

TAXES OF TEXAS

• A FIELD GUIDE •



JANUARY 2024

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 more than **5.5 million** public school students and the provision of health insurance for **5.1 million** low-income Texans.

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

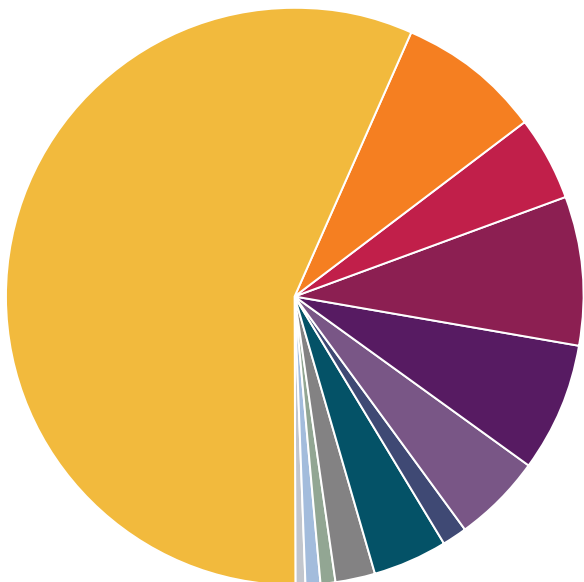
- learn how major taxes have contributed to state revenue during the past 10 years;
- see revenue collections, estimates and allocations on one page; and
- connect to other, in-depth resources about state taxes and finances.

State Tax Revenue By Source

FISCAL 2023

All Funds, Excluding Trusts

TOTAL = \$82,145,557,758



% OF TAXES	AMOUNT
56.7%	\$46,581,071,515
8.3%	\$6,821,746,791
4.7%	\$3,832,081,402
8.3%	\$6,820,183,255
7.2%	\$5,931,042,193
4.9%	\$4,064,627,400
1.5%	\$1,218,337,223
4.1%	\$3,350,372,977
2.2%	\$1,771,634,548
0.9%	\$777,851,281
0.8%	\$625,196,081
0.4%	\$351,413,092

Source: Annual Cash Report 2023, Texas Comptroller of Public Accounts

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

Texas' total tax revenue rose by 6.4 percent in fiscal 2023, to \$82.1 billion. Franchise and insurance taxes had double-digit growth, while oil and natural gas production tax collections declined from the prior year.

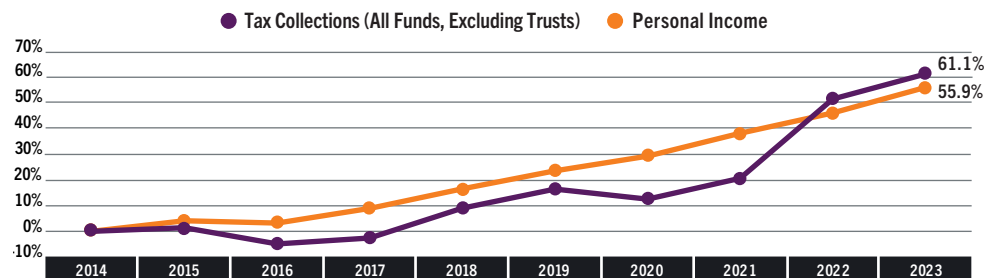
STATE TAX COLLECTIONS AND PERSONAL INCOME

FISCAL 2014-2023

Cumulative Growth Rates

Tax collections lagged growth in personal income in 2015 and 2016 due to franchise tax cuts and a slowdown in the oil and gas industries. 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. In fiscal 2022, state tax collections saw record growth due to a vigorous economic rebound from the pandemic, high energy prices and inflation. Growth returned to a more typical rate in fiscal 2023.



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 vary depending on the type of fuel; the two most common, gasoline and diesel, are taxed at 20 cents per gallon.
- The state's *franchise tax* is imposed on taxable entities, such as corporations, banks, limited liability corporations and certain partnerships, operating in Texas. Of the millions of businesses across the state, only about 176,000 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 were transferred to the SHF. The constitutional amendment also called for depositing 35 percent of motor vehicle sales and rental tax collections in excess of \$5 billion to the SHF, a threshold that first was met in fiscal 2021. In the 2024-25 biennium, the Comptroller's office estimates the SHF will receive \$34.6 billion from all sources.

State Highway Fund (SHF)

	FISCAL 2022	FISCAL 2023	FISCAL 2024	FISCAL 2025
	ACTUAL	ACTUAL	ESTIMATED	ESTIMATED
Total State Revenue	\$9,268,398,634	\$12,116,831,325	\$11,351,426,000	\$11,081,233,000
Total Federal Income	\$4,347,534,692	\$4,058,067,850	\$6,587,582,000	\$5,621,575,000
Total Revenue	\$13,615,933,326	\$16,174,899,174	\$17,939,008,000	\$16,702,808,000

Property Tax Relief Fund (PTRF)

	FISCAL 2022	FISCAL 2023	FISCAL 2024	FISCAL 2025
	ACTUAL	ACTUAL	ESTIMATED	ESTIMATED
Total Revenue	\$2,416,643,268	\$2,781,721,696	\$2,486,746,000	\$2,539,645,000
Transfers	\$0	\$0	\$6,147,400,000	\$6,147,400,000
Total Revenue	\$2,416,643,268	\$2,781,721,696	\$8,634,146,000	\$8,687,045,000

Economic Stabilization Fund (ESF)

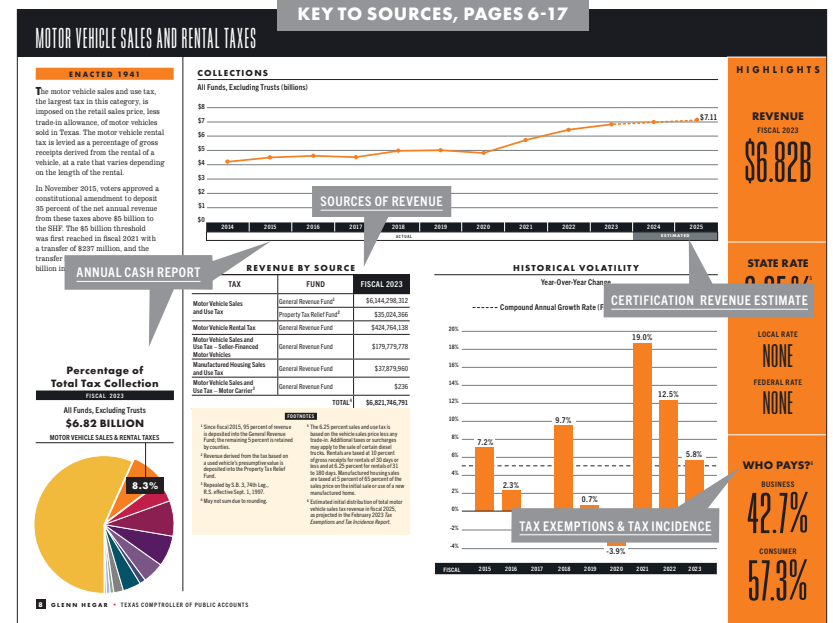
	FISCAL 2022	FISCAL 2023	FISCAL 2024	FISCAL 2025
	ACTUAL	ACTUAL	ESTIMATED	ESTIMATED
Ending Cash Balance	\$3,567,923,027	\$1,516,200,614	\$1,629,551,282	\$1,991,603,408
Ending Invested Balance	\$7,239,993,274	\$12,657,756,953	\$18,342,063,132	\$21,659,121,470
Total Ending Balance	\$10,807,916,301	\$14,173,957,566	\$19,971,614,414	\$23,650,724,878
ESF Cap	\$20,260,891,219	\$20,260,891,219	\$26,429,846,923	\$26,429,846,923

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 from the \$1 increase in the cigarette tax rate implemented in fiscal 2007. Over the 2024-25 biennium, the PTRF will receive an estimated \$5 billion in state revenue and \$12.3 billion in transfers from GR to support property tax relief measures passed by the 88th Legislature for a total of \$17.3 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. In early fiscal 2024, based on the fiscal 2023 ending GR balance and severance tax collections, there was a \$2.4 billion transfer of the unencumbered GR balance into the ESF, in addition to a \$3.1 billion transfer of severance taxes. The constitutional ESF cap is expected to be reached for the first time in its existence in fiscal 2026. A portion of the severance tax transfer (an estimated \$460 million), as well as interest earnings from the fund, will be retained in GR and available for general-purpose spending.

