAYS?<sup>5</sup>

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.

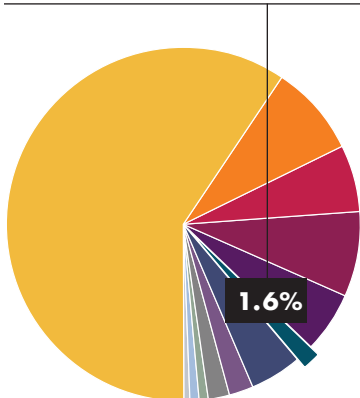
Twenty-five percent of the revenue from this tax is deposited into the Foundation School Account, with the remaining amount deposited into the General Revenue Fund. Portions of the amount deposited into GR may be transferred to the Economic Stabilization Fund and the State Highway Fund.

## Percentage of Total Tax Collection

FISCAL 2020

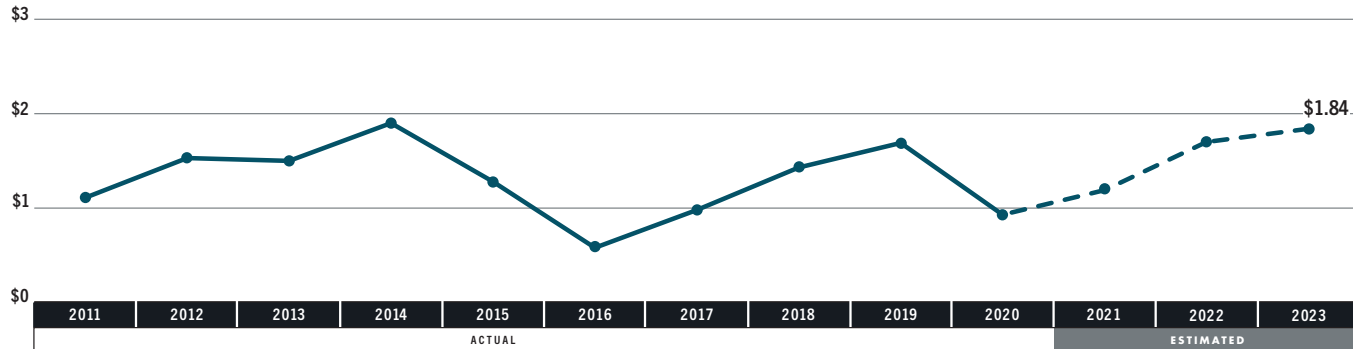
All Funds, Excluding Trusts  
**\$.93 BILLION**

NATURAL GAS PRODUCTION TAX



## COLLECTIONS

All Funds, Excluding Trusts (billions)



## REVENUE BY SOURCE

TAX	FUND	FISCAL 2020
Natural Gas Production Tax	General Revenue Fund <sup>1</sup>	\$925,472,744
<b>TOTAL</b>		<b>\$925,472,744</b>

