



Glenn Hegar Texas Comptroller of Public Accounts

Tax Exemptions & Tax Incidence

A Report to the Governor
and the 85th Texas Legislature
February 2017



February 3, 2017

The Honorable Greg Abbott, Governor
The Honorable Dan Patrick, Lieutenant Governor
The Honorable Joe Straus, Speaker of the House
Members of the 85th Legislature

Ladies and Gentlemen:

As required by Section 403.014, Texas Government Code, this report estimates the value of each exemption, exclusion, discount, deduction, special accounting method, credit, refund and special appraisal available to payers of Texas' sales, franchise, motor vehicle sales and gasoline taxes, as well as property taxes levied by Texas school districts.

For 2017, aggregate exemptions for these revenue sources will total an estimated \$55.5 billion. Of this amount, the exemptions related to the state taxes included in this report will account for \$43.7 billion; school property tax exemptions will account for the remaining \$11.8 billion.

This report also presents the results of the analysis prepared in accordance with Section 403.0141, Texas Government Code, which directs the Comptroller of Public Accounts to report on the incidence of certain taxes and exemptions.

The material in this report is provided for informational purposes only. This report makes no recommendations for retaining, eliminating or amending any provisions of the law.

Sincerely,

Glenn Hegar

cc: Ursula Parks, Director, Legislative Budget Board



Table of Contents

Overview	1
About the Estimates	1
Limited Sales and Use Tax	3
Franchise Tax	17
Motor Vehicle Sales and Use Tax	31
Gasoline Tax	33
School Property Tax	35
The Nature of Tax Incidence	43
Texas Tax Incidence	45
Limited Sales and Use Tax	47
Franchise Tax	57
Motor Vehicle Sales and Use Tax	63
Gasoline Tax	65
School Property Tax	67
Oil Production Tax	71
Insurance Premium Tax	72

Overview

In state fiscal year 2017 — from September 1, 2016 to August 31, 2017 — exemptions¹ from the sales, franchise, motor vehicle sales and gasoline production taxes will amount to \$43.7 billion.

Sales tax exemptions will total \$41.99 billion, and franchise tax exemptions will total \$1.42 billion. Motor vehicle sales tax exemptions will total \$132 million. Gasoline production tax exemptions will total \$119 million. Exemptions or special appraisals for local school district property taxes will amount to an estimated \$11.80 billion in tax year 2017.

The above amounts include exemptions and exclusions from the tax base as well as special rates, deductions and discounts.

In fiscal 2016, combined state revenues — accruing to all funds excluding trust — from the sales, franchise, motor vehicle sales and gasoline taxes totaled \$39.06 billion, accounting for more than 81 percent of the state's total tax revenue. School property taxes generated an estimated \$27.70 billion in tax year 2016.

About the Estimates

The exemption estimates are unadjusted amounts, meaning that elimination or repeal of a specific exemption would not necessarily produce the dollar amounts cited in this report. Actual receipts would depend on enforcement, taxpayer compliance, effective dates of legislation repealing the exemption, taxpayer discounts and the exact wording of the legislation.

Each estimate is based on the best information available from public and private sources, including Comptroller's office tax records. No recommendations related to the estimated exemptions have been formulated.

This report briefly and generally describes state tax exemptions. These descriptions do not grant rights or impose obligations; the Tax Code and administrative rules determine actual taxability.

There are numerous exemptions, especially from sales tax and school property tax, the value of which is not estimated. Meaningful and reliable estimation is often unfeasible due to the nature and limitations of available data.

In the case of the limited sales and use tax, the vast majority of transactions are not taxable. In 2015, the reported gross sales of businesses required to file sales tax reports was in excess of \$2.1 trillion, while their reported amount subject to sales tax was \$458 billion — less than 22 percent of reported sales was subject to sales tax. Table 2 of this report enumerates 69 specific sections of the Tax Code, many with distinct subsections that provide for exemptions from sales tax. Additionally, there are items not taxed — exclusions — that do not require explicit exemption because transactions in the items are simply beyond the scope of the tax. Transactions in real property, intangible personal property, and most services are not taxed but do not require explicit exemption because they are outside the scope of a tax that is imposed on tangible personal property and only specifically enumerated services.

It would be exceptionally burdensome on taxpayers to require detailed reporting of transactions corresponding to each of the exemption sections and subsections and to a schedule of excluded transactions, and no such detailed reporting is imposed by statute or administrative rule. Consequently, tax reports do not contain data sufficient to estimate the value of all exemptions and exclusions.

¹ The term "exemptions" as used in this overview includes exemptions, exclusions, discounts, deductions, special accounting methods, credits, refunds and special appraisals.

Estimation requires identification of pertinent, useful data available from external sources. Estimates depend on data obtained from sources such as the U.S. Census Bureau, the U.S. Energy Information Administration, the U.S. Department of Agriculture, the Texas Health and Human Services Commission, trade associations, academic papers, and often proprietary industry analyses by private consulting firms. When exemptions identified in tables have not been estimated it is because requisite data do not exist or have not been identified and acquired from an external source.

In the case of property tax, estimates of the value of exemptions or other provisions that limit property tax liabilities are based on information provided by county appraisal districts and on school district property tax rates. If the necessary information regarding property value subject to an exemption or limitation is not included in the reports filed by appraisal districts with the Comptroller's Property Tax Assistance Division, whether because the property in question is never appraised (e.g., churches, cemeteries, military bases, et al.) or because the information is not required for compliance with the laws governing appraisal districts and their constituent taxing authorities, no estimate is made. ❖

Limited Sales and Use Tax

The sales and use tax is the largest source of tax revenue for Texas state government, bringing in 58 cents of every state tax dollar in fiscal 2016. The sales tax is a levy on transactions. In general, it is imposed on final sales, rentals and leases of tangible personal property — physical goods — and on sales of certain services such as amusements, telephone services and the repair of tangible personal property.

While sales and use tax collections² totaled \$28.18 billion in fiscal 2016, the tax is limited in scope when compared with the total number and kind of transactions in the economy because of various exemptions and exclusions. For simplicity, this tax is referred to as the “sales tax” throughout the remainder of this discussion.

Classifying Sales Tax Exemptions

Liability for the sales tax is limited by three statutory mechanisms: *exemptions*, *exclusions* and *discounts*. Estimates of their values — that is, the cost to the state government in lower sales tax revenue collections — are provided in **Table 1**.

An *exemption* protects items that would be taxable except for specific provisions in the law. For example, because the Texas sales tax law taxes all sales of tangible personal property, groceries would be taxable if they were not specifically exempted.

Exclusions are transactions not taxed because they fall outside the legal definition of a taxable sale. Exclusions include sales of intangibles such as stocks and bonds and sales and rentals of real property, as well as sales of most services. Currently, only certain specified services are subject to the sales tax.

Discounts are handling fees that Texas law allows tax permit holders to retain in exchange for collecting sales taxes and sending them to the state on time. The “timely filer” discount is 0.5 percent of the amount of sales tax collected. An additional 1.25 percent “pre-payment” discount is available to those who pay their estimated taxes in advance.

Exemptions are provided for certain basic necessities such as groceries, residential gas and electric utilities and prescription and over-the-counter drugs. Other sales are exempted when made to certain groups. For example, governmental bodies and religious and nonprofit educational groups buy items for their own use tax free.

Other exemptions apply because the tax would be impractical to collect. For example, those who make only occasional sales (one or two sales of taxable items per year) do not collect sales tax; purchasers with sales tax permits, however, are responsible for remitting the tax.

Most other exemptions and exclusions prevent multiple taxation of the same items or reduce business costs.

Sales Tax: Exemptions

Specific sections of the Texas Tax Code exempt particular items from the sales tax. The following discussion outlines these exemptions and includes references to the appropriate sections of the Tax Code covering those items.

Table 1

Value of Sales Tax Exemptions, Exclusions and Discounts
Fiscal 2017 to 2022 (in millions of dollars)

Item	2017	2018	2019	2020	2021	2022
Exemptions	\$34,590.0	\$36,791.7	\$38,753.5	\$40,840.9	\$42,715.1	\$44,884.0
Exclusions	7,139.5	7,512.8	7,890.8	8,290.7	8,705.7	9,143.8
Discounts	264.0	278.5	291.5	304.6	318.3	332.6
Total	\$41,993.4	\$44,583.0	\$46,935.8	\$49,436.3	\$51,739.1	\$54,360.4

Note: Totals may not sum due to rounding.

² Includes revenue collections from the limited sales and use tax (revenue object 3102), pre-payments of the limited sales and use tax (3101), the motor fuel lubricants sales tax (3010), the limited sales and use tax for state entity sales (3103), interest on retail credit sales (3100) and the discount for the state entities collecting the sales tax (3105).

Table 2 summarizes the estimated value of these exemptions for fiscal 2017 and the following five fiscal years. Exemptions for which the value cannot be estimated due to insufficient data are marked “cbe.”

Table 2

Value of Sales Tax Exemptions
Fiscal 2017 to 2022 (in millions of dollars)