Want More Details?

The Comptroller's office publishes many reports that assist state government planning and decision making and account for state spending for 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 2023 • ALL FUNDS, EXCLUDING TRUSTS

SOURCE	REVENUE	CHANGE FROM FISCAL 2022
Tax Collections	\$82,145,557,758	6.4%
Federal Income	\$68,707,040,997	-5.5%
Licenses, Fees, Fines and Penalties	\$6,663,408,905	2.0%
State Health Service Fees and Rebates	\$10,919,541,083	6.2%
Net Lottery Proceeds	\$3,349,723,696	9.5%
Land Income	\$3,797,417,639	-11.9%
Interest and Investment Income	\$4,200,937,390	72.3%
Settlements of Claims	\$631,032,543	-4.7%
Escheated Estates	\$1,090,933,286	7.8%
Sales of Goods and Services	\$307,928,230	-2.0%
Other Revenue	\$5,975,448,411	24.9%
Total Net Revenue	\$187,788,969,938	2.4%

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 federal income taxes but not state or local income taxes. Federal dollars contributed **37 percent** of total state net revenue in **fiscal 2023**.

SALES AND USE TAXES

ENACTED 1961

Sales and use taxes are the state's single largest source of tax revenue, raising about 57 cents of every state tax dollar in fiscal 2023. The sales tax generally is imposed on sales, rentals and leases of tangible personal property – physical goods or their electronic 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 SHF from net sales tax revenue in excess of \$28 billion each fiscal year.

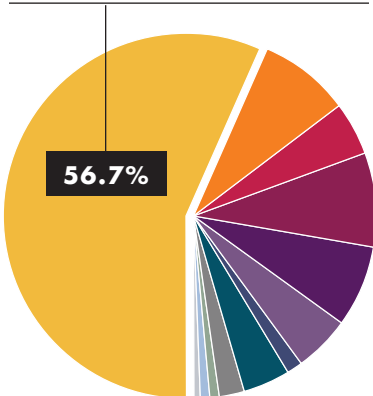
The 2019 passage of House Bill (HB) 1525 by the 86th Legislature, requiring online marketplace providers to collect taxes on sales made through their platforms, has resulted in additional sales tax collections of \$4.8 billion through fiscal 2023 and will bring in an estimated \$3.5 billion in 2024-25. This revenue is deposited outside GR to the Tax Reduction and Excellence in Education Fund.

Percentage of Total Tax Collection

FISCAL 2023

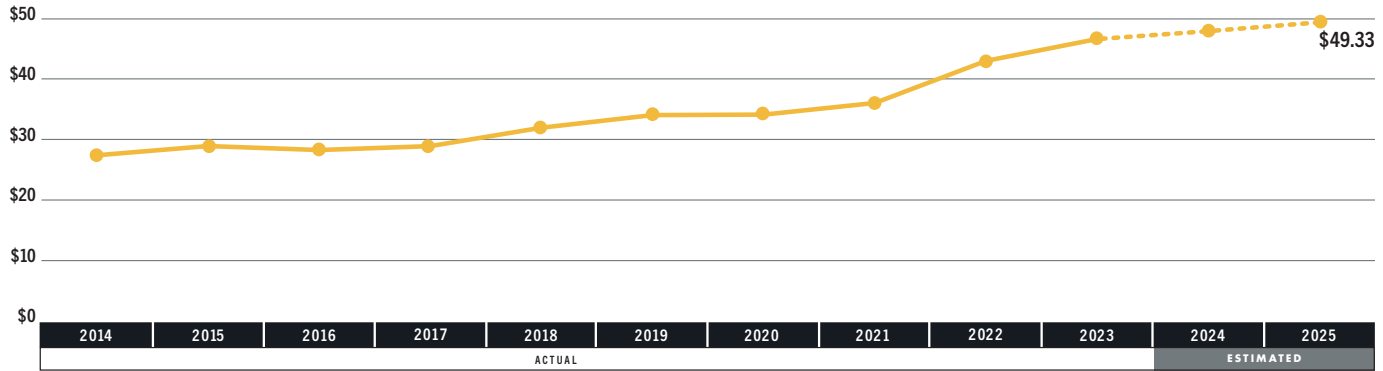
All Funds, Excluding Trusts
\$46.58 BILLION

SALES AND USE TAXES



COLLECTIONS

All Funds, Excluding Trusts (billions)



REVENUE BY SOURCE

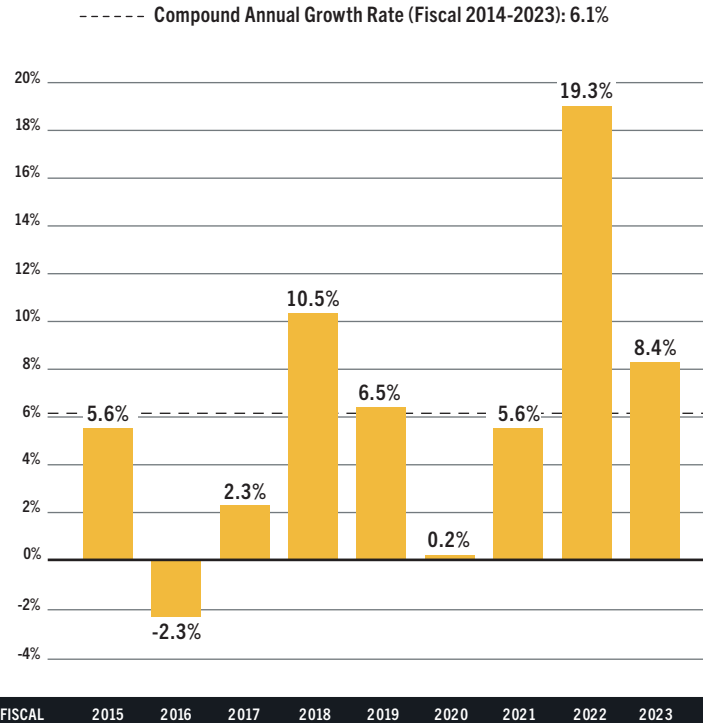
TAX	FUND	FISCAL 2023
Limited Sales and Use Tax	General Revenue Fund ¹	\$30,584,512,963
	Tax Reduction and Excellence in Education Fund	\$1,612,300,000
Prepayments of Limited Sales and Use Tax	General Revenue Fund	\$14,228,311,426
Boat and Boat Motor Sales and Use Tax ²	General Revenue Fund	\$102,248,667
	GR Account - Game, Fish, and Water Safety	\$3,622,749
Motor Fuel Lubricants Sales Tax	State Highway Fund	\$37,500,000
Limited Sales and Use Tax - State ³	General Revenue Fund	\$12,248,726
Fireworks Tax ⁴	GR Account - Rural Volunteer Fire Department Insurance	\$850
Interest on Retail Credit Sales	General Revenue Fund	\$259,446
Discount for Sales Tax - State Agencies and Higher Education	General Revenue Fund	\$66,688
TOTAL⁵		\$46,581,071,515

FOOTNOTES

- Taxes on certain sporting goods are constitutionally appropriated to the Texas Parks and Wildlife Department and Texas Historical Commission. In fiscal 2023, \$249 million was allocated to the two agencies. For additional information on special allocations, refer to the Sources of Revenue report.
- 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 GR. In fiscal 2023, that transfer was \$2 million. May not sum due to rounding.
- Estimated initial distribution of total limited sales and use tax revenue in fiscal 2025, as projected in the February 2023 *Tax Exemptions and Tax Incidence Report*.