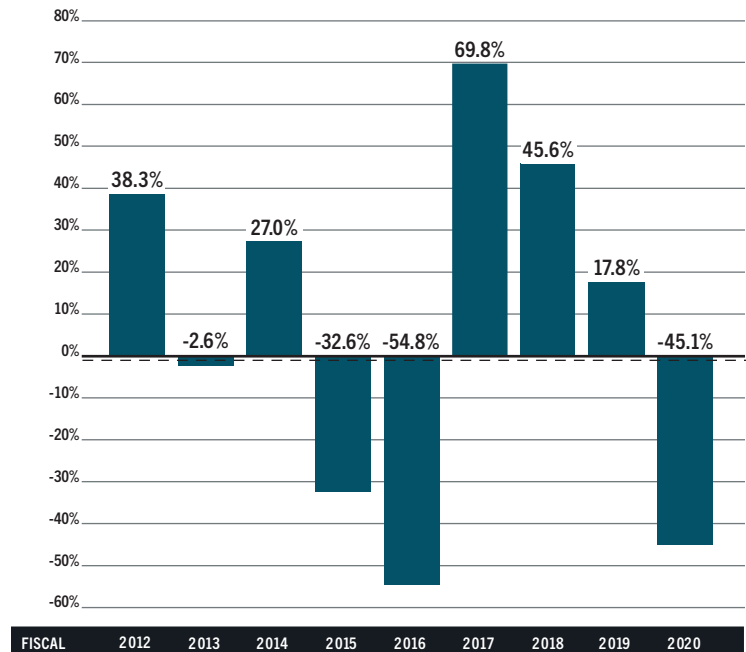
### FOOTNOTES

- <sup>1</sup> Twenty-five percent is statutorily dedicated to public education funding and allocated to the Foundation School Account.
- <sup>2</sup> Tax rate for condensate is 4.6 percent.
- <sup>3</sup> 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 2011-2020): -2.0%



## HIGHLIGHTS:

REVENUE  
FISCAL 2020

**\$.93B**

STATE RATE<sup>2</sup>

**7.5%**

LOCAL RATE

**NONE**

FEDERAL RATE

**NONE**

WHO PAYS?<sup>3</sup>

BUSINESS

**100%**

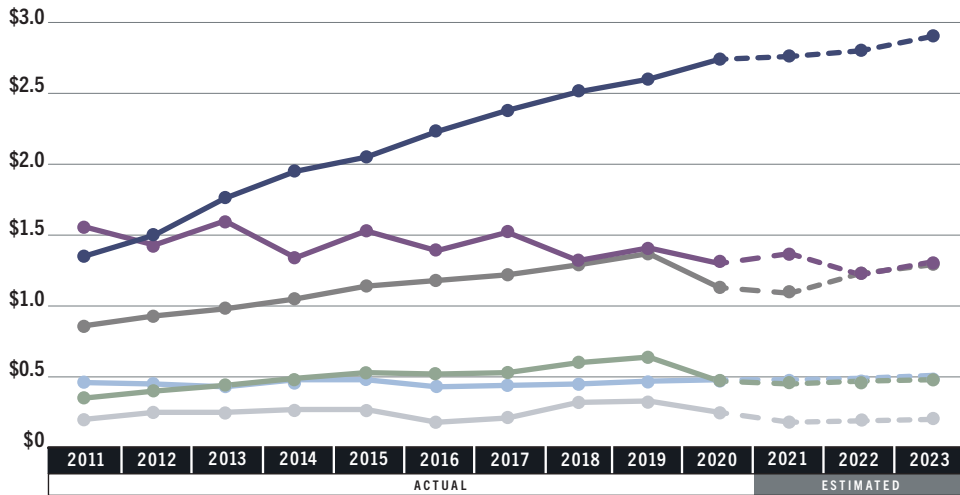
CONSUMER

**0%**

## COLLECTIONS

FISCAL 2011-2023

All Funds, Excluding Trusts (billions)