Tax Code Section	Exemption	2017	2018	2019	2020	2021	2022
151.302	Sales for resale	cbe	cbe	cbe	cbe	cbe	cbe
151.3021	Packaging supplies and wrapping (dry cleaning)	*	*	*	*	*	*
151.303	Previously taxed items	cbe	cbe	cbe	cbe	cbe	cbe
151.304	Occasional sales	cbe	cbe	cbe	cbe	cbe	cbe
151.305	Coin-operated machine sales	*	*	*	*	*	*
151.3051	Sales through certain vending machines	*	*	*	*	*	*
151.306	Transfers of common interests in property	cbe	cbe	cbe	cbe	cbe	cbe
151.307	Exemptions required by prevailing law	cbe	cbe	cbe	cbe	cbe	cbe
151.3071	Installation of certain equipment for export	*	*	*	*	*	*
151.308	Items taxed by other law						
	Crude oil	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
	Motor vehicles	4,178.3	4,334.0	4,495.4	4,663.3	4,837.1	5,017.6
	Motor fuels	2,499.4	2,801.5	3,173.3	3,497.2	3,755.8	3,974.8
	Mixed beverages	411.3	431.9	467.5	490.9	515.4	541.2
	Cement	*	*	*	*	*	*
	Aviation fuel	88.6	99.6	113.5	126.3	137.0	146.2
	Oil well servicing	125.9	144.4	155.9	162.6	166.7	170.2
	Insurance premiums	6,472.8	7,064.8	7,260.3	7,641.5	8,033.2	8,437.0
	Total for items taxed by other law	13,776.3	14,876.2	15,665.9	16,581.8	17,445.2	18,287.0
151.309	Governmental entities	398.9	409.8	423.7	438.8	452.5	467.4
151.310	Religious, educational, and public service organizations						
	Sales to nonprofits	37.3	39.2	41.2	43.2	45.4	47.7
	One day sales	8.6	9.0	9.5	10.0	10.5	11.0
151.3101	Amusement services	cbe	cbe	cbe	cbe	cbe	cbe
151.3105	Bingo equipment purchased by certain organizations	0.2	0.3	0.3	0.3	0.3	0.3
151.311	Taxable items incorporated into or used for improvement of realty of an exempt entity	28.8	29.7	30.7	31.8	32.8	33.9
151.3111	Services on certain exempted personal property	cbe	cbe	cbe	cbe	cbe	cbe
151.312	Periodicals and writings of religious, philanthropic, charitable, historical, scientific, and similar organizations	4.7	4.9	5.2	5.4	5.7	5.9
151.313	Health care supplies						
	Prescription medicine and devices	681.5	715.5	751.3	788.8	828.3	869.7
	Over-the-counter drugs	257.3	270.2	283.7	297.9	312.8	328.4
151.314	Food and food products						
	Food for home consumption	2,972.8	3,086.4	3,214.9	3,351.5	3,489.8	3,632.5
	School lunches and certain food sales	53.9	56.6	59.3	62.2	65.1	68.2
151.3141	Food stamp purchases	27.7	28.7	29.9	31.2	32.5	33.8
151.315	Water	383.3	406.2	430.4	456.2	483.4	512.3
151.316	Agricultural items						
	Agricultural feed, seed, chemicals, and supplies	498.5	512.1	520.4	523.6	525.9	529.1
	Livestock for food	21.4	21.9	22.3	22.4	22.5	22.7
	Agricultural machinery and equipment	113.9	117.0	118.9	119.7	120.2	120.9
	Horses, mules, and work animals	18.7	19.2	19.5	19.6	19.7	19.8
	Commercial fishing ice	0.3	0.3	0.3	0.3	0.3	0.3
151.3162	Timber items	30.8	31.6	31.9	32.1	32.2	32.4
151.317	Gas and electricity						
	Manufacturing	435.7	442.2	448.9	455.6	462.4	469.3
	Residential	836.9	849.5	862.3	875.3	888.3	901.6
	Agricultural	18.6	18.9	19.2	19.4	19.7	20.0
	Mining	32.8	33.3	33.8	34.3	34.8	35.4
	Timber	2.3	2.3	2.3	2.3	2.3	2.3
151.318	Property used in manufacturing						
	Materials used in manufacturing	11,473.7	12,206.5	12,978.8	13,798.8	14,679.8	15,590.9
	Manufacturing machinery and equipment	733.7	780.6	830.0	882.4	938.8	997.0
	Packaging and wrapping supplies	354.9	377.5	401.4	426.8	454.0	482.2
151.3182	Certain property used in research and development activities	149.1	152.1	155.1	158.2	161.4	164.6

Table 2 (continued)
Value of Sales Tax Exemptions
 Fiscal 2017 to 2022 (in millions of dollars)

Tax Code Section	Exemption	2017	2018	2019	2020	2021	2022
151.3185	Property used in media production, recording, and broadcasting	88.3	92.6	97.4	102.2	107.3	112.6
151.3186	Property used in cable television, internet access, or telecommunications services	50.0	50.0	50.0	50.0	50.0	50.0
151.319	Newspapers and property used in newspaper publication						
	Newspapers	37.8	38.2	38.5	38.9	39.3	39.7
	Newspaper inserts	7.0	6.9	6.8	6.8	6.7	6.6
151.320	Magazines	15.3	15.1	15.0	14.8	14.7	14.5
151.321	University and college student organizations	*	*	*	*	*	*
151.322	Containers	214.9	228.7	243.4	258.4	275.2	292.0
151.323	Certain telecommunications services	cbe	cbe	cbe	cbe	cbe	cbe
151.324	Equipment used elsewhere for mineral exploration or production	62.9	68.9	78.2	84.9	89.7	92.4
151.325	Basic fee for Internet access service	289.6	303.9	319.0	279.2	0.0	0.0
151.326	Clothing and footwear for limited period	55.1	57.7	60.6	63.7	66.8	70.2
151.327	School supplies and school backpacks before start of school	12.2	12.8	13.5	14.1	14.8	15.6
151.328	Aircraft						
	Certain aircraft	cbe	cbe	cbe	cbe	cbe	cbe
	Repair equipment and services for certain aircraft	55.4	57.9	61.0	63.9	67.1	70.6
151.329	Certain ships and ship equipment	65.9	68.9	72.5	76.1	79.8	84.1
151.3291	Boats and boat motors	62.7	65.2	67.8	70.5	73.4	76.3
151.330	Interstate shipments, common carriers and services across state lines	cbe	cbe	cbe	cbe	cbe	cbe
151.331	Rolling stock; train fuel and supplies						
	Railroad fuel and supplies	36.1	36.9	37.6	38.3	39.1	39.9
	Rolling stock and locomotives	19.7	20.3	20.9	21.6	22.3	23.0
151.332	Certain sales by senior citizen organizations	*	*	*	*	*	*
151.333	Energy-efficient products for a limited period	3.6	3.7	3.8	3.9	4.0	4.2
151.3335	Water-efficient products	4.5	4.7	4.9	5.1	5.3	5.5
151.334	Components of tangible personal property used in connection with sequestration of carbon dioxide	*	*	*	*	*	*
151.335	Coin-operated services	41.6	43.7	45.9	48.2	50.6	53.1
151.336	Certain coins and precious metals	cbe	cbe	cbe	cbe	cbe	cbe
151.337	Sales by or to Indian tribes	cbe	cbe	cbe	cbe	cbe	cbe
151.338	Environment and conservation services	cbe	cbe	cbe	cbe	cbe	cbe
151.340	Official state coin	*	*	*	*	*	*
151.341	Items sold to or used by development corporations	*	*	*	*	*	*
151.3415	Items sold to or used by to construct, maintain, expand, improve, equip, or renovate media production facilities at media production locations	0.3	0.0	0.0	0.0	0.0	0.0
151.342	Agribusiness items	0.6	0.6	0.7	0.7	0.7	0.7
151.343	Animals sold by nonprofit animal shelters	*	*	*	*	*	*
151.346	Intercorporate services	cbe	cbe	cbe	cbe	cbe	cbe
151.347	Certain lawn and yard services	*	*	*	*	*	*
151.348	Cooperative research and development ventures	cbe	cbe	cbe	cbe	cbe	cbe
151.350	Labor to restore certain property	cbe	cbe	cbe	cbe	cbe	cbe
151.3501	Labor to restore, repair, or remodel historic sites	*	*	*	*	*	*
151.351	Information services and data processing services	61.4	65.1	69.2	73.9	79.6	83.8
151.353	Court reporting services	*	*	*	*	*	*
151.354	Services by employees of property management companies	*	*	*	*	*	*
151.355	Water-related exemptions	9.3	9.7	10.3	10.8	11.3	11.9
151.356	Offshore spill response containment property	*	*	*	*	*	*
151.3565	Emergency preparation supplies for limited period	1.2	1.2	1.3	1.3	1.4	1.4
151.359	Property used in certain data centers; temporary exemption	15.0	13.4	15.4	13.7	18.1	16.4
151.3595	Property used in certain large data center; temporary exemption	**	**	**	**	**	**
151.429	Enterprise projects (refunds)	26.8	27.9	29.0	30.2	31.4	32.7
151.4921	Defense readjustment projects (refunds)	cbe	cbe	cbe	cbe	cbe	cbe
151.431	Job retention in enterprise zones (refunds)	*	*	*	*	*	*
Total		\$34,590.0	\$36,791.7	\$38,753.5	\$40,840.9	\$42,715.1	\$44,884.0

* Amount is negligible.

** Included in the estimate of property used in certain data centers under Sec. 151.359.

cbe: cannot be estimated.

Note: Totals may not sum due to rounding.

Tax Code Sec. 151.302.

Sales for Resale

The sale of a taxable item (tangible personal property or a taxable service) to a purchaser who will resell the item is exempted. For example, when a wholesaler sells books to a bookstore, tax is not due on the sale because the retailer will resell the books. The Tax Code has exempted such sales since the sales tax was imposed in 1961. One reason for the sales-for-resale exemption is to keep the sales tax from pyramiding or cascading on every transaction.

Sec. 151.3021.

Packaging Supplies and Wrapping

Internal and external wrapping and packaging supplies are exempt if sold to a dry cleaner for use in the packaging of items laundered by the dry cleaner. This section was added in 2001.

Sec. 151.303.

Previously Taxed Items: Use Tax Exemption or Credit

This section provides that the storage or use of an item is not subject to use tax if the sale of the item was subject to sales tax. It also entitles a taxpayer to credit against the Texas use tax for any similar sales or use tax the taxpayer paid to another state.

Sec. 151.304.

Occasional Sales

An occasional sale of a taxable item is exempted. "Occasional sales" include events such as the sale of the entire operating assets of a business or of an identifiable segment of a business, or one or two sales of taxable items during a 12-month period by a person who is not in the business of selling taxable items. The sales tax law has exempted such sales since the tax was imposed in 1961. The exemption also applies to up to \$3,000 per year of sales by an individual of items that were originally purchased for personal use by the individual or a family member.

Sec. 151.305.

Coin-operated Machine Sales

This provision exempts food (but not beverages), candy, chewing gum, and children's toys that are sold through a "bulk vending machine" (like gumball machines) for 50 cents or less. This exemption was added in 1989.

Sec. 151.3051.

Sales Through Certain Vending Machines

This provision exempts sales through vending machines owned and operated by a nonprofit organization providing an independent life skills and education program for individuals with special needs. This exemption was added in 2015.

Sec. 151.306.

Transfers of Common Interests in Property

This provision exempts the sale of an interest in tangible personal property if it is sold to another person, who before or after the sale owns a joint or undivided interest in the property with the seller and if the sales tax has previously been paid on the tangible personal property. The law has exempted such sales since the tax was imposed in 1961.

Sec. 151.307.

Exemptions Required by Prevailing Law

This section exempts items that the state is prohibited from taxing by the U.S. or Texas constitutions or by federal law. For example, federal law prohibits states from taxing sales to federal credit unions. This provision also lists the documentation required when an exemption is claimed because an item has been exported to a foreign country.

Sec. 151.3071.

Installation of Certain Equipment for Export

Electronic audio equipment purchased in Texas for use outside the U.S. is exempt from Texas sales tax, even if the equipment is installed (e.g., in a motor vehicle) in Texas. This section was added in 1993.

Sec. 151.308.

Items Taxed by Other Law

This provision exempts from sales tax items taxed under other Texas tax laws, including oil taxed under the oil production tax, fuels covered by motor fuels taxes, cement taxed under the cement production tax, motor vehicles covered by the motor vehicle sales tax, alcoholic beverages taxed under the mixed beverage tax, oil well services taxed under the oil well service tax and insurance premiums subject to insurance premium taxes. The sales tax law has contained such provisions since 1961.

There is no cost to exempt oil and cement from the sales tax under this section because these items would qualify for exemption as materials used in manufacturing.

The amounts for the other exemptions in this section would be in addition to the revenues collected for those items under taxes authorized elsewhere in the Tax Code.