HISTORICAL VOLATILITY

Year-Over-Year Change



HIGHLIGHTS

REVENUE

FISCAL 2023

\$46.58B

STATE RATE

6.25%

LOCAL RATE

UP TO 2%

FEDERAL RATE

NONE

WHO PAYS?⁶

BUSINESS

41.8%

CONSUMER

58.2%

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.

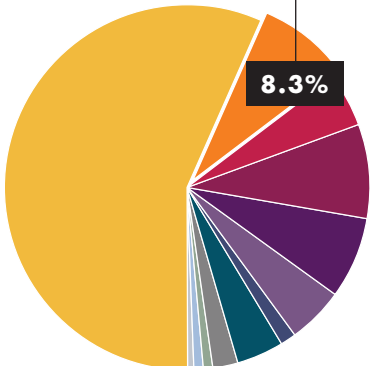
In November 2015, voters approved a constitutional amendment to deposit 35 percent of the net annual revenue from these taxes above \$5 billion to the SHF. The \$5 billion threshold was first reached in fiscal 2021 with a transfer of \$237 million, and the transfer is projected to total \$1.4 billion in the 2024-25 biennium.

Percentage of Total Tax Collection

FISCAL 2023

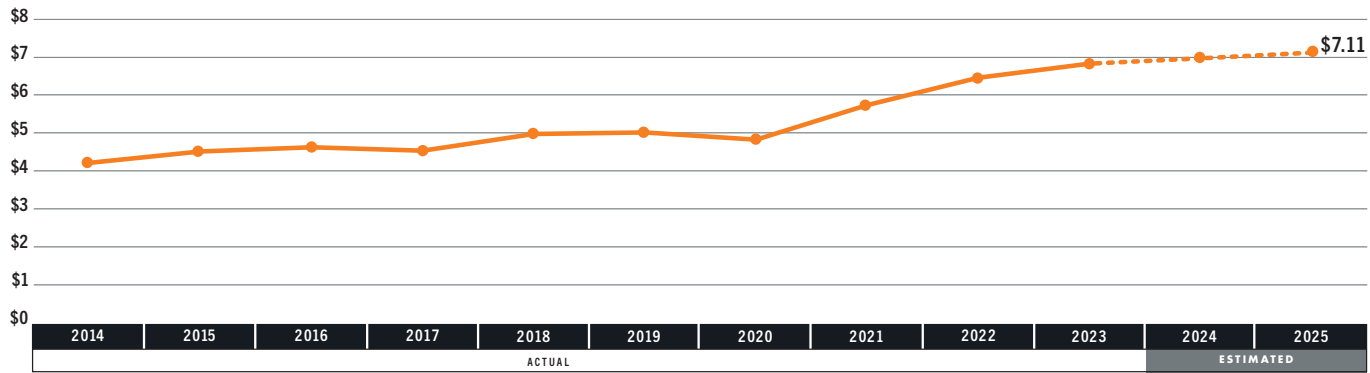
All Funds, Excluding Trusts
\$6.82 BILLION

MOTOR VEHICLE SALES & RENTAL TAXES



COLLECTIONS

All Funds, Excluding Trusts (billions)



REVENUE BY SOURCE

TAX	FUND	FISCAL 2023
Motor Vehicle Sales and Use Tax	General Revenue Fund ¹	\$6,144,298,312
	Property Tax Relief Fund ²	\$35,024,366
Motor Vehicle Rental Tax	General Revenue Fund	\$424,764,138
Motor Vehicle Sales and Use Tax – Seller-Financed Motor Vehicles	General Revenue Fund	\$179,779,778
Manufactured Housing Sales and Use Tax	General Revenue Fund	\$37,879,960
Motor Vehicle Sales and Use Tax – Motor Carrier ³	General Revenue Fund	\$236
TOTAL⁴		\$6,821,746,791

FOOTNOTES

¹ Since fiscal 2015, 95 percent of revenue is deposited into the General Revenue Fund; the remaining 5 percent is retained by counties.

² Revenue derived from the tax based on a used vehicle's presumptive value is deposited into the Property Tax Relief Fund.

³ Repealed by SB 3, 74th Leg., R.S. effective Sept. 1, 1997.

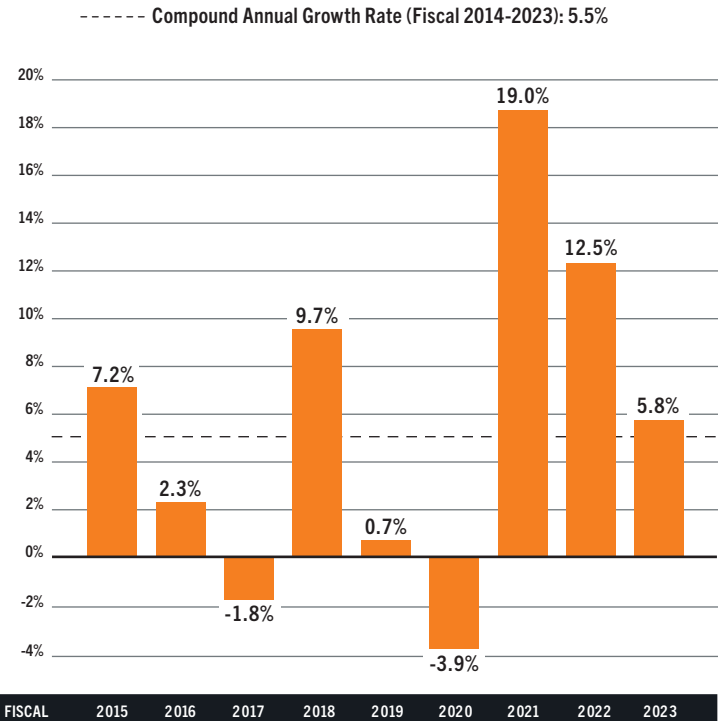
⁴ May not sum due to rounding.

⁵ 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.

⁶ Estimated initial distribution of total motor vehicle sales tax revenue in fiscal 2025, as projected in the February 2023 Tax Exemptions and Tax Incidence Report.

HISTORICAL VOLATILITY

Year-Over-Year Change



HIGHLIGHTS

REVENUE

FISCAL 2023

\$6.82B

STATE RATE

6.25%⁵

LOCAL RATE

NONE

FEDERAL RATE

NONE

WHO PAYS?⁶

BUSINESS

42.7%

CONSUMER

57.3%

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.

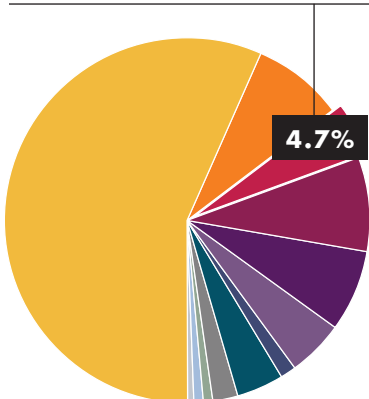
The rates for the gasoline and diesel fuel taxes last changed in 1991, when they were both increased from 15 cents to 20 cents per gallon.