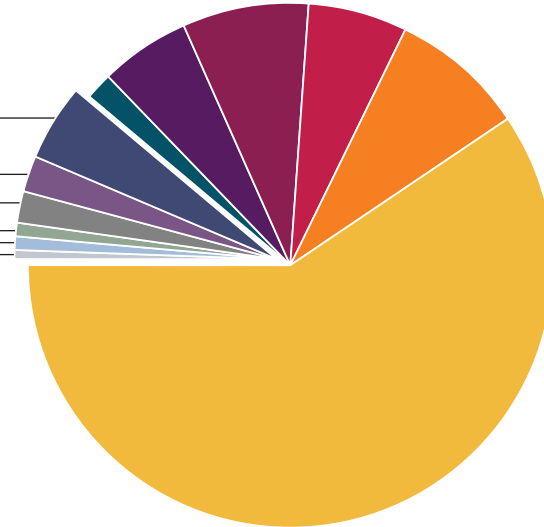


## PERCENTAGE OF TOTAL TAX COLLECTIONS

FISCAL 2020

All Funds, Excluding Trusts

TAX TYPE	AMOUNT	% OF TAXES
INSURANCE TAXES	\$2,741,653,397	4.8%
CIGARETTE AND TOBACCO TAXES	\$1,299,013,633	2.3%
ALCOHOLIC BEVERAGES TAXES	\$1,125,321,869	2.0%
HOTEL OCCUPANCY TAX	\$470,702,524	0.8%
UTILITY TAXES	\$478,154,826	0.8%
OTHER TAXES	\$252,664,439	0.4%



### 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 2020 REVENUE: \$2.74 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 2020 REVENUE: \$1.30 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

### ALCOHOLIC BEVERAGES TAXES

Alcoholic beverage taxes consist of separate excise taxes on the first sale in Texas of liquor, beer, wine and malt liquor (also known as ale); and 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 2020 REVENUE: \$1.13 BILLION

TAX	RATE
Beer	\$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)	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 2020 REVENUE: \$0.47 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 2020 REVENUE: \$0.48 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 2020 REVENUE: \$0.25 BILLION

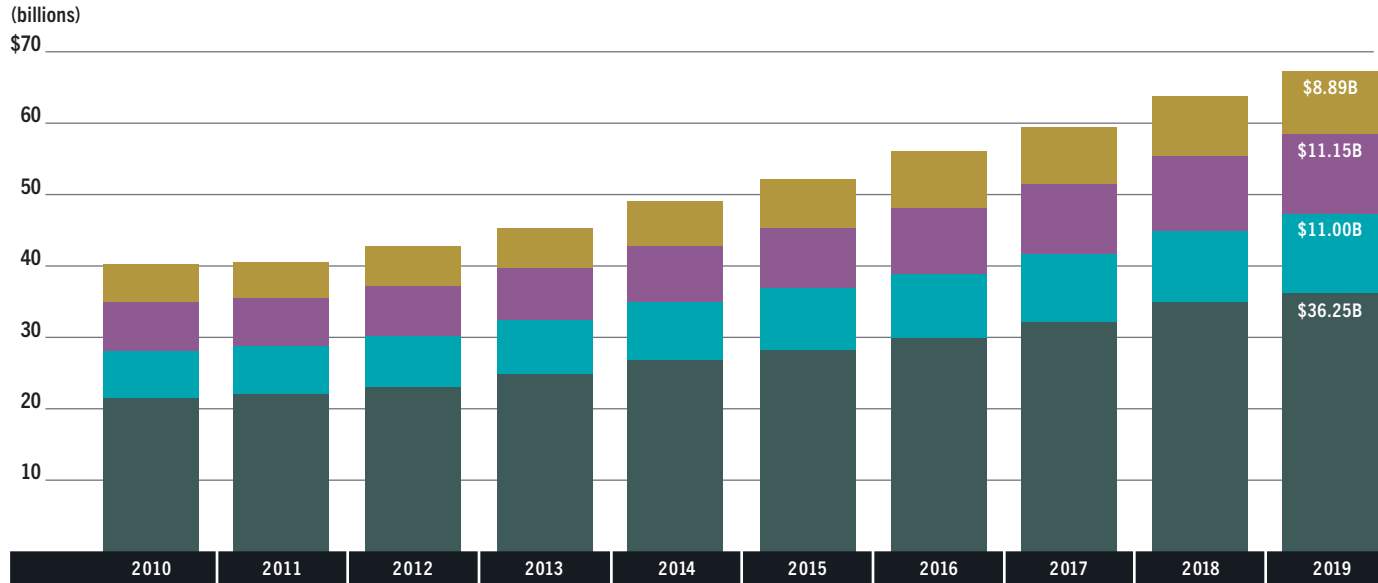
# LOCAL PROPERTY TAXES

ENACTED 1837

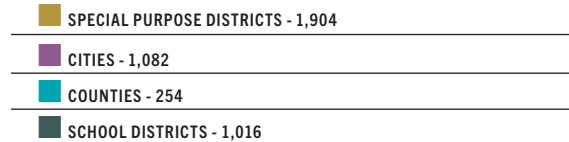
Property taxes are levied by counties, cities, school districts and special purpose districts such as community colleges and public hospitals. These local entities can levy a property tax by adopting a tax rate with two components: a maintenance and operations (M&O) rate, and an interest and sinking (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 LEVIES