If motor fuels were taxed under the sales tax, the resulting revenue would be dedicated (for transportation and education spending) according to the Texas Constitution.

Motor vehicles are currently taxed under a separate sales tax at the same rate as the state sales tax; however, there is no local motor vehicle sales tax.

It is assumed that if the sales tax were applied to insurance, buyers would pay sales tax on the purchase of insurance policies, with the revenue collected and remitted by insurance companies.

Sec. 151.309.

Governmental Entities

This section exempts items sold, leased or rented to governmental entities, including the U.S., an agency or instrumentality of the U.S., the state of Texas or a county, city, special district or other political subdivision of this state. The sales tax law has contained such provisions since 1961.

Sec. 151.310.

Religious, Educational, and Public Service Organizations

This section exempts items sold, leased or rented to religious, educational or charitable organizations; organizations exempted from federal income taxes under Section 501(c)(3), (4), (8), (10) or (19) of the Internal Revenue Code; nonprofit youth athletic organizations; volunteer fire departments; chambers of commerce; and convention and tourist promotional agencies. The section references certain guidelines that nonprofit hospitals, exempted under this section, must meet in providing charity care and community benefits. The sales tax law has contained several of these exemptions since 1961; others were added or expanded since then.

The provision also allows religious, educational and charitable organizations and Section 501(c)(3), (4), (8), (10) or (19) organizations to hold two day-long tax-free sales or auctions during a calendar year. This provision was added in 1977 and subsequently expanded.

Sec. 151.3101.

Amusement Services

Amusement services are exempted if they are exclusively provided by certain organizations, including this state, a municipality, county, school district, special district or other political subdivision of Texas or the U.S.; educational, religious or charitable organizations; law enforcement associations; and other nonprofit organizations, or if the services are provided in a place designated as a historic landmark. For example, this section exempts sales of tickets to high school and college football games. This exemption was added in 1984 when amusement services became taxable.

Sec. 151.3105.

Bingo Equipment Purchased by Certain Organizations

This section exempts bingo equipment purchased by an organization licensed to conduct bingo under Chapter 2001, Occupations Code, that is exempt from the payment of federal income taxes under Section 501(a) of the Internal Revenue Code of 1986 (as amended) by being listed as an exempt organization under Sections 501(c)(3), (4), (8), (10) or (19) of the Internal Revenue Code of 1986. This section was added in 2003.

Sec. 151.311.

Taxable Items Incorporated Into or Used for Improvement of Realty of an Exempt Entity

This provision exempts certain items used in performing a contract to improve real property for a governmental entity or an organization exempt under Sec. 151.310. For example, a contractor building a new public school can purchase the building materials tax-free. The contractor can also purchase tax-free certain consumable supplies and certain taxable services performed at the job site, such as surveying or landscaping services. This provision was added in 1969 and has been amended several times since then.

Sec. 151.3111.

Services on Certain Exempted Personal Property

This section extends the exemption available for certain tangible personal property to services performed on that tangible personal property. For example, repair services performed on agricultural equipment (like tractors and combines) are exempted from tax by this section. This exemption was added in 1984, when certain services became taxable.

Sec. 151.312.

Periodicals and Writings of Religious, Philanthropic, Charitable, Historical, Scientific, and Similar Organizations

This section exempts periodicals and writings that are published and distributed by a nonprofit religious, philanthropic, charitable, historical, scientific or other similar organization (but not an educational organization). The provision was added in 1989 to replace the previous exemption for religious periodicals, which the courts found unconstitutional.

Sec. 151.313.

Health Care Supplies

This provision exempts sales of prescription and non-prescription drugs; corrective lenses and therapeutic devices prescribed by a doctor; insulin; hospital beds; hypodermic syringes or needles; braces; hearing aids; orthopedic, dental or prosthetic devices; blood glucose monitoring test strips; and certain devices used by people who are blind or deaf. Several of these items have been exempt since 1961, but the exemption has been expanded over the years.

Sec. 151.314.

Food and Food Products

This section exempts food products for human consumption, like cereals, milk, meat, poultry, fish, eggs, vegetables, fruit, spices, salt, sugar, coffee and tea. It does not exempt meals sold in restaurants, vitamins, over-the-counter medicines (see Sec. 151.313), soft drinks, ice and candy.

Meals, soft drinks and candy are exempted if sold by certain organizations, like elementary or secondary public or private schools, student or parent-teacher organizations,

churches, hospitals, retirement facilities or nonprofit youth athletic organizations. The sales tax law has exempted food products since it was enacted in 1961.

Sec. 151.3141.

Food Stamp Purchases

This section exempts items purchased with food stamps. Federal law prohibits states from participating in the food stamp program without such an exemption, which Texas added in 1987.

Sec. 151.315.

Water

This provision, which has been in the law since 1961, exempts sales of water. It does not include the disposal of wastewater, which is a nontaxable service.

Sec. 151.316.

Agricultural Items

This section exempts certain agricultural items including horses, mules and work animals; animals that ordinarily constitute food (e.g., cattle, poultry etc.); feed for farm and ranch animals and for animals held for sale; certain seeds and annual plants; chemicals used on a farm or ranch in production; and machinery and equipment used on a farm or ranch to build roads or water facilities. The section also exempts items used to produce agricultural products for sale or to process, pack or market agricultural products; underground irrigation equipment; and ice used by commercial fishing boats. Several of these items have been exempt since 1961. As of January 1, 2012, persons wishing to claim the agriculture or timber exemptions must be registered with the Comptroller's office.

Sec. 151.3162.

Timber Items

This provision, added in 1999, exempts seedlings, certain chemicals, machinery and equipment and irrigation systems used in the production of timber. The exemption, phased in over several years, was created as a credit or refund of sales taxes paid on these items beginning on October 1, 2001, and became fully effective January 1, 2008.

Sec. 151.317.

Gas and Electricity

This section exempts certain sales of gas and electricity, including when used in processing a product for sale; in exploring for or producing and transporting a material extracted from the earth; in agricultural operations; by an electric utility; in residences including apartments, nursing homes and dormitories; and in timber operations. The section also grants cities the option to tax the residential use of gas and electricity.

Sec. 151.318.

Property Used in Manufacturing

This section exempts several types of items used in manufacturing products for sale, including materials that become part of the manufactured product. It also exempts tangible personal property necessary or essential to the manufacturing operation if it causes a physical or chemical change in the product being manufactured. The section exempts services performed directly on the manufactured product; certain chemicals used during the manufacturing operation; wrapping and packaging materials; certain equipment used to reduce water use and to reuse and recycle wastewater streams in the manufacturing process; pollution control equipment; and cleanroom equipment.

It also exempts certain purchases by a person overhauling or repairing jet turbine aircraft engines; publishers of newspapers that are distributed free of charge; and purchases of semiconductor fabrication cleanrooms and equipment.

The exemption specifically excludes certain items, including equipment rented for less than a year, hand tools, office supplies and equipment and supplies used in maintenance and janitorial activities. The exemption also excludes items relating to sales or distribution activities, storage and maintenance, research and development and transportation.

Sec. 151.3182.

Certain Property Used in Research and Development Activities

This section exempts depreciable tangible personal property when directly used in "qualified research" as defined by Section 41 of the Internal Revenue Code, so long as the taxpayer claiming this exemption does not also take the franchise tax exemption for taxable entities engaged in qualified research. This exemption was added in 2013.

Sec. 151.3185.

Property Used in the Production of Motion Pictures or Video or Audio Recordings and Broadcasts

Equipment is exempt when the item is necessary or essential and used directly in the production of motion pictures, video, or audio recordings. This equipment exemption had previously been included under Sec. 151.318. This section was added in 1999. This section also exempts items used in digital TV and radio broadcasting.

Sec. 151.3186.

Property Used in Cable Television, Internet Access, or Telecommunications Services

This section allows providers of cable television, Internet access or telecommunications services a refund of sales and use taxes they pay on most items they use to provide their services. The maximum amount that can be refunded in the aggregate under this section is \$50 million per year. This exemption was added in 2013.

Sec. 151.319.

Newspapers and Property Used in Newspaper Publication

This section exempts sales of newspapers. It also exempts advertising supplements printed to the special order of a customer, distributed as a part of the newspaper and delivered to the person who is responsible for the distribution of the newspaper in which the item is distributed (i.e., not delivered to the customer).

Sec. 151.320.

Magazines

Sales of subscriptions to magazines that are sold for a semiannual or longer period and sent as second-class mail are exempt from tax.

Sec. 151.321.

University and College Student Organizations

This section exempts sales by certain qualified student organizations at fundraising events if the event lasts only one day, only one sale is held each month and the sales price of the item is \$5,000 or less. This exemption was added in 1995.

Sec. 151.322.

Containers

This provision exempts sales of certain containers, including a container sold with its contents if the sales price of the contents is not taxed; a non-returnable container sold without contents to a person who fills the container and sells the contents and the container together; and a returnable container sold with its contents or resold for refilling.

Sec. 151.323.

Certain Telecommunications Services

This section exempts several different types of transactions involving the sale of telecommunications services. They include the resale of telecommunications services, long distance services that are neither originated from nor billed to a number or address in Texas and broadcasts (other than cable TV) by radio or TV stations licensed by the FCC.

Sec. 151.324.

Equipment Used Elsewhere for Mineral Exploration or Production

This section exempts tangible personal property (e.g., drill pipe, casing or tubing) used for the exploration for or production of oil, natural gas, sulphur or other minerals offshore not in this state. The exemption was added in 1967.

Sec. 151.325.

Basic Fee for Internet Access Service

This section, added in 1999, exempts the first \$25 of a monthly charge for Internet access. The exemption applies without regard to whether the access service is bundled with

another service or to the billing period used by the Internet access service provider. Amounts paid for access service in excess of \$25 (on a monthly basis) are subject to taxation. This exemption will be of no consequence after June 30, 2020, as federal law will prohibit state sales taxation of internet access service.

Sec. 151.326.

Clothing and Footwear for a Limited Period

This section exempts items of clothing and footwear. The exemption is limited to items costing less than \$100. The items are exempt from tax only during a three-day period consisting of a Friday, Saturday and Sunday of each August in advance of the start of school. The exemption does not apply to special or protective clothing or footwear, nor does it apply to accessories such as jewelry, handbags or luggage. The rental of clothing is not exempt. This section was added in 1999.

Sec. 151.327.

School Supplies and School Backpacks Before Start of School

This section exempts the sale of school supplies and backpacks costing less than \$100 and purchased for use by students in public or private elementary or secondary schools. The items are exempt from sales tax only during a three-day period consisting of a Friday, Saturday and Sunday of each August in advance of the start of school. Backpacks were exempted in 2007; school supplies were added in 2009.

Sec. 151.328.

Aircraft

This provision exempts aircraft 1) sold to a person using the aircraft as a certificated or licensed carrier of persons or property; 2) sold to a person using the aircraft for training or instructing pilots in a licensed course of instruction; 3) sold to a foreign government; 4) sold to a person for use and registration in another state or nation; or 5) sold to a person for agricultural use.

