



# Texas Taxes Overview and Glossary

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## **Introduction**

The purpose of this publication is to provide an overview of Texas taxes and to explain terms that are often used in discussions about taxation.

The first section discusses governance of the Texas tax system. It examines revenue for the State of Texas in fiscal year (FY) 2012, provides a breakdown of various taxes levied by the state in FY 2012, and lists the amounts collected for selected taxes over the past five fiscal years. Tax rates and revenue allocation for selected state taxes are shown in Table 3, which also includes hyperlinks to statutes governing the taxes and allocations.

The second section is a glossary that defines certain tax-related terms and provides additional information for certain terms that appear elsewhere in this publication.

The third section lists publications and Internet resources maintained by the Office of the Texas Comptroller of Public Accounts (comptroller's office) and the Legislative Budget Board that give useful information about Texas taxes.

## **I. Overview of Texas Revenue and Taxes**

### ***Governance of the State Tax System***

The state tax system is governed primarily by the [Texas Constitution](#), the [Tax Code](#), and the tax administrative rules in the [Texas Administrative Code](#). Other codes, such as the Alcoholic Beverage Code, the Insurance Code, the Occupations Code, and the Utilities Code, govern certain taxes imposed on specific products, occupations, and lines of business. The comptroller's office has primary responsibility for administering the tax system.

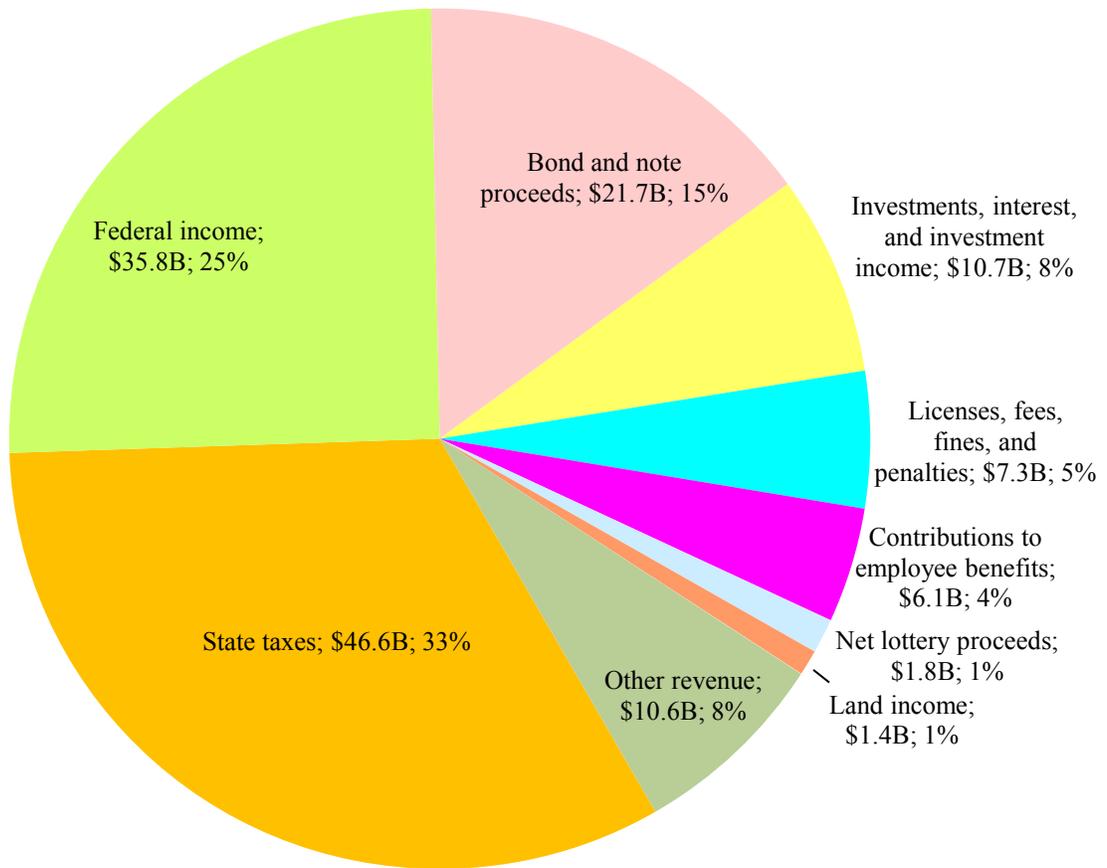
The comptroller's office collects taxes and other revenues. The office adopts administrative rules governing various aspects of tax collections and audits taxpayers to ensure that state taxes are collected and remitted in accordance with state law. The office allocates revenue to various state funds and accounts. Other agencies that collect some of the smaller taxes also publish rules governing their collection.