Percentage of Total Tax Collection

FISCAL 2023

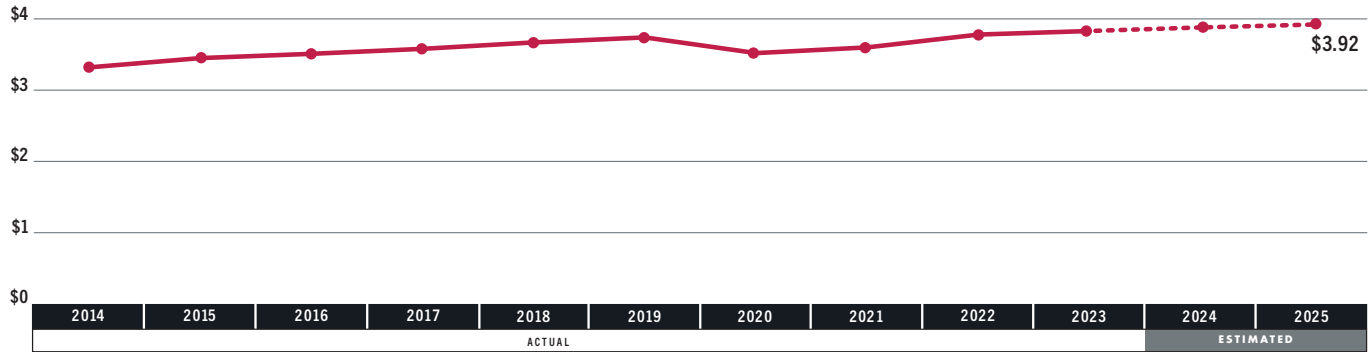
All Funds, Excluding Trusts
\$3.83 BILLION

MOTOR FUEL TAXES



COLLECTIONS

All Funds, Excluding Trusts (billions)



REVENUE BY SOURCE

TAX	FUND	FISCAL 2023
Gasoline Tax ¹	General Revenue Fund	\$2,828,140,419
Diesel Fuel Tax ²	General Revenue Fund	\$997,091,313
Liquefied and Compressed Natural Gas Tax ²	General Revenue Fund	\$6,849,670
TOTAL³		\$3,832,081,402

FOOTNOTES

¹ After deductions for refunds, enforcement 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.

² After deductions for refunds, 25 percent is allocated to the Available School Fund and 75 percent is allocated to the State Highway Fund.

³ May not sum due to rounding.

⁴ 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.

⁵ The federal tax rate for diesel fuel is 24.4 cents per gallon.

⁶ Estimated initial distribution of total gasoline tax revenue in fiscal 2025, as projected in the February 2023 *Tax Exemptions and Tax Incidence Report*.

HISTORICAL VOLATILITY

Year-Over-Year Change



HIGHLIGHTS

REVENUE

FISCAL 2023

\$3.83B

STATE RATE

\$0.20⁴ PER GALLON

LOCAL RATE

NONE

FEDERAL RATE

\$0.184⁵ PER GALLON

WHO PAYS?⁶

BUSINESS

22.6%

CONSUMER

77.4%

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 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. These changes apply to reports due on or after Jan. 1, 2008.

In 2015, the Legislature voted to reduce franchise tax rates by 25 percent, which took effect in fiscal 2016.

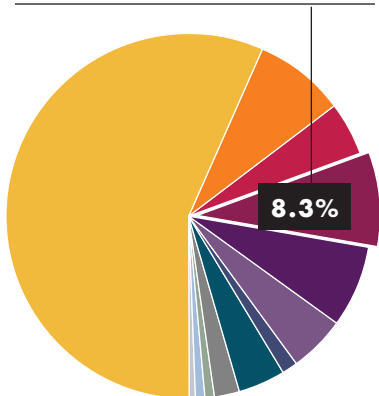
Beginning in 2024, entities with no franchise tax due are not required to file a tax report but still are responsible to file public information or ownership information reports under Sections 171.202 or 171.203, Tax Code. The no tax due revenue threshold was raised to \$2.47 million.

Percentage of Total Tax Collection

FISCAL 2023

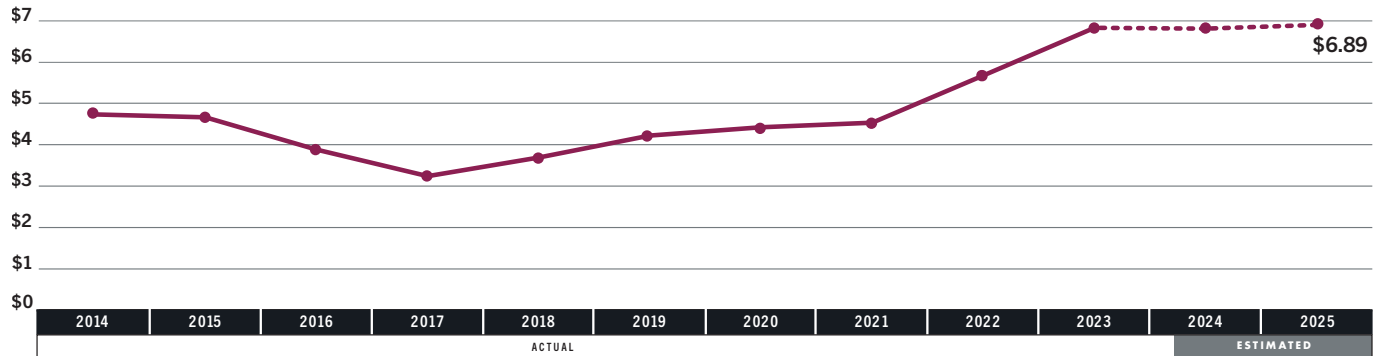
All Funds, Excluding Trusts
\$6.82 BILLION

FRANCHISE TAX



COLLECTIONS

All Funds, Excluding Trusts (billions)



REVENUE BY SOURCE

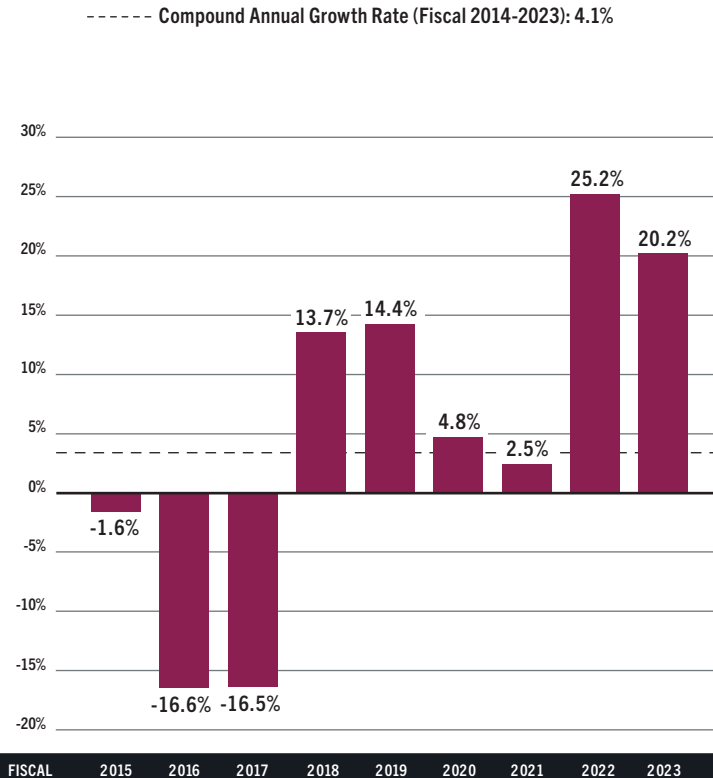
TAX	FUND	FISCAL 2023
Franchise/Margins Tax	General Revenue Fund ²	\$4,773,864,519
	Property Tax Relief Fund ³	\$2,046,037,636
Franchise Tax ⁴	General Revenue Fund	\$281,100
TOTAL⁵		\$6,820,183,255