In addition, the repair, remodeling and maintenance services performed on aircraft operated by carriers or flight schools, and the machinery and equipment used in performing such repair services, are exempt.

Sales of tangible personal property permanently affixed or attached as a component part of an aircraft operated by a carrier or flight school are also exempt.

Sec. 151.329.

Certain Ships and Ship Equipment

This section exempts sales of 1) component parts of a vessel of eight or more tons displacement and used in a commercial enterprise or used commercially for pleasure fishing by individuals as paying passengers on the vessel; 2) a commercial vessel of eight or more tons displacement sold

by the vessel's builder; 3) materials and labor used in repairing or converting a commercial vessel of eight or more tons displacement; 4) materials and supplies for a vessel operating exclusively in foreign or interstate coastal commerce used in the maintenance and operation of the vessel or that become component parts of the vessel; and 5) certain materials and supplies purchased by a provider of stevedoring services for a qualifying vessel.

Sec. 151.3291.

Boats and Boat Motors

This provision exempts the sale, but not the lease or rental, of a boat or boat motor taxable under the boat and boat motor sales and use tax (Chapter 160). This section was added in 1991, when the boat and boat motor sales and use tax was enacted.

Sec. 151.330.

Interstate Shipments, Common Carriers and Services Across State Lines

This section exempts the sale of tangible personal property shipped outside Texas by the seller or delivered by the seller to a carrier or a forwarding agent for shipment outside the state.

The section also exempts tangible personal property acquired outside this state stored in Texas temporarily and used solely outside this state or physically attached to other tangible personal property used solely outside this state.

Services performed for use outside the state are exempt.

The section also exempts tangible personal property sold to a common carrier if the carrier ships the property outside this state using its own facilities and uses the property in its business as a common carrier outside this state. Repair or replacement parts acquired outside this state for a self-propelled vehicle used as a licensed and certificated common carrier are also exempt.

Sec. 151.331.

Rolling Stock; Train Fuel and Supplies

Rolling stock, locomotives, fuel and supplies essential to the operation of trains are exempt, as are electricity and certain fuels used in the repair or maintenance of rolling stock.

Sec. 151.332.

Certain Sales by Senior Citizen Organizations

This provision exempts sales of items produced by a person 65 years of age or older if sold at a qualified fundraising sale sponsored by a nonprofit organization that provides assistance to elderly persons. The exemption was added in 1981.

Sec. 151.333.

Energy-Efficient Products

This section exempts sales of certain energy-efficient products that have been designated as an Energy Star qualified product. The exemption is limited to 1) air

conditioners not exceeding \$6,000; 2) clothes washers; 3) ceiling fans; 4) dehumidifiers; 5) dishwashers; 6) incandescent or fluorescent light bulbs; 7) programmable thermostats; and 8) refrigerators not to exceed \$2,000. The items are exempt from tax only during a three-day period beginning on the Saturday preceding the last Monday in May and ending on the last Monday in May. This section was added in 2007.

Sec. 151.3335.

Water-Efficient Products

This section provides for an exemption of certain water-conserving products used on residential property when purchased during the last weekend in May. Eligible items include a soaker or drip irrigation system, rain collection system, mulch and certified "WaterSense" products. This exemption was added in 2015.

Sec. 151.334.

Components of Tangible Personal Property Used in Connection with Sequestration of Carbon Dioxide

This section exempts components of tangible personal property used in connection with an advanced clean energy project that are installed to capture, transport, inject or prepare for transportation or injection of carbon dioxide from an anthropogenic emission source if the carbon dioxide is sequestered in Texas as part of an enhanced oil recovery project under conditions that create a reasonable expectation that at least 99 percent of the carbon dioxide will remain sequestered from the atmosphere for at least 1,000 years. This exemption was added in 2009.

Sec. 151.335.

Coin-operated Services

Amusement and personal services provided through coin-operated machines that are operated by the consumer are exempt. For example, receipts from coin-operated washing machines are exempted by this section. Coin-operated amusement machines are taxed under a separate tax levied on a per-machine basis. This section was added in 1984.

Sec. 151.336.

Certain Coins and Precious Metals

The sale of gold, silver or numismatic coins, or of platinum, gold or silver bullion, is exempt. This section was added in 1989 and amended in 2013 to remove a \$1,000 threshold for the exemption.

Sec. 151.337.

Sales by or to Indian Tribes

This section exempts items sold to a tribal council or a business owned by a tribal council of the Alabama-Coushatta Indian Tribe, the Tigua Indian Tribe or the Texas Band of Kickapoo Indians.

The section also exempts items sold by a tribal council, or a business owned by a tribal council, if the item is a cultural artifact made by a tribe member and sold within the boundaries of either the reservation or trust land held by the tribe. This exemption was added in 1983.

Sec. 151.338.

Environment and Conservation Services

This provision exempts services to repair, remodel, maintain or restore tangible personal property if the service is required by statute, order or rule of any commission, agency, court or political, governmental or quasi-governmental entity to protect the environment or to conserve energy. The exemption was added in 1984.

Sec. 151.340.

Official State Coin

This section exempts the sales of official state coins produced under Section 11.05, State Purchasing and General Services Act (Article 601b, Vernon's Texas Civil Statutes). The exemption was added in 1987.

Sec. 151.341.

Items Sold to or Used by Development Corporations

This provision exempts items sold to a nonprofit corporation formed under the Development Corporation Act of 1979 (Article 5190.6, Vernon's Texas Civil Statutes), if the item is for the exclusive use and benefit of the nonprofit corporation.

Sec. 151.3415.

Items Sold to or Used to Construct, Maintain, Expand, Improve, Equip, or Renovate Media Production Facilities at Media Production Locations

This section exempts the sale of tangible personal property used 1) for the construction, maintenance, expansion, improvement or renovation of a media production facility at a qualified media production location; 2) to equip a media production facility at a qualified media production location; or 3) for the renovation of a building or facility at a qualified media production location that is to be used exclusively as a media production facility. This exemption was added in 2009.

Sec. 151.342.

Agribusiness Items

This section exempts sales of bins used as containers in transporting fruit, vegetables or poultry from the farm to a location where the items are processed, packaged or marketed. Also exempt are poultry cages used in transportation to a location for processing, packaging or marketing. The exemption was added in 1983 and expanded in 1995.

Sec. 151.343.

Animals Sold by Nonprofit Animal Shelters

The sale, including an adoption fee, of an animal by a nonprofit animal shelter is exempt. This section was added in 1999.

Sec. 151.344.

Post Exchanges on State Military Property

Taxable items sold, leased or rented to or stored, used or consumed by post exchanges on state military property are exempt from sales and use tax. In addition, taxable items sold, leased or rented by these exchanges are exempt.

Sec. 151.346.

Intercorporate Services

This provision exempts certain services provided among affiliated entities, at least one of which is a corporation that reports its income to the Internal Revenue Service on a single consolidated return for the tax year in which the transaction occurs. The exemption was added in 1987.

Sec. 151.347.

Certain Lawn and Yard Services

This section exempts lawn mowing and other yard maintenance services performed by individuals who are younger than 18 years of age, or who are 65 years of age or older, and whose total receipts in the most recent four calendar quarters do not exceed \$5,000. Additionally, there are no taxes due on services performed by self-employed individuals whose total receipts in the most recent four calendar quarters do not exceed \$5,000. The exemption was added in 1987 and amended in 1989 and 1995.

Sec. 151.348.

Cooperative Research and Development Ventures

This provision exempts qualifying items sold in connection with a joint research and development venture as defined by 15 U.S.C. Section 4301 to an entity participating in the venture, if the items are created or substantially modified by or for the joint research and development venture. It also exempts purchases by a joint research and development venture, notice of whose establishment and participants was first published in the Federal Register on January 17, 1985, or May 19, 1988. The section was added in 1987 and expanded in 1989.

Sec. 151.350.

Labor to Restore Certain Property

This section exempts charges for labor to restore real or tangible personal property damaged within a disaster area by the condition that caused the area to be declared a disaster area by the Governor or the President. It was added in 1993 and amended in 1995.

Sec. 151.3501.

Labor to Restore, Repair, or Remodel Historic Sites

This section exempts the labor to restore, repair, or remodel an improvement to real property if it is performed on property listed in the National Register of Historic Places. This section was added in 2003.

Sec. 151.351.

Information Services and Data Processing Services

Twenty percent of the value of information services and data processing services are exempt. This section was added in 1999.

Sec. 151.353.

Court Reporting Services

Court reporting services relating to the preparation of a document in a civil or criminal suit are exempt when sold to a participant in the suit. This includes depositions, discovery documents, testimony transcripts, and statements of facts. It also applies to such records on audio or video tape, or provided by a video photographer. This section was added in 1995.

Sec. 151.354.

Services by Employees of Property Management Companies

Otherwise taxable services provided by permanently assigned, on-site employees of property management companies are not subject to the sales tax. The exemption does not apply to services performed by an employee for properties other than the one to which the employee is permanently assigned. This section was added in 1999.

Sec. 151.355.

Water-related Exemptions

This section exempts equipment, services, and supplies used for rainwater harvesting, desalination of surface water or groundwater, brush control to enhance water availability precipitation enhancement, the construction or operation of certain water supply or wastewater systems, and for certain items used to process, reuse, and recycle wastewater that will be used in fracturing work at an oil or natural gas well. The exemption does not apply to consumer appliances or fixtures (e.g., washing machines, dishwashers, toilets, etc.) that are designed to limit water usage. This section was added in 2001 and amended in 2003 and 2007.

Sec. 151.356.

Offshore Spill Response Containment property

This section exempts certain tangible personal property and services related to an off-shore spill response containment property as defined by Section 11.271 of the Tax Code. This exemption was added in 2013.

Sec. 151.3565.

Emergency Preparation Supplies for a Limited Period

This section provides for an exemption of certain items including portable generators priced less than \$3,000; certain storm protection devices and rescue ladders priced less than \$300; and numerous other items priced less than \$75 including portable light sources, batteries, fire extinguishers, waterproof sheeting and hatchets, among others. This exemption was added in 2015.

Sec. 151.359.

Property Used in Certain Data Centers; Temporary Exemption

This section exempts certain items necessary to the operation of qualifying data centers. A qualifying data center is one that a taxpayer builds or occupies after September 1, 2013 that is at least 100,000 square feet; creates at least 20 qualifying jobs and for which the minimum investment over a five-year period is \$200 million. This exemption was added in 2013.

Sec. 151.3595.

Property Used in Certain Large Data Center Projects; Temporary Exemption

This section exempts certain items necessary to the operation of qualifying large data centers. A qualifying data center is one that a taxpayer builds or occupies after May 1, 2015 that is at least 250,000 square feet; entails at least 20 megawatts transmission capacity; creates at least 40 qualifying jobs and for which the minimum investment is \$500 million over a five-year period. This exemption was added in 2015.

Sec. 151.429.