Before the beginning of each legislative session, the comptroller's office estimates available state revenue, including taxes, fees, and other revenue, for the current fiscal year and each year of the upcoming biennium. These estimates are published and delivered to each member of the legislature at the beginning of each legislative session.

## *Total Revenue for the State of Texas<sup>1</sup>*

The State of Texas had revenue of \$142.1 billion in fiscal year 2012. Nearly one-third of the revenue came from various taxes collected by the state, and one-fourth of the total was received from the federal government. Figure 1 shows revenue sources and amounts for FY 2012, along with the percent of total revenue for each source.

**Figure 1: Texas Revenue in Fiscal Year 2012**

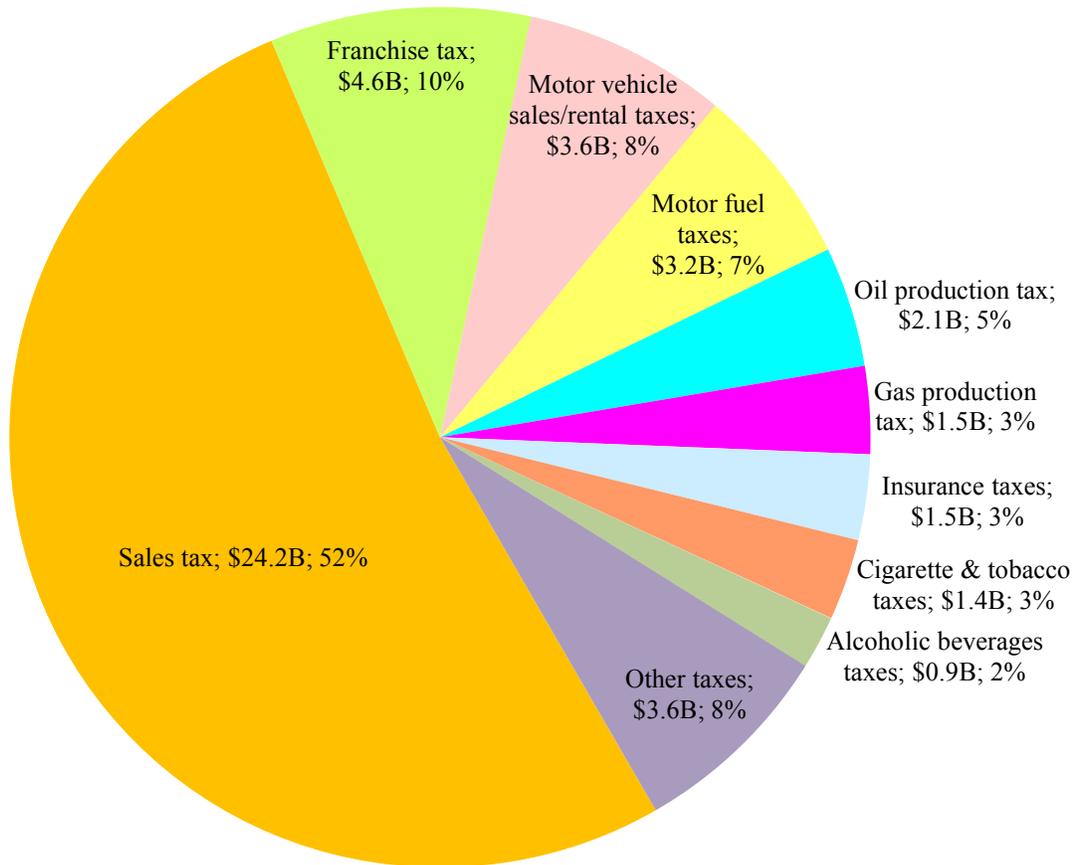


<sup>1</sup> All revenue and percent figures in this section are derived from data reported on "[Where the Money Comes From](#)," maintained by the comptroller's office, as accessed on December 7, 2012.

## *Tax Revenue for the State of Texas<sup>2</sup>*

The state collected a total of \$46.6 billion in taxes during fiscal year 2012. Over three-fourths of the tax revenue was generated by four categories of taxes: sales, franchise, motor vehicle sales and rentals, and motor fuels. The sales tax generated \$24.2 billion (52 percent of the total), while the franchise tax, the second largest tax source, accounted for just \$4.6 billion (10 percent of the total). Figure 2 shows tax sources and amounts for FY 2012, along with the percent of total taxes for each source.