FOOTNOTES

- Margin is defined as total revenue less the greater of (1) the cost of goods sold, (2) compensation, (3) 30 percent of total revenue or (4) \$1 million (increasing to \$2.47 million in 2024). An apportionment factor based on the portion of receipts that are sourced to Texas then is applied to calculate taxable margin.
- The estimated amount of franchise tax revenues that would have been generated had the 2006 reforms not occurred.
- All revenue exceeding the estimated amount that would have been brought in under the previous version of the franchise tax.
- Reflects net payments and refunds related to franchise tax liability from reports due before the 2008 report year.
- May not sum due to rounding.
- 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 revenue may elect to file an EZ return. The tax rate for EZ filers is 0.331 percent.
- There is no federal franchise tax, but a corporate income tax is levied at 21 percent of net income.
- Estimated initial distribution of total franchise tax revenue in fiscal 2025, as projected in the February 2023 *Tax Exemptions and Tax Incidence Report*.

HISTORICAL VOLATILITY

Year-Over-Year Change



HIGHLIGHTS

REVENUE

FISCAL 2023

\$6.82B

STATE RATE

0.75% / 0.375%⁶

LOCAL RATE

NONE

FEDERAL RATE

NONE⁷

WHO PAYS?⁸

BUSINESS

100%

CONSUMER

0.0%

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.

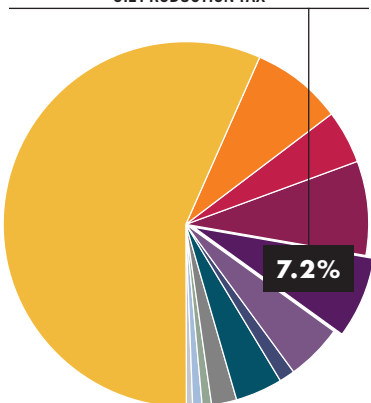
Twenty-five percent of the revenue from this tax is allocated to the Foundation School Account, with the remaining amount deposited into GR. Portions of the amount deposited into GR may be transferred to the Economic Stabilization Fund and the State Highway Fund.

Percentage of Total Tax Collection

FISCAL 2023

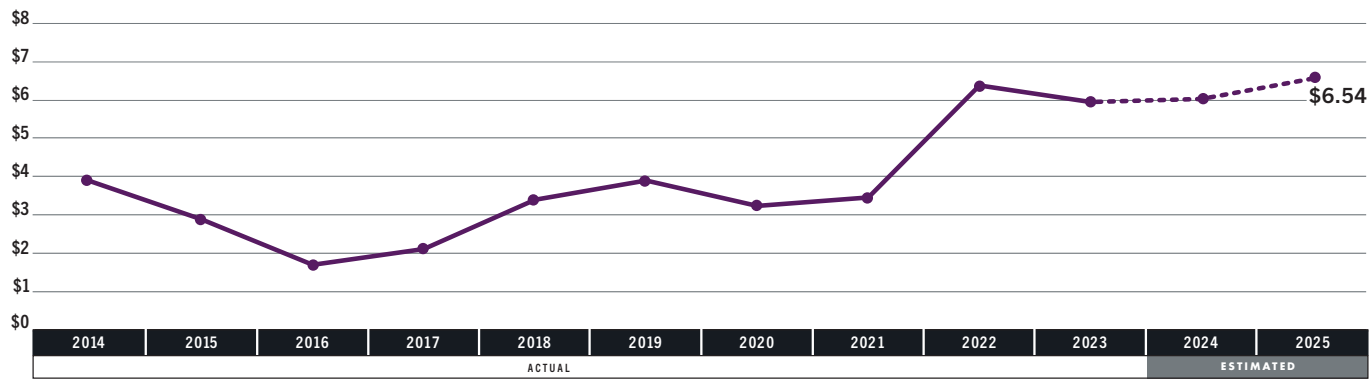
All Funds, Excluding Trusts
\$5.93 BILLION

OIL PRODUCTION TAX



COLLECTIONS

All Funds, Excluding Trusts (billions)



REVENUE BY SOURCE

TAX	FUND	FISCAL 2023
Oil Production Tax	General Revenue Fund ¹	\$5,931,042,193
TOTAL		\$5,931,042,193

FOOTNOTES

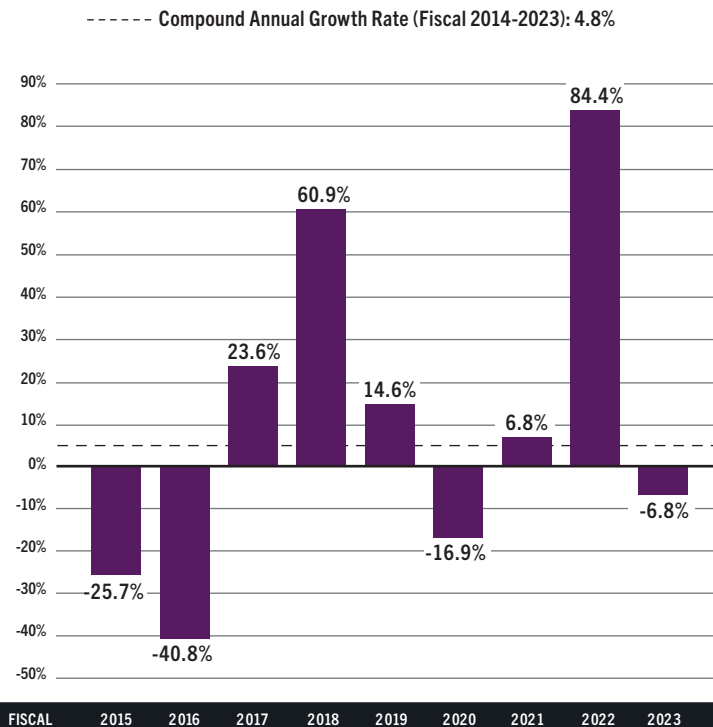
¹ Twenty-five percent is statutorily dedicated to public education funding and allocated to the Foundation School Account.

³ Estimated initial distribution of total oil production tax revenue in fiscal 2025, as projected in the February 2023 *Tax Exemptions and Tax Incidence Report*.

² Or 4.6 cents on each barrel of oil produced, whichever is greater.

HISTORICAL VOLATILITY

Year-Over-Year Change



HIGHLIGHTS

REVENUE

FISCAL 2023

\$5.93B

STATE RATE

4.6%² OF MARKET VALUE

LOCAL RATE

NONE

FEDERAL RATE

NONE

WHO PAYS?³

BUSINESS

100%

CONSUMER

0.0%

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.