### ENTITIES REPORTING BY TYPE (2019)<sup>1</sup>



### AVERAGE PROPERTY TAX RATES (2019)<sup>2</sup>

	M&O	I&S
School Districts	\$1.007	\$0.284
Cities	\$0.412	\$0.162
Counties (General Fund)	\$0.312	\$0.051

#### 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 a 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 provided by the Texas Education Agency) plus up to an additional 17 cents. In tax year 2019, the maximum M&O tax rate for a school district taxing at \$1.17 in tax year 2018 was \$1.0683. This varies by district and districts taxing below \$1.17 will have lower tax year 2019 maximums.
- 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 the annual property tax rate set by Type B general law municipalities to no more than 25 cents.

## MAXIMUM RATES<sup>3</sup>

(PER \$100 IN PROPERTY VALUE)

### SCHOOL DISTRICTS

M&O VARIES BY DISTRICT<sup>4</sup>

I&S \$0.50<sup>5</sup>

### CITIES

GENERAL LAW CITIES<sup>6</sup>  
(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

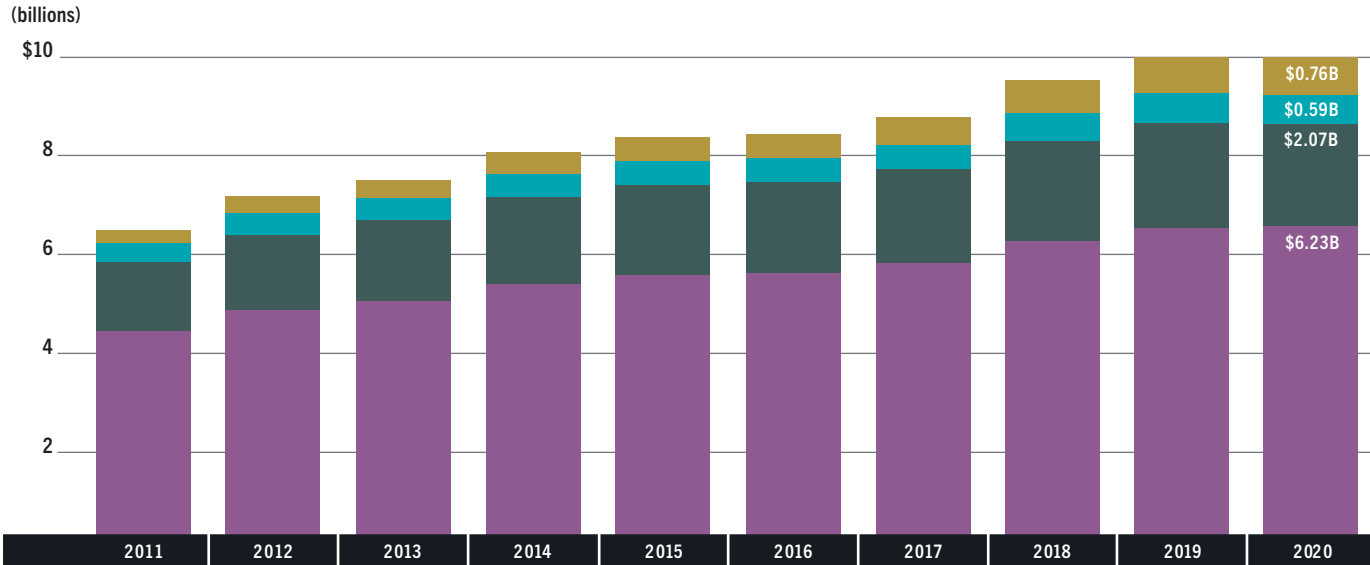
## ENACTED 1967

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 the repair of tangible personal property, amusements and telephone services.