**Figure 2: Texas Tax Sources in Fiscal Year 2012**



<sup>2</sup> All revenue and percent figures in this section are derived from data reported on "[Where the Money Comes From](#)," maintained by the comptroller's office, as accessed on December 7, 2012.

The “Other taxes” category consists of numerous taxes, the largest of which in FY 2012 was unemployment assessments (\$2.6 billion) that are paid by employers to fund unemployment compensation for workers who are eligible for that coverage. The next two largest categories were utility taxes and hotel taxes (\$450.9 million and \$408.2 million, respectively). Table 1 gives a breakdown of “Other taxes” for FY 2012.

**Table 1: Texas “Other Taxes” in Fiscal Year 2012**

<b>“Other” tax category</b>	<b>Revenue (\$ millions)</b>
Unemployment assessments	\$2,600.7
Utility	\$450.9
Hotel	\$408.2
Oil well service	\$122.1
Other occupation taxes	\$13.5
Coin-operated amusement machine	\$10.1
Cement production	\$7.0
Sulphur production	\$3.2
Bingo rental	\$1.2
Miscellaneous	\$0.2

The proportion of tax revenue generated by the four major tax categories has been relatively stable over the past five fiscal years. In each year, the sales tax accounted for more than one-half of all taxes collected by the state. The franchise tax contributed approximately 10 percent of total tax revenue in each year, and taxes on motor vehicle sales and rentals and on motor fuels each generated between 7 and 8 percent of total tax revenue. Table 2 shows tax revenue by category along with the percent of total tax revenue for fiscal years 2008 through 2012.

**Table 2: Texas Taxes (\$ Billions) in Fiscal Years 2008 Through 2012**

<b>Tax category</b>	<b>FY 2008</b>		<b>FY 2009</b>		<b>FY 2010</b>		<b>FY 2011</b>		<b>FY 2012</b>	
	<b>\$ Bil.</b>	<b>Pct.</b>								
Sales	\$21.6	51%	\$21.0	54%	\$19.6	53%	\$21.5	52%	\$24.2	52%
Franchise	\$4.5	11%	\$4.3	11%	\$3.9	10%	\$3.9	10%	\$4.6	10%
Motor vehicle sales/rental	\$3.3	8%	\$2.6	7%	\$2.6	7%	\$3.0	7%	\$3.6	8%
Motor fuel	\$3.1	7%	\$3.0	8%	\$3.0	8%	\$3.1	8%	\$3.2	7%
Oil production	\$1.4	3%	\$0.9	2%	\$1.0	3%	\$1.5	4%	\$2.1	5%
Gas production	\$2.7	6%	\$1.4	4%	\$0.7	2%	\$1.1	3%	\$1.5	3%
Insurance	\$1.5	3%	\$1.3	3%	\$1.3	4%	\$1.3	3%	\$1.5	3%
Cigarettes and tobacco	\$1.4	3%	\$1.6	4%	\$1.4	4%	\$1.6	4%	\$1.4	3%
Alcoholic beverages	\$0.8	2%	\$0.8	2%	\$0.8	2%	\$0.9	2%	\$0.9	2%
Other	\$2.1	5%	\$2.1	5%	\$3.0	8%	\$3.3	8%	\$3.6	8%
<b>Total taxes</b>	<b>\$42.4</b>	<b>100%</b>	<b>\$38.9</b>	<b>100%</b>	<b>\$37.4</b>	<b>100%</b>	<b>\$41.2</b>	<b>100%</b>	<b>\$46.6</b>	<b>100%</b>

## *Tax Rates in the State of Texas*

The State of Texas levies numerous taxes at the state level, and it authorizes and regulates certain taxes levied by local governmental entities. The majority of state taxes are administered by the Office of the Texas Comptroller of Public Accounts, but certain taxes are administered by other agencies as set forth in statute. Table 3 summarizes tax rates and allocation of revenues for selected state taxes. Each entry in the “Tax” column is hyperlinked to the chapter in the code governing the tax, and each entry in the “Revenue Allocation” column is hyperlinked to the beginning of the code and section governing the allocation. The table does not, however, provide exhaustive explanations for nuances of rates and allocations. For numerous taxes, denoted with asterisks in the “Tax” column, statute directs that specified governmental entities or businesses retain a small portion of tax revenue for purposes such as covering costs associated with administering or collecting the tax, as an incentive to remit tax funds to the comptroller’s office in a timely manner, or for other purposes. The balance of revenue is allocated as shown in the table.