Enterprise Projects (Refunds)

This section makes enterprise projects eligible for a refund of sales taxes paid on all taxable items for use at a qualified business site related to the project. The refund amounts are subject to annual limits and vary as a function of the amount of capital investment and the number of jobs created or retained. Otherwise eligible refund amounts above the annual limits may be carried forward to subsequent years.

This section also entitles the owner of a qualified hotel project to a refund of the sales and hotel occupancy taxes paid or collected by the project or by businesses located in the hotel project during the first 10 years after the hotel project is open for occupancy. This section was added in 1987 and has been expanded several times since then.

Sec. 151.4291.

Defense Readjustment Projects (Refunds)

In 1997, tax refunds for defense readjustment projects were authorized for certain equipment, building materials, labor, electricity and natural gas used in remodeling or constructing structures in a readjustment zone.

Sec. 151.431.

Job Retention in Enterprise Zones (Refunds)

A qualified business operating in an enterprise zone is entitled to a one-time refund of sales taxes paid on purchases of machinery or equipment used in an enterprise zone if the business has retained 10 or more jobs held by qualified employees during the year. The business must be certified as eligible for a refund by the governing body of the enterprise zone, and no more than three eligible businesses may be so certified by each city or county during each calendar year. The total amount of the one-time refund to a qualified business may not exceed \$500 for each qualified employee retained, up to a limit of \$5,000 for each qualified business. This section was added in 1989.

Sales Tax: Exclusions

At its inception in 1961, the sales tax was not imposed on sales of services. Beginning in the mid-1980s, certain services have become subject to the sales tax.

In 1984, the sales tax was imposed on laundry and dry cleaning, amusement admissions, cable television service, auto parking, most non-automotive repair services, and certain personal services.

The following year, the tax was extended to intrastate long-distance telephone service.

In 1987, a number of other services were added to the sales tax base, including local and interstate long-distance telephone service, repair and remodeling of nonresidential real property, data processing, landscaping and lawn maintenance, janitorial and extermination services, security services, garbage removal, credit reporting and debt collection, information services, certain surveying services, and insurance services.

Many services remain excluded from the tax, some of which are profiled in **Table 3**. The value of the exclusions shown in **Table 3** is expected to be \$7.14 billion in fiscal 2017, approximately one-quarter of total expected sales tax collections.

Of the services excluded by the Tax Code, the largest group is professional services. These include medical, dental and other health care; legal services; accounting and audit services; engineering and architectural services; real estate brokerages; financial securities brokerages and veterinary services.

Another large exclusion is for labor charges by contractors on new residential and non-residential construction jobs. Labor for residential repair and remodeling also remains tax free. The materials used in construction jobs, however, are subject to sales tax.

Sales Tax: Discounts

Texas' sales tax law allows two kinds of discounts, as shown in **Table 4**.

Taxpayers who report and remit on time may retain 0.5 percent of the taxes they collect as compensation for collecting those taxes. In fiscal 2017, the value of this discount will be an estimated \$131.6 million.


As an incentive for early payment, taxpayers who pre-pay their taxes based on a reasonable estimate of their tax liability are allowed to retain an additional 1.25 percent. The value of this pre-payment discount will be about \$132.4 million in fiscal 2017 .

Table 3

Value of Selected Service Exclusions from the Sales Tax

Fiscal 2017 to 2022 (in millions of dollars)

Construction Labor

Service Exclusion	2017	2018	2019	2020	2021	2022
New residential construction	\$144.4	\$151.5	\$159.1	\$167.2	\$175.5	\$184.2
New nonresidential construction	332.6	370.9	391.7	414.0	437.0	461.5
Residential repair and remodeling	101.7	106.8	112.2	117.8	123.6	129.8

Personal Services

Service Exclusion	2017	2018	2019	2020	2021	2022
Barber and beauty	\$99.4	\$104.2	\$109.4	\$114.9	\$120.6	\$126.7
Funeral	70.2	73.6	77.3	81.2	85.2	89.5
Child day care	154.9	162.4	170.5	179.1	188.0	197.4
Miscellaneous personal services	21.5	22.5	23.6	24.8	26.1	27.4

Business and Professional Services

Service Exclusion	2017	2018	2019	2020	2021	2022
Physician services	\$1,176.3	\$1,233.8	\$1,295.3	\$1,360.1	\$1,428.2	\$1,499.6
Dental services	477.3	500.6	525.6	551.9	579.5	608.5
Other health care	660.4	692.6	727.2	763.6	801.8	841.9
Legal services	484.0	508.0	533.5	560.5	588.2	617.7
Accounting and audit services	313.3	328.9	345.3	362.8	380.8	399.8
Architectural and engineering services	452.7	475.1	498.9	524.2	550.1	577.6
Management consulting and public relations	175.5	184.2	193.4	203.2	213.3	223.9
Contract computer programming	206.7	216.9	227.8	239.4	251.2	263.8
Research and development services	178.7	187.6	197.0	207.0	217.2	228.1
Marketing research and public opinion polling	36.2	38.0	40.0	42.0	44.1	46.3
Testing labs	59.4	62.3	65.5	68.7	72.2	75.8
Outdoor display advertising	17.4	18.2	19.1	20.1	21.1	22.2
Employment agency services	44.7	46.9	49.3	51.8	54.3	57.1
Temporary labor services	362.6	380.5	399.6	419.9	440.6	462.7
Financial securities brokerage	150.7	158.1	166.0	174.5	183.1	192.3
Other financial services	92.2	96.8	101.6	106.8	112.1	117.7
Real estate brokerage and agency	293.4	308.0	323.4	339.8	356.6	374.4
Freight hauling	371.0	389.4	408.9	429.6	450.9	473.5
Other transportation (except scheduled passenger)	23.8	25.0	26.2	27.5	28.9	30.4
Veterinary service	101.8	106.8	112.1	117.7	123.6	129.8

Other Services

Service Exclusion	2017	2018	2019	2020	2021	2022
Automotive maintenance and repair	\$385.4	\$404.2	\$424.4	\$445.6	\$467.9	\$491.3
Car washes	41.0	43.0	45.1	47.4	49.8	52.2
Private vocational education	60.9	63.8	67.0	70.4	73.9	77.6
Other educational services	49.6	52.0	54.6	57.3	60.2	63.2

Total	2017	2018	2019	2020	2021	2022
Value of Selected Service Exclusions	\$7,139.5	\$7,512.8	\$7,890.8	\$8,290.7	\$8,705.7	\$9,143.8

Note: Tables may not sum due to rounding.

Table 4

Sales Tax Discounts

Fiscal 2017 to 2022 (in millions of dollars)

Discount	2017	2018	2019	2020	2021	2022
Timely Filer Discount	\$131.6	\$138.8	\$145.3	\$151.8	\$158.7	\$165.8
Prepayment Discount	132.4	139.7	146.2	152.8	159.6	166.8
Total	\$264.0	\$278.5	\$291.5	\$304.6	\$318.3	\$332.6

Note: Tables may not sum due to rounding.

Franchise Tax

The franchise tax serves as Texas' primary business tax. Adopted in its modern-day form in 1907, the franchise tax is one of Texas' oldest revenue sources. Originally levied as a tax on corporate assets, the tax changed little but for the rate until 1991. That year, in answer to revenue shortfalls related to legal challenges to the method of tax computation and to longstanding equity concerns, the Legislature revised the tax. From 1992 to 2007, the franchise tax was computed on a dual tax base of capital (net worth) and earned surplus (modified net income).

A commission appointed by Gov. Rick Perry in 2005 proposed a major rewrite of the franchise tax to include many partnerships in the tax base, along with corporations, and provide some of the revenue needed for reducing the maintenance and operations component of local school district property tax rates. In May 2006, the Legislature adopted a major restructuring of the tax in HB 3, which took effect for taxes due in 2008.

The changes affected many aspects of the franchise tax. Legal forms of business subject to the tax were expanded to include partnerships, trusts and other business forms. Sole proprietorships and general partnerships consisting solely of natural persons are still excluded from the tax. In fiscal 2016, total franchise tax collections were \$3.88 billion.³

How the Franchise Tax Is Computed

The computation of the franchise tax completely changed with the revisions effective in 2008. Previously, the tax was based on a corporation's capital (net worth) and earned surplus (modified federal taxable income). The base for the new franchise tax is margin, to be determined using one of four methods.

Each method begins with the business's total revenue. Total revenue is closely related to a business's gross receipts, with some additions and subtractions. From total revenue a business may subtract one of four amounts to arrive at its margin:

- 1) \$1 million
- 2) cost of goods sold
- 3) compensation
- 4) 30 percent of total revenue

Businesses apportion margin to Texas according to the share of their total business conducted in the state, as measured by their gross receipts. Depending on the industry the firm is in, a tax rate of either 0.75 percent or 0.375 percent is applied to the apportioned margin to arrive at the amount of tax due. Most businesses use the 0.75 percent rate. Those primarily engaged in wholesale or retail trade (including food service) use the 0.375 percent rate.

An additional method for calculating tax may be used by businesses with total revenue of \$20 million or less, known as the EZ calculation. Under this method, a business determines total revenue and the apportionment factor, then multiplies apportioned revenue by a rate of 0.331 percent to determine the amount of tax due.

Tax payments and tax reports are due annually to the Comptroller of Public Accounts on May 15 and cover the taxpayer's previous fiscal year. Report deadline extensions to August 15 and November 15 may be requested.

Origin of Franchise Tax Exemptions

While many aspects of the franchise tax were changed for 2008 and beyond, the provisions in the law related to tax-exempt entities remained the same.

Some franchise tax exemptions arise due to federal law. For example, federally chartered credit unions and federal financial agencies — the Federal National Mortgage Association (Fannie Mae), Federal Home Loan Mortgage Corporation (Freddie Mac), Federal Reserve banks etc. — are outside the bounds of the federal and state tax systems. These organizations are exempt not only from the franchise tax but also from the registration requirements of the Secretary of State and the Comptroller's office. Consequently, data on these organizations are not provided in this report.

³ Includes revenue collections from the franchise/business margins tax (revenue object 3130) and the franchise tax (3131).

The Tax Code also recognizes federal exemptions for nonprofit organizations exempt under Internal Revenue Code (IRC) sections 501(c)(3), (4), (5), (6), (7), (8), (10), (16) and (19). In addition, the Tax Code follows federal tax exemptions for profit-making organizations under IRC sections 501(c)(2) and (25). Exemptions for these organizations are discussed in Tax Code Section 171.063.

A third group of organizations are franchise tax-exempt due to specific state exemptions. These exemptions are found in Tax Code Sections 171.051 through 171.062 and 171.064 through 171.087. In some cases the state exemption overlaps with a federal exemption; an organization may qualify under either. For example, a church might qualify for a franchise tax exemption under its federal 501(c)(3) exemption [Tax Code 171.063(a)(1)] or under a state exemption for religious organizations (Tax Code 171.058).

The changes in the franchise tax beginning in 2008 included the expansion of the types of entities subject to tax beyond corporations. The Legislature also added Tax Code Section 171.088 which exempts non-corporate entities that would qualify under the exemption provisions if the entity had been organized as a corporation. Any reference in the following discussion to corporations should be construed to include other types of business entities now subject to the franchise tax. The estimates in **Tables 5** through **7** include both corporate and newly taxable entities.