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 2021 is 1.75 percent.

## LOCAL SALES TAX ALLOCATIONS<sup>1</sup>



## ENTITIES BY TYPE<sup>2</sup>

- SPECIAL PURPOSE DISTRICTS - 366
- COUNTIES - 124
- TRANSIT ENTITIES - 10
- CITIES - 1,165

## AVERAGE SALES TAX RATES<sup>3</sup>

SPECIAL PURPOSE DISTRICTS	COUNTIES	TRANSIT ENTITIES	CITIES
0.60%	0.50%	0.78%	1.37%

### FOOTNOTES

<sup>1</sup> 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.

<sup>2</sup> Entity counts and averages are as of Dec. 31, 2020.

<sup>3</sup> Average local sales tax rates are weighed by collection amounts and corresponding tax rates.

## MAXIMUM RATES

THE SUM OF ALL LOCAL RATES CANNOT EXCEED 2%.

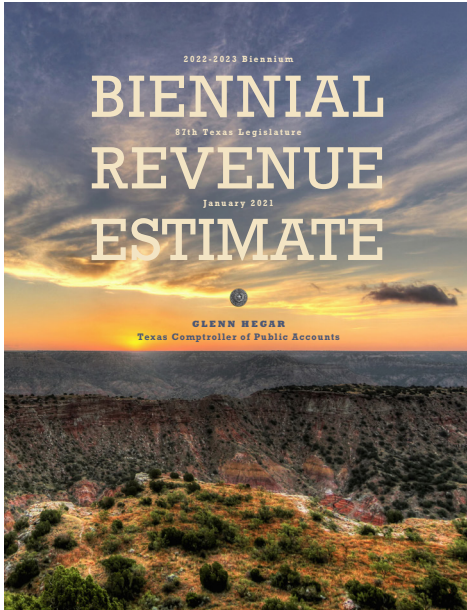
SPECIAL PURPOSE DISTRICTS 2%

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. Legislators must approve a balanced budget for state spending that may not exceed this Biennial Revenue Estimate (BRE), which is published just before the start of each regular legislative session.



## 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 Budgeting 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, 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.

## BIENNIAL REVENUE ESTIMATE

January 2021

Before each regular legislative session, the Texas Comptroller issues the Biennial Revenue Estimate (BRE) to inform lawmakers of the funds available to spend on state programs through the next two-year budget period. Due to the economic effects of the COVID-19 pandemic, lawmakers can expect a negative beginning balance as they begin writing the 2022-23 state budget.

### Revenue Available for General-Purpose Spending

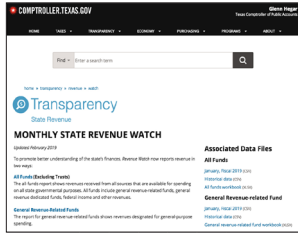
In Billions of Dollars		2020-21	2022-23	CHANGE
General Revenue-Related (GR-R) Tax Collections	+	\$97.41	\$103.93	\$6.52
Other GR-R Revenue	+	\$15.03	\$15.65	\$0.62
<b>Total GR-R Revenue</b>	=	<b>\$112.44</b>	<b>\$119.58</b>	<b>\$7.14</b>
			<small>SUBTOTAL</small>	
<b>Beginning Balance</b>	+	<b>\$4.84</b>	<b>-\$0.95</b>	<b>-\$5.79</b>
<b>Total GR-R Revenue &amp; Fund Balances</b>	=	<b>\$117.28</b>	<b>\$118.63</b>	<b>\$1.35</b>
			<small>SUBTOTAL</small>	
Revenue Reserved for Transfers to the Economic Stabilization and State Highway Funds	-	\$4.32	\$5.83	\$1.51
Amount Needed for Transfer to the Texas Tomorrow Fund <sup>1</sup>	-	N/A	\$0.27	\$0.27
<b>Total Revenue Available for General-Purpose Spending</b>	=	<b>\$112.96</b>	<b>\$112.53</b>	<b>-\$0.44</b>
			<small>TOTAL</small>	