**Table 3: Summary of Tax Rates and Allocation of Tax Revenue for Selected State Taxes**

(The table does not cover all nuances of the taxes listed; for more information, click the hyperlinks in the “Tax” column.)

<b>Tax</b>	<b>Tax Rate</b>	<b>Revenue Allocation</b>
<i>Selected sales taxes</i>		
<a href="#">Most goods and services</a>	6.25%	<a href="#">General revenue fund</a> , except for revenue from the sale of lubricating and motor oils (state highway fund) and the sale of sporting goods (under certain conditions: Parks and Wildlife Department (94%); Texas Historical Commission (6%))
<a href="#">Boats and boat motors*</a>	6.25% of sales price less trade-in allowance	<a href="#">General revenue fund</a>
<a href="#">Manufactured housing</a>	5% of 65% (or 3.25%) of the sales price stated on invoice	Not specified
<a href="#">Fireworks</a>	2% in addition to sales tax	<a href="#">Rural volunteer fire department insurance fund</a>
<i>Franchise tax</i>		
<a href="#">Franchise*</a>	1% of taxable margin for most entities; 0.5% of taxable margin for entities primarily engaged in retail or wholesale trade; 0.575% for entities with revenue less than \$10 million	<a href="#">General revenue fund</a>

<b>Tax</b>	<b>Tax Rate</b>	<b>Revenue Allocation</b>
<i>Motor vehicle sales and rental taxes</i>		
Motor vehicle sales and use*	6.25% of sales price less trade-in allowance	General revenue fund (75%); foundation school fund (25%)
Motor vehicle rental*	10% of gross receipts less discount and separately stated fees for insurance, fuel, and damage assessments for contracts of 1-30 days; 6.25% for contracts of 31-180 days	General revenue fund (75%); foundation school fund (25%)
<i>Motor fuel taxes</i>		
Gasoline*	\$0.20 per gallon	State highway fund and county and road district highway fund (75%); available school fund (25%)
Diesel fuel*	\$0.20 per gallon	State highway fund (75%); available school fund (25%)
Liquefied gas*	\$0.15 per gallon	State highway fund (75%); available school fund (25%)
<i>Oil and natural gas production taxes</i>		
Oil*	Greater of 4.6% of market value of oil produced or 4.6 cents for each barrel of 42 standard gallons	General revenue fund (75%); foundation school fund (25%)
Gas*	7.5% of market value of gas	General revenue fund (75%); foundation school fund (25%)
Condensate*	4.6% of market value of condensate	General revenue fund (75%); foundation school fund (25%)
<i>Insurance taxes</i>		
Property and casualty insurance premium	1.6% of taxable premiums	General revenue fund (75%); foundation school fund (25%)
Life, health, and accident insurance premium	0.875% of the first \$450,000 of taxable gross premiums and 1.75% of remaining taxable gross premiums	General revenue fund (75%); foundation school fund (25%)
Reciprocal and interinsurance exchange premium	1.7% of gross premiums	General revenue fund (75%); foundation school fund (25%)
Title insurance premium	1.35% of taxable premiums	General revenue fund (75%); foundation school fund (25%)
Surplus lines insurance premium	4.85% of gross premiums	Not specified
Unauthorized and independently procured insurance premium	4.85% of gross premiums	General revenue fund (75%); foundation school fund (25%)

<b>Tax</b>	<b>Tax Rate</b>	<b>Revenue Allocation</b>
<i>Cigarette and tobacco taxes</i>		
Cigarette*	\$70.50 per thousand (or \$1.41 per pack of 20) on cigarettes weighing 3 pounds or less per thousand; \$72.60 per thousand (or \$1.452 per pack of 20) for cigarettes weighing more than 3 pounds per thousand	General revenue fund (81.25%); foundation school fund (18.75%)
Cigar*	\$1 per thousand on cigars weighing 3 pounds or less per thousand; \$7.50 per thousand for cigars weighing more than 3 pounds per thousand and that sell at factory list price, exclusive of any trade discount, special discount, or deal, for 3.3 cents or less each and contain no substantial amount of nontobacco ingredients (\$11 per thousand for cigars that contain no substantial amount of nontobacco ingredients, and \$15 per thousand for cigars that contain a substantial amount of nontobacco ingredients)	General revenue fund with caveats explained in Sec. 155.2415, Tax Code
Other tobacco products*	\$1.19 per ounce until August 31, 2013; \$1.22 per ounce from September 1, 2013, and each fiscal year thereafter	General revenue fund with caveats explained in Sec. 155.2415, Tax Code
<i>Alcoholic beverages taxes</i>		
Mixed beverage	14% of gross receipts	General revenue fund
Beer*	\$6 per barrel	General revenue fund (75%); foundation school fund (25%)
Liquor*	\$2.40 per gallon; \$0.05 minimum for packages of 2 ounces or less	General revenue fund (75%); foundation school fund (25%)
Wine*	\$0.204 per gallon for liquor with less than 14 percent alcohol by volume; \$0.408 per gallon for liquor with at least 14 percent alcohol by volume; \$0.516 per gallon for artificially carbonated and natural sparkling liquor	General revenue fund (75%); foundation school fund (25%)
Ale and malt liquor*	\$0.198 per gallon	General revenue fund (75%); foundation school fund (25%)
Airline beverage	\$0.05 per individual serving	Not specified
Passenger train beverage	\$0.05 per individual serving	Not specified