Legislative Changes Since the 2015 Report

The 84th Legislature reduced franchise tax rates (HB 32). The rates discussed above are applicable to reports due on or after January 1, 2016. Prior to this change, the rates were 1 percent for most taxable entities, 0.5 percent for taxable entities engaged in retail or wholesale trade and 0.575 percent for taxable entities electing the EZ calculation. The reduced rates impact the value of the tax exemptions presented in this report.

Nonprofit vs. Exempted

A nonprofit entity is not exempt from the franchise tax solely due to its nonprofit status. For many of the exemptions, nonprofit status is only one of several requirements for exemption. Common requirements are that the organization be engaged in serving a particular type of client, be engaged in a particular line of work or be organized for and involved in a specified type of pursuit.

Classifying Franchise Tax Exemptions

There are four broad categories of franchise tax relief:

- statutory exemptions
- deductions and exclusions
- special accounting methods
- credits and refunds

Statutory Exemptions

A statutory exemption is used to grant certain types of firms a full waiver from all franchise tax liability and reporting requirements. For example, insurance companies are fully exempt because they are required to pay a separate tax on their gross premiums.

To become exempt, a nonprofit organization or company is generally required to prove itself eligible for the exemption. However, three types of businesses are not required to register with the Comptroller’s office before receiving the exemption: insurance companies (exempt under Tax Code Section 171.052); state-chartered credit unions (171.077); and trade show participants (171.084) (See **Table 6**).

Table 5

Value of Franchise Tax Exemptions, Deductions, Special Accounting Methods, and Credits and Refunds

Fiscal 2017 to 2022 (in millions of dollars)

Item	2017	2018	2019	2020	2021	2022
Exemptions: For Profit Entities	\$324.3	\$333.2	\$341.2	\$350.1	\$358.7	\$367.7
Exemptions: Nonprofit Entities	315.1	323.8	331.6	340.2	348.6	357.3
Deductions	343.5	358.5	373.8	386.9	399.7	410.5
Special Accounting Methods	207.1	215.8	220.9	226.3	231.7	237.5
Credits and Refunds	229.7	286.8	293.7	301.4	308.8	316.5
Total	\$1,419.8	\$1,518.1	\$1,561.2	\$1,605.0	\$1,647.5	\$1,689.4

Note: Totals may not sum due to rounding.

Table 6

Value of Franchise Tax Exemptions

Fiscal 2017 to 2022 (in millions of dollars)

Tax Code Section	Exemption	2017	2018	2019	2020	2021	2022
171.051(d)	Exemptions granted before September 1, 1975	<i>Included with IRS 501(c)(3)</i>					
171.052 and 171.0525	Insurance company	\$204.8	\$210.4	\$215.5	\$221.1	\$226.5	\$232.2
171.053	Railway terminal corporation	*	*	*	*	*	*
171.055	Open-end investment company	117.8	121.0	123.9	127.2	130.3	133.6
171.056	Corporation with business interest in solar energy devices	1.7	1.7	1.7	1.8	1.8	1.9
171.057	Nonprofit corporation organized to promote a county, city, or another area of state	<i>Included with IRS 501(c)(6)</i>					
171.058	Nonprofit corporation organized for religious purposes	<i>Included with IRS 501(c)(3)</i>					
171.059	Nonprofit corporation organized to provide burial places	1.2	1.2	1.3	1.3	1.3	1.4
171.060	Nonprofit corporation organized for agricultural purposes	<i>Included with IRS 501(c)(5)</i>					
171.061	Nonprofit corporation organized for educational purposes	<i>Included with IRS 501(c)(3)</i>					
171.062	Nonprofit corporation organized for public charity	<i>Included with IRS 501(c)(3)</i>					
171.063	Nonprofit corporation exempt from federal income tax						
	IRS Sec 501(c)(2)	0.2	0.2	0.2	0.2	0.3	0.3
	IRS Sec 501(c)(3)	266.6	273.9	280.5	287.8	294.9	302.2
	IRS Sec 501(c)(4)	12.8	13.1	13.4	13.8	14.1	14.5
	IRS Sec 501(c)(5)	2.3	2.4	2.5	2.5	2.6	2.7
	IRS Sec 501(c)(6)	8.8	9.0	9.2	9.5	9.7	9.9
	IRS Sec 501(c)(7)	4.5	4.7	4.8	4.9	5.0	5.1
	IRS Sec 501(c)(8)	0.9	0.9	1.0	1.0	1.0	1.0
	IRS Sec 501(c)(10)	0.1	0.1	0.1	0.1	0.1	0.1
	IRS Sec 501(c)(16)	*	*	*	*	*	*
	IRS Sec 501(c)(19)	0.2	0.2	0.2	0.2	0.3	0.3
	IRS Sec 501(c)(25)	0.0	0.0	0.0	0.0	0.0	0.0
171.064	Nonprofit corporation organized for conservation purposes	<i>Included with IRS 501(c)(3)</i>					
171.065	Nonprofit corporation organized to provide water supply or sewer services	1.3	1.3	1.4	1.4	1.4	1.5
171.066	Nonprofit corporation involved with city natural gas facility	0.0	0.0	0.0	0.0	0.0	0.0
171.067	Nonprofit corporation organized to provide convalescent homes for elderly	0.1	0.1	0.1	0.1	0.1	0.1
171.068	Nonprofit corporation organized to provide cooperative housing	*	*	*	*	*	*
171.069	Agricultural marketing association	<i>Included with IRS 501(c)(5)</i>					
171.070	Lodges	<i>Included with IRS 501(c)(8)</i>					
171.071	Farmers' cooperative society	<i>Included with IRS 501(c)(5)</i>					
171.072	Housing finance corporation	<i>Included with IRS 501(c)(3)</i>					
171.073	Hospital laundry cooperative association	*	*	*	*	*	*
171.074	Development corporation	<i>Included with IRS 501(c)(6)</i>					
171.075	Cooperative association	<i>Included with IRS 501(c)(3)</i>					
171.076	Cooperative credit association	*	*	*	*	*	*
171.077	Credit union	1.4	1.4	1.4	1.5	1.5	1.5
171.079	Electric cooperative corporation	11.9	12.2	12.5	12.8	13.1	13.4
171.080	Telephone cooperative corporation	2.6	2.7	2.8	2.9	2.9	3.0
171.081	Corporation exempt by another law	*	*	*	*	*	*
171.082	Certain homeowners' associations	0.3	0.3	0.3	0.3	0.3	0.3
171.083	Emergency medical service corporation	<i>Included with IRS 501(c)(3)</i>					
171.084	Certain trade show participants	*	*	*	*	*	*
171.085	Sludge recycling operation	*	*	*	*	*	*
171.087	Nonprofit corporation organized for student loan funds or student scholarship purposes	<i>Included with IRS 501(c)(3)</i>					
Total		\$639.4	\$657.0	\$672.7	\$690.3	\$707.2	\$724.9

*Amount is negligible

Note: Totals may not sum due to rounding.

Deductions and Exclusions

A tax deduction or exclusion allows a taxable firm to subtract amounts from its tax base or from its apportionment computation. Generally, all other franchise tax regulations must be followed. A deduction can lower a firm’s overall tax bill, but usually not by the full amount of the deduction.

The deduction is applied to the firm’s tax base or apportionment formula before the application of a tax rate. Because the tax rate is applied after the deduction is taken, the reduction in tax liability is generally less than the deduction amount. If the deduction is taken against the tax base, the resulting reduction in tax liability will usually equal the deduction (in dollars) multiplied by the tax rate (in percent). If the deduction is made from the apportionment computation, the reduction in tax liability is not readily apparent without actual computation.

One reason for granting special deductions or exclusions is to promote certain activities or behavior. For example, to encourage the development of solar energy sources, the Legislature has permitted firms to exclude from their tax bases their purchases of qualifying solar energy devices.

Some deductions or exclusions may be granted to prevent the taxation of items exempt from taxation under

federal law, such as interest income on U.S. Government obligations. Other deductions or exclusions grant tax relief to small firms (See **Table 7**).

Special Accounting Rules

A special accounting rule allows a qualifying firm to use an accounting or computation method not available to all other franchise taxpayers. The special accounting rule may be designed to relieve small firms of certain accounting burdens. Also, in the same manner as a deduction or exclusion, a special accounting rule may be used to encourage certain activities or to treat otherwise similar businesses in a consistent manner. For example, regulated investment management service companies benefit from a special apportionment rule because the Legislature sought to encourage these firms to locate in Texas. Likewise, certain entities that rent goods are treated as retailers because they directly compete with entities that are in retail trade.

Credits and Refunds

A credit allows a taxpayer to subtract directly from the amount of tax owed. For this reason, a tax credit provides greater financial relief to taxpayers than a deduction of the same dollar amount.

Table 7

Value of Franchise Tax Deductions, Exclusions, Special Accounting Methods, and Credits and Refunds
Fiscal 2017 to 2022 (in millions of dollars)

Deductions and Exclusions

Tax Code Section	Item	2017	2018	2019	2020	2021	2022
171.002(d)	Small business exception	\$193.8	\$199.1	\$203.9	\$209.2	\$214.3	\$219.7
171.006	Adjustment of eligibility for no tax due and compensation deduction	19.0	19.5	19.9	20.5	21.0	21.5
171.101(a)(1)(B)(i)	Optional subtraction of \$1 million from total revenue for determination of taxable margin	46.8	48.1	49.3	50.6	51.8	53.1
171.107	Deduction of cost of solar energy device from margin apportioned to this state	*	*	*	*	*	*
171.108	Deduction of cost of clean coal project from margin apportioned to this state	*	*	*	*	*	*
171.109	Deduction of relocation costs by certain taxable entities from margin apportioned to this state	0.1	0.1	0.1	0.1	0.1	0.1
171.1011(g-3)(3)	Exclusion from total revenue for handling pro bono service cases by attorneys	*	*	*	*	*	*
171.1011(g-4)	Exclusion from total revenue of certain flow-through funds and reimbursements for pharmacy cooperatives and pharmacy network providers	0.4	0.4	0.4	0.4	0.5	0.5
171.1011(g-5)	Exclusion from total revenue of payments made to artists by a qualified live event promotion company	0.7	0.7	0.8	0.8	0.8	0.8
171.1011(g-6)	Exclusion from total revenue or certain payments made by qualified destination management companies	*	*	*	*	*	*
171.1011(g-7)	Exclusion from total revenue of certain payments made by qualified courier and logistics companies	0.2	0.2	0.2	0.2	0.3	0.3

Table 7 (continued)

Value of Franchise Tax Deductions, Exclusions, Special Accounting Methods, and Credits and Refunds

Fiscal 2017 to 2022 (in millions of dollars)