<sup>1</sup> The original, constitutionally guaranteed prepaid tuition program is projected to have a cash shortfall of \$27 million in the 2022-23 biennium. The bill covers its shortfall and is paid from general revenue.

Note: Totals may not sum because of rounding.

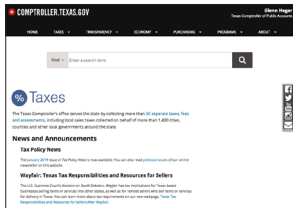


## Monthly Revenue Watch



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

## Texas Taxes and Tax Publication webpages



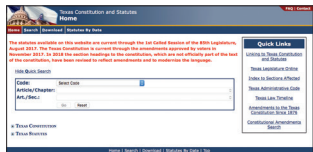
The Comptroller's office maintains extensive online resources on the more than 60 taxes, fees and assessments it collects.

## State Tax Automated Research (STAR) System



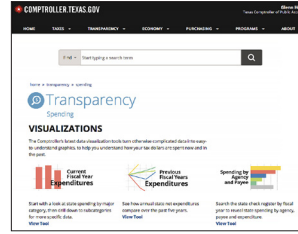
This online policy resource center facilitates research on Texas tax law and tax policy.

## Texas Tax Code



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

## State Spending: Where the Money Goes



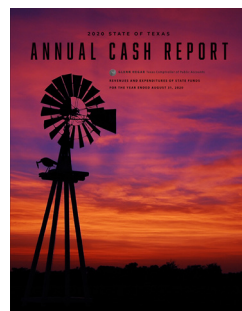
These interactive tools on the Comptroller's website show state spending by agency, purchase code, category and more.

## Comprehensive Annual 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

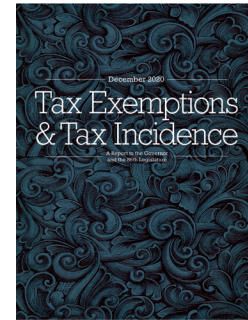


This report presents the state's financial condition; details revenues and expenditures on a cash basis; and shows revenue and expenditure details for all funds in the Texas Treasury (November 2020).

## Certification Revenue Estimate

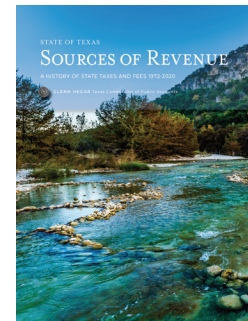
The Comptroller forecasts the amount of revenue available for spending during the current biennium based on the anticipated condition of the economy, incorporating changes to taxes and fees adopted by the Legislature during the previous session (updated July 2020).

## Tax Exemptions & Tax Incidence



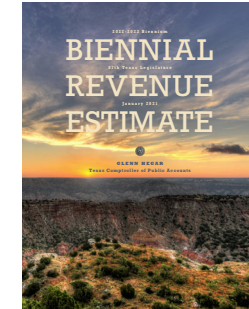
This legislatively required report estimates the value of exemptions, exclusions, discounts, deductions, special accounting methods, credits, refunds and special appraisals available under Texas' major state taxes and school property taxes (December 2020).

## 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 *Biennial Revenue Estimate* for January 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.

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P.O. Box 13528  
Austin, Texas 78711-1440

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[comptroller.texas.gov/transparency/revenue/resources](https://comptroller.texas.gov/transparency/revenue/resources).

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