<b>Tax</b>	<b>Tax Rate</b>	<b>Revenue Allocation</b>
<i>Other taxes</i>		
Unemployment assessments	Varies based on taxable wages reported by employers and individual claims charged against their accounts	Unemployment compensation fund
Gas utility pipeline	0.5% of gross income of gas utility	Not specified
Hotel occupancy*	6% of the price of a room	General revenue fund
Oil well service	2.42% of taxable services	General revenue fund (75%); foundation school fund (25%)
Coin-operated machine	\$60 per machine per year	General revenue fund (75%); foundation school fund (25%)
Cement production	\$0.0275 for each 100 pounds or fraction of 100 pounds (or \$0.55 per ton)	General revenue fund (75%); foundation school fund (25%)
Sulphur production	\$1.03 per long ton or fraction of a long ton produced in the state	General revenue fund (75%); foundation school fund (25%)
Bingo gross rentals	3% of gross rentals	General revenue fund

\*Statute directs that a small portion of tax revenue be used to cover costs associated with administering or collecting the tax or for other purposes. The balance of revenue is allocated as shown in the table.

## II. Glossary of Tax-related Terms

Ad valorem tax: “Ad valorem” is a Latin phrase that means “according to the value.” In its broadest sense, an ad valorem tax is a tax that is calculated as a percent of the value of the item without the requirement that some sort of transaction occur for the tax to be imposed. An example of an ad valorem tax is the property tax.

Alcoholic beverages taxes: All alcoholic beverage products are subject to the sales tax when purchased at retail establishments—liquor stores and grocery stores—by the final consumer. Alcoholic beverages served in restaurants and other public facilities are subject to either the sales tax or the gross receipts tax, depending on the type of permit held by the facility. Retail establishments pay a gross receipts tax on mixed alcoholic beverages. Wholesalers pay a beer tax, a liquor tax, an ale and malt liquor tax, and a wine tax. Commercial airlines and passenger trains pay a tax on each serving of an alcoholic beverage.

Beer tax: A tax on the first sale of beer by a manufacturer or distributor to a permittee or licensee authorized to sell to the final consumer or on beer imported to the state.

Bingo gross rentals tax: The tax applies to the gross rentals received by a licensed authorized commercial lessor or licensee for the rental of premises on which bingo is conducted.

Boats and boat motors sales tax: A tax on a “taxable boat or motor,” which is a boat other than a canoe, kayak, rowboat, raft, punt, or other vessel designed to be propelled by paddle, oar, or pole, or on an outboard motor.

Bond: A bond issuer, such as a governmental entity or a private company, sells bonds to raise money, and the buyer of the bonds is entitled to receive regular payments of principal and interest. A bond rating, which is assigned by an independent company, is an assessment of the bond issuer’s ability to pay promised principal and interest payments on time. There are two kinds of government-issued bonds: general obligation bonds and revenue bonds.

General obligation (GO) bonds are often referred to as “tax bonds” or “full-faith-and-credit bonds,” since the promise to repay principal and interest is based on the government’s ability to tax the population. However, GO bonds do not necessarily have to be repaid with tax dollars; instead, they may be repaid with revenues earned from the project or activity financed by the bonds.

Revenue bonds are backed by revenue generated from the project or activity financed by the bond. Normally, government-issued revenue bonds are not backed by taxes. However, a governmental entity may issue tax-backed revenue bonds to improve the bonds’ rating (thereby lowering the interest rate) or make up for any potential revenue shortfalls.

Business activity tax, business tax: A business activity tax or business tax is any tax generally paid only by businesses. Examples of business taxes are franchise taxes, gross receipts taxes, value-added taxes, and severance taxes. Businesses also pay income taxes, property taxes, and sales taxes, but these are not necessarily limited to businesses.