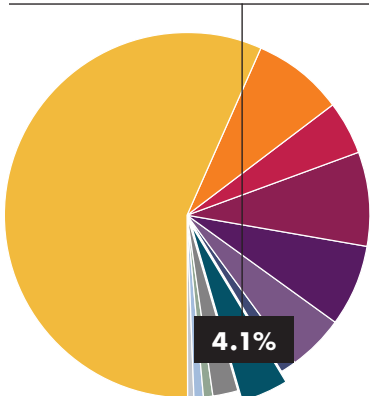
Twenty-five percent of the revenue from this tax is deposited into the Foundation School Account, with the remaining amount deposited into GR. Portions of the amount deposited into GR may be transferred to the Economic Stabilization Fund and the State Highway Fund.

Percentage of Total Tax Collection

FISCAL 2023

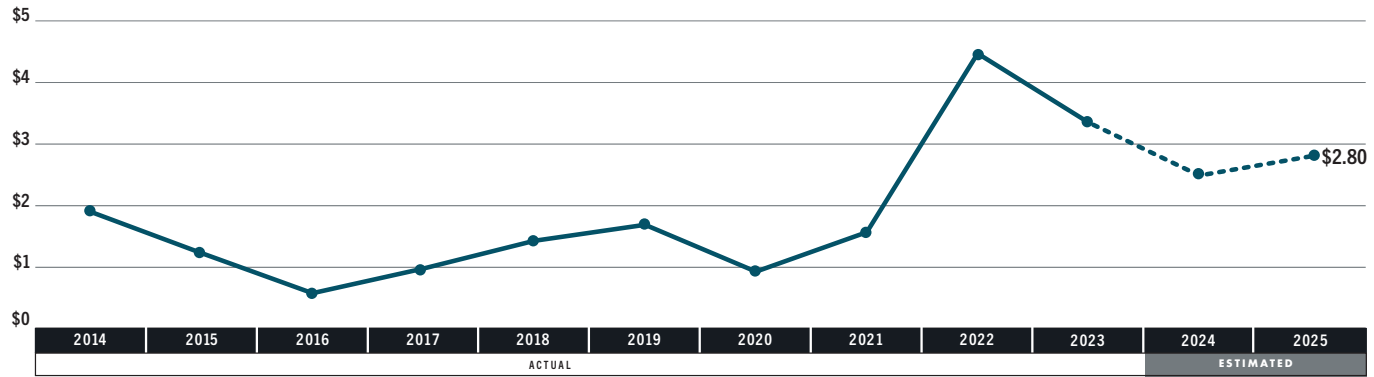
All Funds, Excluding Trusts
\$3.35 BILLION

NATURAL GAS PRODUCTION TAX



COLLECTIONS

All Funds, Excluding Trusts (billions)



REVENUE BY SOURCE

TAX	FUND	FISCAL 2023
Natural Gas Production Tax	General Revenue Fund ¹	\$3,350,372,977
TOTAL		\$3,350,372,977

FOOTNOTES

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

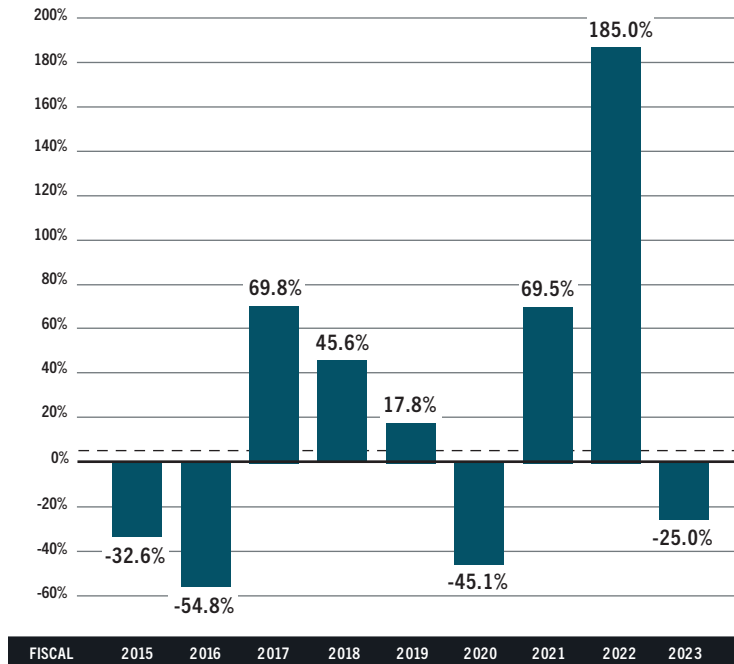
² Tax rate for condensate is 4.6 percent.

³ Estimated initial distribution of total natural gas production tax revenue in fiscal 2025, as projected in the February 2023 *Tax Exemptions and Tax Incidence Report*.

HISTORICAL VOLATILITY

Year-Over-Year Change, All Funds, Excluding Trusts

----- Compound Annual Growth Rate (Fiscal 2014-2023): 6.5%



HIGHLIGHTS

REVENUE

FISCAL 2023

\$3.35B

STATE RATE

7.5%²

LOCAL RATE

NONE

FEDERAL RATE

NONE

WHO PAYS?³

BUSINESS

100%

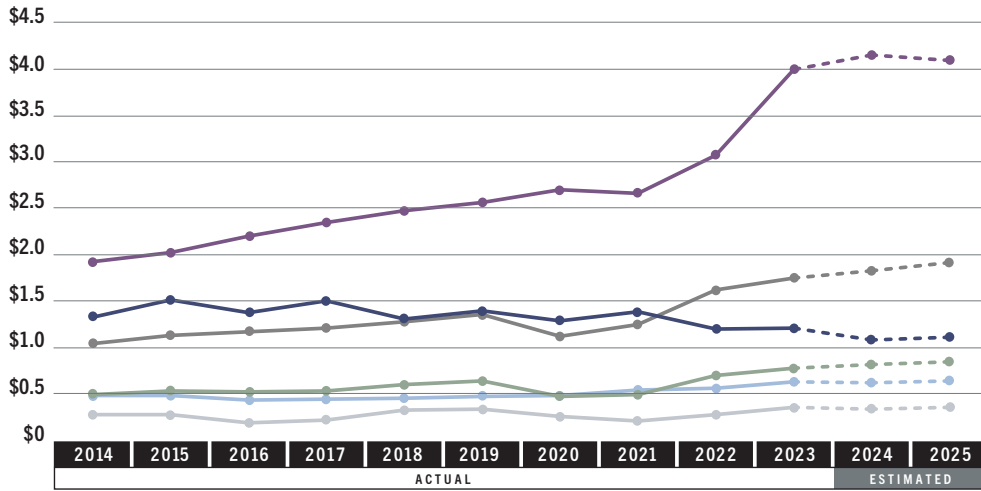
CONSUMER

0.0%

COLLECTIONS

FISCAL 2014-2025

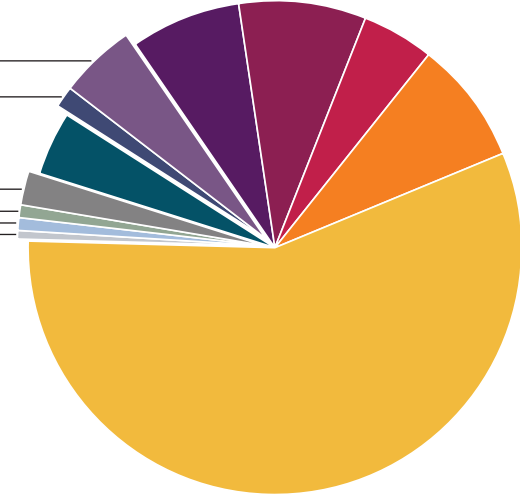
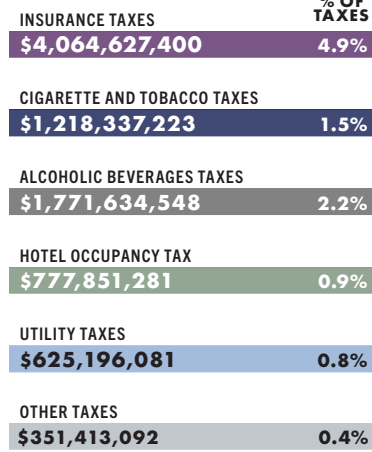
All Funds, Excluding Trusts (billions)