Tax Code Section	Item	2017	2018	2019	2020	2021	2022
171.1011(g-8)	Exclusion from total revenue of certain payments made by aggregate transporters	0.8	0.9	0.9	0.9	0.9	0.9
171.1011(g-10)	Exclusion from total revenue of certain payments made by barite transporters	*	*	*	*	*	*
171.1011(g-11)	Exclusion from total revenue of certain payments made by an entity performing landman services	0.7	0.7	0.7	0.7	0.8	0.8
171.1011(m)	Exclusion from total revenue of dividends and interest received from federal obligations	7.7	12.5	18.5	21.3	24.1	24.5
171.1011(n),(o)	Exclusion from total revenue by health care providers of payments received from certain health care program payers and for costs of uncompensated care	63.1	65.8	68.4	71.2	73.9	76.8
171.1011(u)	Exclusion from total revenue for the cost of a vaccine	2.4	2.5	2.5	2.6	2.7	2.7
171.1011(v)	Exclusion from total revenue of certain costs incurred by certain taxable entities engaged in the transportation of goods by waterways	1.7	1.7	1.7	1.8	1.8	1.9
171.1011(w-1)	Exclusion from total revenue of certain costs incurred by taxable entities that provide agricultural aircraft operation services	0.1	0.1	0.1	0.1	0.1	0.1
171.1012(k-2)	Cost of goods sold subtraction for certain pipeline entities	3.7	3.8	3.9	4.0	4.1	4.2
171.1012(t)	Additional cost of goods sold subtraction for movie theaters	2.3	2.3	2.4	2.4	2.5	2.6
171.1013(b-1)	Additional subtraction of newly provided health benefit costs	0.1	0.1	0.1	0.1	0.1	0.1
Total	Deductions, Discounts and Exclusions	\$343.5	\$358.5	\$373.8	\$386.9	\$399.7	\$410.5

Special Accounting Methods

Tax Code Section	Item	2017	2018	2019	2020	2021	2022
171.0001(4)(B)	5-year exemption for veteran-owned businesses	\$0.4	\$0.9	\$1.3	\$1.2	\$0.8	\$0.6
171.0001(12)(B), (D),(E) and (F)	Definition of retail includes certain rental activities	5.3	5.4	5.6	5.7	5.8	6.0
171.0001(12)(C)	Definition of retail includes automotive repair services	5.7	5.8	6.0	6.1	6.3	6.4
171.1016	EZ computation and rate	35.1	36.0	36.9	37.9	38.8	39.8
171.106(b),(c)	Apportionment for certain investment management companies	4.8	5.0	5.1	5.2	5.3	5.5
171.106(f),(f-1)	Apportionment of proceeds from the sale of certain loans and securities	128.4	131.9	135.1	138.6	142.0	145.6
171.106(g)	Apportionment for Internet hosting	1.9	1.9	2.0	2.0	2.1	2.1
Rule 3.591(e)(32)	Apportionment for transportation companies	7.9	11.1	11.3	11.2	11.4	11.6
Rule 3.591(e)(30)	Apportionment for telephone companies	18.1	18.6	19.0	19.5	20.0	20.5
Total	Special Accounting Methods	\$207.1	\$215.8	\$220.9	\$226.3	\$231.7	\$237.5

Credits and Refunds

Tax Code Section	Item	2017	2018	2019	2020	2021	2022
171.111	Temporary credit on taxable margin	\$42.1	\$94.1	\$96.4	\$98.9	\$101.3	\$103.8
171.652	Tax credit for a clean energy project	0.0	0.0	0.0	0.0	0.0	0.0
Subchapter M	Tax credit for certain research and development activities	173.5	178.3	182.5	187.3	191.9	196.7
Subchapter S	Tax credit for certified rehabilitation of certified historic structures	14.1	14.5	14.8	15.2	15.6	16.0
171.501	Refund for job creation in enterprise zone	*	*	*	*	*	*
Total	Credits and Refunds	\$229.7	\$286.8	\$293.7	\$301.4	\$308.8	\$316.5

*Amount is negligible

Note: Totals may not sum due to rounding.

Tax credits come in two types, distinguished by their frequency. One-time credits are available for a single tax period (or until they are exhausted). By contrast, continuing credits are available for use year after year. Each type may be used for a variety of public policy purposes — e.g., to influence taxpayer behavior, to grant tax relief or to smooth the flow of state and local tax receipts.

Refunds operate much like credits, with one important difference: With credits, taxpayers receive a reduction in their tax liability; with refunds, taxpayers receive a payment from the state.

Refunds are typically established for the same policy purposes as tax credits.

Franchise Tax: **Exemptions**

Tax Code Sec. 171.051(d).

Franchise Tax Exemptions Granted Before Sept. 1, 1975

Corporations that received exemptions before Sept. 1, 1975 retain their exemptions. Prior to this date, exemptions were administered by the Secretary of State. These exemptions may be of any type and include schools, churches, water supply corporations and foundations.

Sec. 171.052 and 171.0525.

Insurance Company

An insurance organization, title insurance company or title insurance agent that is authorized to engage in the insurance business in Texas and required to pay an annual premium tax levied under the Insurance Code is exempt from franchise tax. Farm mutuals, local mutual aid associations and burial associations also are not subject to the franchise tax.

Sec. 171.053.

Railway Terminal Corporation

A railway terminal corporation organized under Texas railroad statutes, subject to regulation by the Railroad Commission and that has no annual net income from its business, is exempt.

Sec. 171.055.

Open-end Investment Company

An open-end investment company as defined by the Federal Investment Company Act of 1940, and that is registered under the Texas Securities Act, is exempt. An open-end investment company is one that offers for sale, or has outstanding, any redeemable security of which it is the issuer. A mutual fund is an example of an open-end investment company.

Sec. 171.056.

Corporation with Business Interest in Solar Energy Devices

A corporation engaged exclusively in the business of manufacturing, selling or installing solar energy devices is exempt.

Sec. 171.057.

Nonprofit Corporation Organized to Promote a County, City or Another Area of State

A nonprofit corporation organized solely to promote the public interest of a county, city, town or another area in the state is exempt. Examples include chambers of commerce, civic league organizations, local youth programs and volunteer fire departments.

Sec. 171.058.

Nonprofit Corporation Organized for Religious Purposes

A nonprofit corporation organized primarily for the purpose of religious worship is exempt.

Sec. 171.059.

Nonprofit Corporation Organized to Provide Burial Places

A nonprofit corporation that provides plots for the burial of human remains is exempt.

Sec. 171.060.

Nonprofit Corporation Organized for Agricultural Purposes

A nonprofit corporation organized to hold agricultural fairs and encourage agricultural pursuits is exempt. An example is a county fair association.

Sec. 171.061.

Nonprofit Corporation Organized for Educational Purposes

A nonprofit corporation seeking exemption under this provision must show that (1) its activities are devoted exclusively to systematic instruction, particularly in the commonly accepted arts, sciences, and vocations; (2) it has a regularly scheduled curriculum, using commonly accepted methods of teaching; (3) it has a faculty of qualified instructors; and (4) it has an enrolled student body or students in attendance at a place where the educational activities are regularly conducted. Private primary and secondary schools are examples.

Sec. 171.062.

Nonprofit Corporation Organized for Public Charity

A nonprofit corporation organized for purely public charity that devotes all or substantially all of its efforts to

the alleviation of poverty, disease, pain and suffering by providing food, clothing, drugs, treatment, shelter or psychological counseling directly to indigent or similarly deserving members of society, and deriving its funds primarily from sources other than fees or charges for its services, is exempt.

Sec. 171.063.

Nonprofit Corporation Exempt from Federal Income Tax

A nonprofit corporation that is exempt from federal income tax under Internal Revenue Code Sections 501(c)(2), (3), (4), (5), (6), (7), (8), (10), (16), (19) and (25) is exempt from the franchise tax.

Section 501(c)(3) exempts religious, educational, charitable, scientific and literary organizations. This group includes organizations that test for public safety, societies to foster national or international amateur sports competition and societies for the prevention of cruelty to children or animals. Examples include churches, private schools, museums, theaters, evangelistic associations, YM/WCAs and humane societies.

Section 501(c)(4) exempts civic leagues, social welfare organizations and local associations of employees. Examples include Lions Clubs, Rotary Clubs, associations of retired persons, volunteer fire departments and employees' clubs.

Section 501(c)(5) exempts labor, agricultural and horticultural organizations. In general, the organizations are educational or instructive for the purposes of improving work conditions, products and efficiency. Examples include flower societies, police unions, bovine breeder associations and irrigation councils.

Section 501(c)(6) exempts business leagues, chambers of commerce, real estate boards and other similar organizations. These entities typically concern themselves with the improvement of business conditions of one or more types of businesses.

Section 501(c)(7) exempts organizations of a social and recreational nature. The activities of these organizations primarily relate to pleasure, recreation and social activities. Examples are college and university social sororities and fraternities, country clubs and adult athletic associations.

Section 501(c)(8) exempts fraternal beneficiary societies and associations. These organizations include organizations providing their members with payments of life, sickness, accident or other benefits. Examples are the Independent Order of Odd Fellows and the Elks Lodge.

Section 501(c)(10) exempts domestic fraternal societies and associations. Generally, these are lodge organizations that devote their net earnings to charitable, fraternal and other specified purposes. These organizations do not provide life, sickness or accident benefits to members. Examples are the Scottish Rite and the Fraternal Order of Eagles.

Section 501(c)(16) exempts cooperative organizations that finance crop operations, generally in connection with activities of a marketing or purchasing association. An example is a livestock credit corporation.

Section 501(c)(19) exempts organizations of former or current members of the armed forces. Examples are Veterans of Foreign Wars (VFW) posts and their auxiliary organizations.

Sections 501(c)(2) and 501(c)(25) exempt a particular type of for-profit corporation. These corporations hold the title to the property of another affiliated exempt organization and pass funds through to that exempt organization.

Sec. 171.064.

Nonprofit Corporation Organized for Conservation Purposes

A nonprofit corporation organized solely to educate the public about the protection and conservation of grasslands, forests and fish, game or other wildlife is exempt. Examples are a wetland habitat preservation alliance and a society to preserve a particular forest.

Sec. 171.065.

Nonprofit Corporation Organized to Provide Water Supply or Sewer Services

A nonprofit water supply or sewer service corporation organized under Article 1434a, Vernon's Texas Civil Statutes, is exempt. These special corporations may serve cities, towns and political subdivisions but not municipal utility districts.

Sec. 171.066.

Nonprofit Corporation Involved with City Natural Gas Facility

A nonprofit corporation organized to construct, acquire, own, lease or operate a natural gas facility on behalf of and for the benefit of a city, or the residents of a city, is exempt.

Sec. 171.067.

Nonprofit Corporation Organized to Provide Convalescent Homes for Elderly

A nonprofit corporation organized to provide convalescent housing for persons at least 62 years old, or who are handicapped or disabled, is exempt.

Sec. 171.068.

Nonprofit Corporation Organized to Provide Cooperative Housing

A nonprofit corporation engaged solely in the business of owning residential property for the purpose of providing cooperative housing for individuals is exempt.