Capital gains tax: A capital gains tax is a tax on the profit realized when an asset, investment, or security is sold for a higher price than its purchase price. Texas does not have a capital gains tax.

Cash report: The annual cash report is published by the comptroller's office every November. It provides detailed information about revenue, expenditures, and balances for funds held in the state treasury for the prior fiscal year. All data are presented on a cash basis, meaning that revenue and expenditures are reported when actually received or expended, respectively.

Cement production tax: A tax on the manufacturer, producer, or importer of cement that is sold or used within Texas. See occupation tax.

Cigarette and tobacco taxes: Tobacco products are cigarettes, cigars, snuff, chewing tobacco, and pipe tobacco. Tobacco taxes are due when a person or entity receives tobacco products for the purpose of making a first sale. By law, the amount of the tax on cigarettes is included in the price paid by the final consumer.

Coin-operated machine tax: This tax generally applies to music and skill or pleasure machines. Coin-operated machines such as telephones, pay toilets, food vending machines, and insurance policy vending machines are exempt.

Comprehensive Annual Financial Report (CAFR): This report is published by the comptroller's office every February. It provides financial information for all state funds, including those held outside the state treasury, for the prior fiscal year. The CAFR reports on an accrual basis. "Accrual basis reporting" means that revenue and expenditures are recognized when they are owed or incurred, regardless of whether the money has been received or paid. The CAFR also provides some statistical and economic information.

Condensate tax: A tax on liquid hydrocarbon that is recovered from gas by a separator.

Consumption tax: A consumption tax is a tax that is imposed when a good or service is sold to the final consumer.

Dedicated revenue: Dedicated revenue is revenue set aside by law for a particular purpose or entity.

Excise tax: As defined in *Black's Law Dictionary* (8th ed.), it is a tax imposed on the manufacture, sale, or use of goods, or on an occupation or activity (such as a license tax). Excise taxes are sometimes called "per unit taxes."

Fee: A fee is a compulsory charge for the privilege of using a service or practicing a profession. A fee is intended to recover all or part of the cost of providing the service or regulating the profession.

Franchise tax: The franchise tax, the state's major business tax, is a tax for the privilege of doing business in Texas. The tax is calculated as a specified percentage of a business's taxable margin. See taxable margin.

Fund: A fund is a fiscal and accounting entity with a set of accounts that records cash and other financial resources. The state's fiscal structure consists of numerous funds, including the general revenue fund, special revenue funds, debt service funds, and other funds.

Gas production tax: See occupation tax and severance tax.

Gas utility pipeline tax: A tax on a gas utility pipeline that is used for transporting or carrying natural gas, whether for public hire or not.

General revenue fund (GR): The general revenue fund is the principal operating fund used to account for most of the state's general activities.

Gross receipts tax: A gross receipts tax is a tax on business receipts. The tax base is total business receipts, while the tax rate is the percentage applied to the base. Texas does not have a broad-based gross receipts tax. However, the state insurance taxes, utility taxes, and oil and gas production taxes are forms of gross receipts taxes.

Gross state product: Gross state product is a measure of the total value of goods and services produced in Texas in one year. It is the state counterpart of gross domestic product (GDP), a measure of the total value of goods and services produced in the U.S. in one year.

Hotel occupancy tax: The state hotel occupancy tax applies to room rentals of less than 30 days in hotels, motels, bed and breakfasts, or any other establishment offering sleeping accommodations to the general public.

Income tax: An income tax is a tax on the incomes of businesses and individuals. Texas does not have a personal income tax. The Texas Constitution requires voter approval of any personal income tax law before it can take effect.

Insurance taxes: Nearly all Texas insurance taxes are gross receipts taxes levied on insurance companies' gross insurance premiums. In terms of state revenue, the most important of the insurance taxes are those known as "insurance premium" taxes. The "insurance premium" tax rates for the various kinds of premiums are based on the relative amounts of companies' Texas investments.

Interest and sinking fund (I&S) tax: See property tax.

Local sales tax: Texas law authorizes cities, counties, transit authorities, and special districts, such as hospital districts, crime control districts, and development districts, to adopt a sales tax if the tax is first approved by a majority of voters at an election held for that purpose. The local sales tax covers the same tangible personal property and services as the state sales tax with a few exceptions, including sales of motor vehicles, boats and boat motors, and manufactured housing. Under state law, the combined local sales tax rates are effectively capped at two percent.

Maintenance and operations (M&O) tax: See property tax.

Manufactured housing sales tax: The tax is collected from retailers by manufacturers on the initial sale of every new manufactured home.