PERCENTAGE OF TOTAL TAX COLLECTIONS

FISCAL 2023

All Funds, Excluding Trusts



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 2023 REVENUE: \$4.06 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 2023 REVENUE: \$1.22 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 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 2023 REVENUE: \$1.77 BILLION

TAX	RATE
Malt beverage	\$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
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 2023 REVENUE: \$0.78 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 2023 REVENUE: \$0.63 BILLION

TAX	RATE
Gas, electric and water utility	Cities 1,001-2,499 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 2023 REVENUE: \$0.35 BILLION

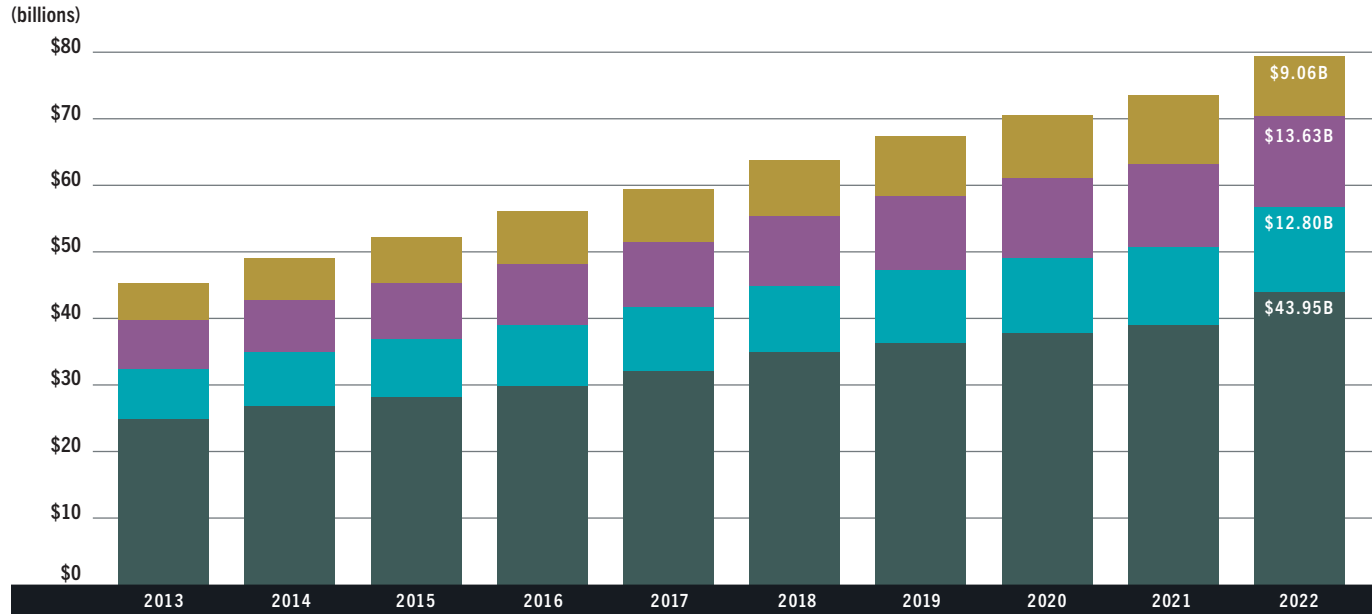
LOCAL PROPERTY TAXES

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 LEVIES¹



ENTITIES REPORTING BY TYPE (2022)¹

■	SPECIAL PURPOSE DISTRICTS: 2,192
■	CITIES: 1,089
■	COUNTIES: 254
■	SCHOOL DISTRICTS: 1,014

AVERAGE PROPERTY TAX RATES (2022)²

	M&O	I&S
School Districts	\$0.906	\$0.277
Cities	\$0.387	\$0.152
Counties (General Fund)	\$0.280	\$0.043

FOOTNOTES

¹ The figures presented are calculated totals for each tax year 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.

² 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.

³ 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.

⁴ Tax rate compression began in tax year 2019 as the result of HB 3, 86th Legislature, Regular Session. 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.

⁵ 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.

⁶ 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.

⁷ Article VIII, Section 9, Texas Constitution.

⁸ Article VIII, Section 1-a, Texas Constitution. The first \$3,000 of residential homesteads is exempt from this levy.

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 FUND⁷

\$0.80

FARM-TO-MARKET & FLOOD CONTROL⁸

\$0.30

SPECIAL ROAD & BRIDGE⁷

\$0.15

LOCAL SALES AND USE TAXES

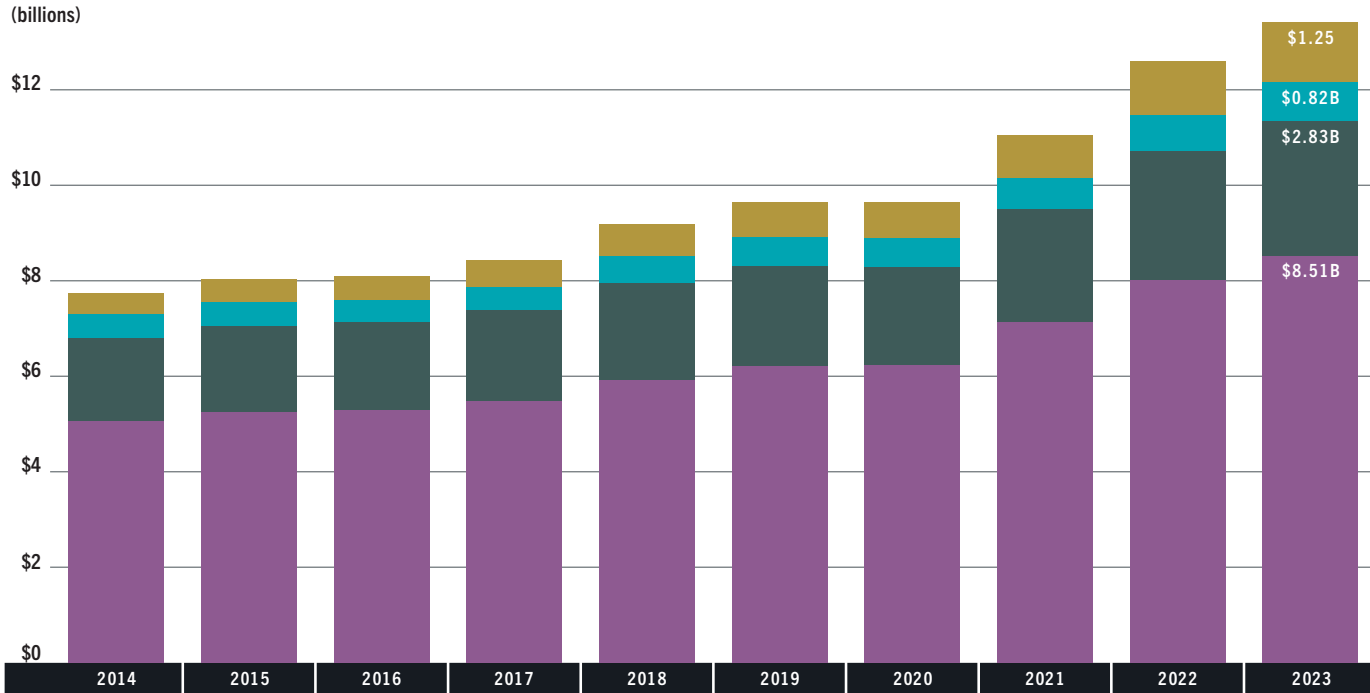
ENACTED 1967

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

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

The passage of HB 2153 by the 86th Legislature provided 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 2024 is 1.75 percent.