Motor fuels taxes: For state tax purposes, motor fuels are defined to be gasoline, diesel fuel, and liquefied gas. The taxes on gasoline and diesel fuel are levied on the first sale, distribution, or use of fuel by gasoline distributors, diesel fuel suppliers, and interstate truckers. By law, the amount of the taxes on gasoline and diesel fuel are included in the price paid by the final consumer.

Motor vehicle sales and rentals taxes: The state motor vehicle sales tax applies to the sale of both new and used motor vehicles. However, trucks that are licensed as interstate carriers are exempt from the tax. The state motor vehicle rental tax applies to rentals of 180 days or less. Rentals of longer than 180 days are classified as leases and are taxed under the motor vehicle sales tax.

Non-dedicated revenue: Non-dedicated revenue is revenue in the state's general revenue fund that is not dedicated by law to a particular function or agency.

Occupation tax: An occupation tax is a tax imposed on a person who carries on a business or commercial activity. State occupation taxes include the oil, gas, cement, and sulphur production taxes, the oil well service tax, and the coin-operated machine tax. The only practical significance of the "occupation tax" designation is the constitutional dedication of one-fourth of occupation tax receipts to public education.

Oil production tax: See occupation tax and severance tax.

Oil well service tax: See occupation tax.

Personal property: State law defines personal property as property that is not real property. See real property.

Per unit tax: A per unit tax is a tax imposed on each defined, measured quantity or unit of a taxable item. The unit of measurement for taxation is defined in the enabling legislation. Motor fuels taxes are per unit taxes, since the tax is a flat rate imposed on each gallon of fuel. Other examples of per unit taxes are the tobacco taxes, several of the alcoholic beverages taxes, the cement tax, and the sulphur production tax.

Progressive taxation: See tax equity.

Property tax: The property tax is an annual tax that is levied by local taxing units on real and personal property. The constitution prohibits the imposition of a state property tax. The taxable value of a property is determined by the appraisal district. The tax rate is set annually by the governing body of each taxing unit before the fiscal year in which the taxes are due. The property tax rate consists of a maintenance and operations (M&O) tax rate and for entities with outstanding debt, an interest and sinking fund (I&S) tax rate. The sum of the taxable values of all parcels in a jurisdiction is called the property tax base. The total tax rate applied to the tax base equals the property tax levy.

M&O taxes are taxes levied by a taxing unit to raise revenue for annual operating needs.

I&S taxes are taxes levied to raise revenue to pay principal and interest on debt.

Property tax levy: The property tax levy is the total amount of money to be raised from a property tax. The levy divided by the tax base equals the tax rate. For example, a city that needs to raise \$10 million through property taxes from a tax base of \$2 billion must have a tax rate of 0.5% or 50 cents per hundred dollars of value ( $\$10 \text{ million} / \$2 \text{ billion} = 0.005$ ).

Proportional taxation: See tax equity.

Real property: State law defines real property to mean land, buildings, and other improvements to land, mines, quarries, minerals in place, and standing timber.

Regressive taxation: See tax equity.

Sales tax: The state sales tax is a tax on the sale of tangible personal property and taxable services. The sales tax is not charged on numerous goods and services, including food for home consumption, goods purchased for resale, residential gas and electricity, prescription drugs, and newspapers and magazine subscriptions. These items are either specifically exempted from the sales tax or excluded from allowable taxable items. Cities, counties, transit authorities, and special purpose districts may impose a local sales and use tax with certain restrictions. See Local sales tax.

Severance tax: A severance tax is a tax on resources as they are “severed,” or removed, from their natural state. Texas imposes severance taxes on natural gas, oil, and sulphur.

Sulphur production tax: See occupation tax and severance tax.

Tangible personal property: State law defines tangible personal property as property that can be seen, weighed, measured, felt, or otherwise perceived by the senses. Tangible personal property is subject to property taxes unless specifically exempted by law. Personal effects and personal household furnishings not used for the production of income are examples of tangible personal property that are exempt from property taxes.

Tax: A tax is a compulsory contribution exacted by government to generate revenue for a public purpose.

Tax equity: Tax equity relates to the distribution of the burden of taxation among various income groups. The concept may be applied to individual taxes or to the entire system of taxes. The terms “progressive tax,” “regressive tax,” and “proportional tax” have both common and legal definitions. Popular definitions are those often used by the media and the general public and tend to focus on taxes paid as percentages of incomes. Legal definitions focus on the tax rate and are described in *Black’s Law Dictionary*.