LOCAL SALES TAX ALLOCATIONS¹



ENTITIES BY TYPE²

■ SPECIAL PURPOSE DISTRICTS: 438
■ COUNTIES: 125
■ TRANSIT ENTITIES: 10
■ CITIES: 1,171

AVERAGE SALES TAX RATES³

SPECIAL PURPOSE DISTRICTS	COUNTIES	TRANSIT ENTITIES	CITIES
0.62%	0.50%	0.78%	1.38%

FOOTNOTES

¹ These figures represent sales tax allocations made during each calendar year. The majority of revenue is allocated to local governments two months after a customer pays taxes to a business.

² Entity counts and average rates are as of December 2023.

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%

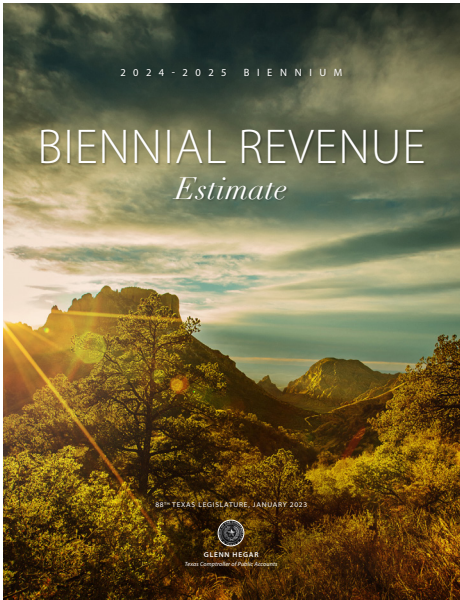
SPECIAL PURPOSE DISTRICTS 2%

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 as necessary for each special session. The state constitution requires legislators to 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 is the Texas state government's two-year budget.

State budget writers are required to limit spending growth from the current budget to the next. Under the constitutional 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, which is determined by the Legislative Budget Board (LBB). Only majority votes by both the House and Senate can override the spending limit. A second statutory spending cap, created by Senate Bill 1336, 87th Legislature, Regular Session, limits the growth of consolidated general revenue appropriations to the estimated growth of the state's economy and requires a vote of three-fifths of each legislative chamber to exceed. For the 2024-25 biennium, the LBB approved a 12.33 percent cap for both spending limits.

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;
- proptert tax relief;
- state government operations; and
- natural resources and state parks.

THE BUDGET PROCESS

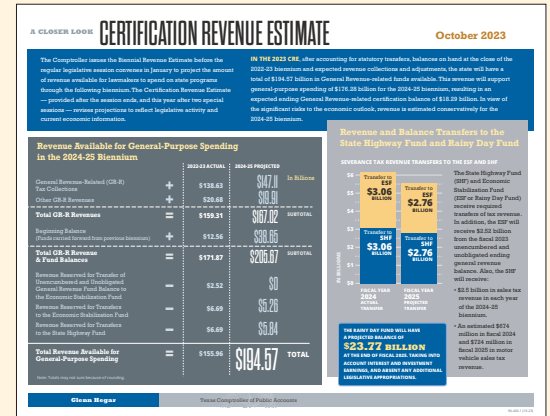
IN BRIEF

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

After several reviews and public hearings, 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.

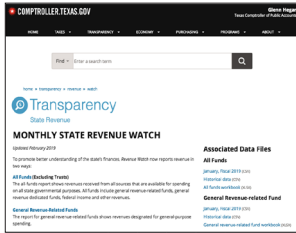
Prior to the legislative session, the Comptroller's office issues the **Biennial Revenue Estimate**, outlining funds to become available from taxes and other revenue sources for the biennium. Following the regular legislative session, the Comptroller's office reevaluates this estimate in light of changing 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

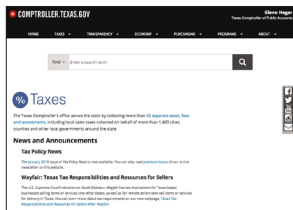
1. The Texas House Committee on Appropriations and the Senate Committee on Finance simultaneously deliberate on their general appropriations bills. After the committees pass their versions, the bill is considered by one full chamber and then passed to the other for consideration where it is amended, approved and passed back to the originating chamber.
2. 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.
3. Once approved, it goes to the Comptroller's office for final certification that the bill is within available revenue.
4. 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



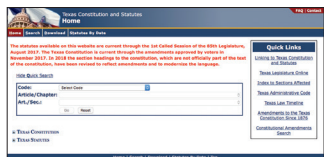
The Comptroller's office maintains extensive online resources on more than 60 taxes, fees and assessments.

State Tax Automated Research (STAR) System



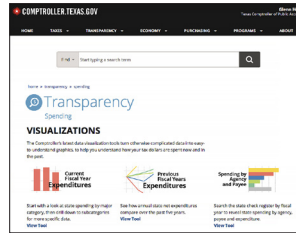
An online policy resource center facilitating research on Texas tax law and tax policy.

Texas Tax Code



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

Revenue and Expenditures Dashboard



A powerful visualization tool providing a look into state government finance. Explore tabular data, charts and graphs through multiple viewing options.

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 2023).

Texas Annual Cash Report

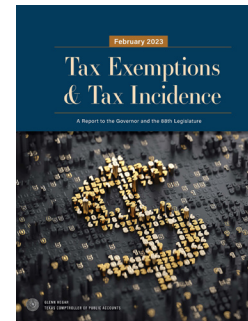


This report presents the state's financial condition; details revenues and expenditures on a cash basis; and shows revenue and expenditure details for all funds in the Texas Treasury (November 2023).

Certification Revenue Estimate

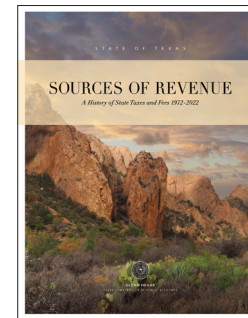
The Comptroller forecasts the amount of revenue available for spending during the current biennium based on the anticipated condition of the economy, incorporating changes to taxes and fees adopted by the Legislature during the previous session (October 2023).

Tax Exemptions & Tax Incidence



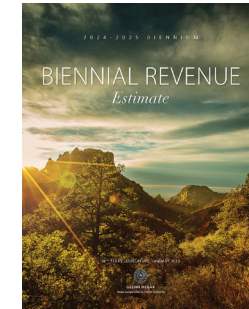
A legislatively required report estimating the value of exemptions, exclusions, discounts, deductions, special accounting methods, credits, refunds and special appraisals available under Texas' major state taxes and school property taxes (February 2023).

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



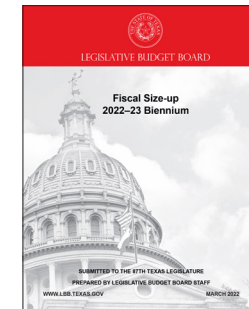
Providing a historical perspective, this guide reports on the current status of state revenue sources (January 2023).

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 2023).

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 (March 2022).

This report contains estimates and projections from the Comptroller's *2024-25 Certification Revenue Estimate*, 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:

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