Progressive tax: *Popular definition*—A tax is progressive if it consumes a larger percentage of the income of higher-income taxpayers than of lower-income taxpayers. *Black’s definition*—A type of graduated tax that applies higher tax rates as the income of the taxpayer increases. The federal income tax is an example of a progressive tax.

Proportional tax: *Popular definition*—A tax is proportional if it consumes the same percentage of income of all income groups. *Black’s definition*—A tax is proportional when the proportion paid by each taxpayer bears the same ratio to the amount to be raised that the value of his or her property bears to the total taxable value. In other words, a tax is proportional if the percentage of the tax paid by each taxpayer is equal to the percentage of the taxpayer’s property to the taxable property as a whole. A flat rate income tax is a widely cited example of a proportional tax. Another example of a proportional tax is a special tax that is apportioned according to the benefits received.

Regressive tax: *Popular definition*—A tax is regressive if the tax consumes a larger percentage of income of lower-income individuals than of higher-income individuals. *Black’s definition*—A tax levied at rates that increase less rapidly than the increase of the tax base, thus bearing more heavily on poorer taxpayers. This means that the average rate falls as income increases. Some widely cited examples of regressive taxes are sales taxes, motor fuels taxes, and property taxes.

Tax incidence: The incidence of a tax is a measure of the relative share of total tax revenue paid by various groups. The incidence is not affected by who is responsible for remitting the tax payment to the government.

Taxable margin: Taxable margin is the portion of a business’s revenue that is subject to the Texas franchise tax. A business can choose its margin as either 70 percent of its total revenue or as its total revenue minus the cost of the goods sold or compensation.

Taxing unit: A taxing unit is a political unit of the state that is created pursuant to state law and is authorized to impose sales taxes or property taxes. Taxing units include counties, incorporated cities and towns, school districts, and special purpose districts or authorities, such as junior college districts, health services districts, hospital districts, emergency medical services districts, crime control districts, development districts, improvement districts, library districts, and utility districts.

Unemployment assessments: A tax employers pay to fund unemployment compensation for eligible workers.

Use tax: A use tax is a tax imposed on taxable items that are not subject to the state sales tax at the point of sale. This tax generally is imposed to discourage people from going out of state to purchase goods without paying state sales taxes. The Texas use tax is 6.25 percent of the purchase price of taxable items purchased out of state and brought into the state for use in the state by Texas residents or businesses having a presence in Texas.

User fee: See fee.

### **III. Useful Resources About Texas Taxes From the Office of the Texas Comptroller of Public Accounts and the Legislative Budget Board <sup>3</sup>**

#### [Biennial Revenue Estimate 2014-2015 Biennium](#)

The report presents detailed tables for the revenue estimate that the comptroller's office used to certify the General Appropriations Act for the 2014-2015 biennium and other appropriations bills to be approved in the 83rd Legislature. The estimates in this document reflect projected revenue collections through August 31, 2015, the end of fiscal year 2015.

#### [Fiscal Size-up, 2012-13 Biennium](#)

Fiscal Size-up is a report produced biennially by the staff of the Legislative Budget Board. It contains a wealth of information about the structure and operation of Texas state government. Through its comprehensive descriptions of state programs and services, including more than 360 figures, the 2012-2013 report provides Texas taxpayers with a more complete understanding of how their tax dollars are being used.

#### [Tax Exemptions & Tax Incidence](#)

The first five sections of the report estimate how Texas' limited sales and use tax, franchise tax, gasoline tax, motor vehicle sales and use tax, and school property tax are affected by tax exemptions, discounts, credits, and other issues. The section of the report entitled "The Nature of Tax Incidence" explains why it is difficult to determine who pays a tax. The final section of the report, "Texas Tax Incidence," employs numerous assumptions to estimate who bears the burden of various taxes.

#### [Texas Fact Book, 2012](#)

Among many topics, this book contains data regarding state revenue and spending.

#### [Texas Taxes and Tax Rates](#)

This website provides a quick overview of tax rates for all taxes administered by the comptroller's office. Detailed information on any of these taxes is available by clicking the tax type in the chart.

#### [Where the Money Comes From](#)

The "State Revenue Search Tool" on this website allows users to get detailed revenue figures for various taxes and fees collected by the state.

#### [Your Money and The Taxing Facts, August 2012](#)

This is the first in a series of reports that are designed to help taxpayers know more about the ways in which they are affected financially by taxes. Links to the other reports in the series are available on the [Texas Transparency: Texas, It's Your Money](#) page on the website of the comptroller's office.

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<sup>3</sup> Hyperlinks were active as of March 12, 2013.

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