Sec. 171.069.

Agricultural Marketing Association

A marketing association incorporated under Agricultural Code Chapter 52 is exempt. Such organizations generally provide a means or vehicle for selling the agricultural products produced by its collective members.

Sec. 171.070.

Lodges

A lodge incorporated under Article 1399 et seq., Revised Civil Statutes of Texas, 1925, is exempt. Examples of lodges qualifying for this exemption are the Masons and Elks.

Sec. 171.071.

Farmers' Cooperative Society

A farmers' cooperative society incorporated under Agricultural Code Chapter 51 is exempt. A farmers' cooperative may provide its members with an economical and effective means of purchasing farming supplies and materials such as tractor fuel and fertilizer.

Sec. 171.072.

Housing Finance Corporation

A housing finance corporation incorporated under Local Government Code Chapter 394 is exempt. A housing finance corporation is a financing vehicle used by local governments to provide safe and sanitary housing for its residents at affordable prices.

Sec. 171.073.

Hospital Laundry Cooperative Association

A hospital laundry cooperative association incorporated under Health and Safety Code Chapter 301, Subchapter A, is exempt. Eligible institutions include municipalities; state political subdivisions; state-supported health-related institutions including the Texas A&M University System, University of Texas System and Texas Woman's University; nonprofit health-related institutions; and cooperative associations created under Health and Safety Code Chapter 301, Subchapter B, a unit of which is located in a county with a population of more than 2.5 million.

Sec. 171.074.

Development Corporation

A nonprofit corporation organized under the Development Corporation Act of 1979 (Article 5190.6, Vernon's Texas Civil Statutes) is exempt. The purpose of a development corporation is to provide communities in Texas with a means of financing private industrial and manufacturing enterprises that will benefit the economic development of the community.

Sec. 171.075.

Cooperative Association

A cooperative association incorporated under Health and Safety Code Chapter 301, Subchapter B, or under the Cooperative Association Act (Article 1396-50.01, Vernon's Texas Civil Statutes), is exempt. Qualified associations may be formed by institutions exempt under Section 171.073.

The cooperative may provide services to its members including central heating and cooling services, steam and chilled water supply and child care services for the children of employees, consultants, students and volunteers of cooperative association members, as well as temporary child care services for the children of patients and customers of those members.

Another category includes cooperatives with commercial activities. These organizations are typically classified along functional lines: consumer cooperatives, purchasing cooperatives, marketing cooperatives, workers' productive cooperatives, farmers' cooperatives, financial cooperatives and insurance companies.

Sec. 171.076.

Cooperative Credit Association

A cooperative credit association incorporated under Agriculture Code Chapter 55 is exempt. A cooperative credit association's purpose is to provide a financing source for its members. Such associations may be formed only by persons who are Texas residents engaged in the production, or production and marketing, of staple agricultural products or in the raising, breeding, feeding, fattening or marketing of livestock.

Sec. 171.077.

Credit Union

A credit union incorporated under the Texas Credit Union Act (Finance Code Title 3, Subtitle D) is exempt. State-chartered credit unions exempt under this section are not required to register with the Comptroller's office.

Sec. 171.079.

Electric Cooperative Corporation

An electric cooperative incorporated under the Electric Cooperative Corporation Act (Utilities Code Chapter 161) that is not a participant in a joint powers agency is exempt. The purpose of electric cooperatives is to provide electricity to rural areas.

A joint powers agency is formed with one or more public entities, and the agency formed is a governmental body subject to Government Code Chapter 551. A joint powers agency's business activities are confined to the generation, transmission and sale of electricity to the participant entities and to private entities that are joint owners with the agency of an electric generating facility located within Texas.

Sec. 171.080.

Telephone Cooperative Corporation

A telephone cooperative corporation incorporated under the Telephone Cooperative Act (Utilities Code Chapter 162) is exempt. The purpose of a telephone cooperative is to provide telephone service to rural areas.

Sec. 171.081.

Corporation Exempt by Another Law

This section states that a corporation that is exempt from the franchise tax under another federal or state statute is not affected by the lack of a specific exemption provision in Chapter 171 of the Tax Code. An example is a health facilities development corporation created under Health and Safety Code Chapter 221, in which Section 221.033 exempts such a corporation from all state taxes. Accordingly, even though there is no provision in Chapter 171 exempting the corporation, it is exempt from franchise tax.

Sec. 171.082.

Certain Homeowners' Associations

A nonprofit corporation is exempt if the corporation is organized and operated primarily to obtain, manage, construct and maintain the common property in or of a residential condominium or residential real estate development, and the collective individual resident owners control at least 51 percent of the votes of the corporation. A project or development is considered residential if the project or development is legally restricted for residential use.

Sec. 171.083.

Emergency Medical Service Corporation

A nonprofit corporation organized solely to provide emergency medical services, including rescue and ambulance services, is exempt.

Sec. 171.084.

Certain Trade Show Participants

This provision exempts a foreign corporation from the franchise tax for certain solicitation of orders for personal property by its representatives, as would typically be found in a trade show. The solicitation must be limited to five periods during a specified time span, and a solicitation period may not exceed 120 consecutive hours.

Sec. 171.085.

Sludge Recycling Operation

A corporation engaged solely in the business of recycling municipal sludge is exempt.

Sec. 171.086.

Political Subdivisions

Political subdivision corporations are exempted from the franchise tax.

Sec. 171.087.

Nonprofit Corporation Organized for Student Loan Funds or Student Scholarship Purposes

A nonprofit corporation organized solely to provide student financial aid is exempt.

Deductions, Discounts, Exclusions, Special Accounting Methods and Credits and Refunds

For many of the allowable deductions, exclusions or special accounting methods, taxpayers are not required to alert the Comptroller when using the deduction or accounting method. For this reason, the precise number of taxpayers taking advantage of these forms of tax relief is unknown. The fiscal impact of these tax benefits are estimated using a variety of computation methods, including comparison with federal tax information, if appropriate.

Other deductions or special accounting methods require the entry of data on the franchise tax report in a manner that allows the identification of each taxpayer using the deduction or method. Tax credits and discounts also can be identified on a taxpayer-specific basis.

Franchise Tax: Deductions and Exclusions

Sec. 171.002(d).

Small Business Exception

Firms with a tax liability of less than \$1,000 are not required to remit the tax. Firms with total revenue from their entire business enterprise of not more than \$1 million, adjusted per Section 171.106, are not required to remit the tax, although they must file informational reports.

Sec. 171.006.

Adjustment of Eligibility for No Tax Due and Compensation Deduction

The threshold on total revenue for the small business exception (Section 171.002(d)) is adjusted at the beginning of each even-numbered year by a percentage equal to the percentage increase or decrease in the Consumer Price Index for All Urban Consumers (CPI-U) during the preceding state fiscal biennium, rounded to the nearest \$10,000. A similar adjustment is made to the maximum allowable subtraction for a single employee's compensation found in Section 171.1013(c). The first adjustment became effective on Jan. 1, 2010; additional adjustments took effect on Jan. 1, 2012; Jan. 1, 2014 and Jan. 1, 2016.

Sec. 171.101(a)(1)(B)(i).

Optional Subtraction of \$1 Million from Total Revenue for Determination of Taxable Margin

A taxable entity may elect to subtract \$1 million from their total revenue to determine taxable margin in lieu of subtracting cost of goods sold, compensation or the standard deduction of 30 percent of total revenue.

Sec. 171.107.

Deduction of Cost of Solar Energy Device from Margin Apportioned to this State

Taxpayers may deduct 10 percent of the amortized cost of installed solar energy equipment from the taxable margin base.

Sec. 171.108.

Deduction of Cost of Clean Coal Project from Margin Apportioned to this State

Taxpayers may deduct 10 percent of the amortized cost of equipment used in a clean coal project from the taxable margin base.

Sec. 171.109.

Deduction of Relocation Costs by Certain Taxable Entities from Margin Apportioned to this State

A taxable entity that relocates its main office or principal place of business to this state from another state, and that did not do business in this state prior to the relocation, may take a one-time deduction from margin apportioned to this state for relocation expenses.

Sec. 171.1011(g-3)(3).

Exclusion from Total Revenue for Handling Pro Bono Service Cases by Attorneys

Taxpayers who are attorneys may exclude \$500 per pro bono services case handled by the attorney, but only if the attorney maintains records of the pro bono services for auditing purposes in accordance with the manner in which those services are reported to the State Bar of Texas.

Sec. 171.1011(g-4).

Exclusion from Total Revenue of Certain Flow-through Funds and Reimbursements for Pharmacy Cooperatives and Pharmacy Network Providers

A taxable entity that is a pharmacy cooperative may exclude from its total revenue any rebates from pharmacy wholesalers distributed to the pharmacy cooperative's shareholders. A taxable entity that provides a pharmacy network may exclude reimbursements, pursuant to contractual agreements, for payments to pharmacies in the network.

Sec. 171.1011(g-5).

Exclusion from Total Revenue of Payments Made to Artists by a Qualified Live Event Promotion Company

A taxable entity that is a qualified live event promotion company may exclude from its total revenue payments made to an artist in connection with the provision of a live entertainment event.

Sec. 171.1011(g-6).

Exclusion from Total Revenue of Certain Payments Made by Qualified Destination Management Companies

A taxable entity that is a qualified destination management company may exclude from its total revenue payments made to other persons to provide services, labor or materials in connection with the provision of destination management services as defined by law.

Sec. 171.1011(g-7).

Exclusion from Total Revenue of Certain Payments Made by Qualified Courier and Logistics Companies

A taxable entity that is a qualified courier and logistics company may exclude from total revenue subcontracting payments made to nonemployee agents for the performance of delivery services on behalf of the taxable entity.

Sec. 171.1011(g-8).

Exclusion from Total Revenue of Certain Payments Made by Aggregate Transporters

A taxable entity that is primarily engaged in the business of transporting aggregates may exclude from its total revenue subcontracting payments made to independent contractors for delivery services on behalf of the taxable entity.

Sec. 171.1011(g-10).

Exclusion from Total Revenue of Certain Payments Made by Barite Transporters

A taxable entity that is primarily engaged in the business of transporting barite may exclude from its total revenue subcontracting payments made to independent contractors for delivery services on behalf of the taxable entity.

Sec. 171.1011(g-11).

Exclusion from Total Revenue of Certain Payments Made by an Entity Performing Landman Services

A taxable entity that is primarily engaged in the business of providing landman services may exclude from its total revenue subcontracting payments made to nonemployees for performance of landman services on behalf of the taxable entity.

Sec. 171.1011(m).

Exclusion from Total Revenue of Dividends and Interest Received from Federal Obligations

Taxpayers may exclude from their total revenue dividends and interest received from federal obligations.

Sec. 171.1011(n) and (o).

Exclusion from Total Revenue by Health Care Providers of Payments Received from Certain Health Care Program Payers and for Costs of Uncompensated Care

Payments received from Medicaid, Medicare, the Children's Health Insurance Program, indigent health care or for professional services provided in relation to a workers' compensation claim, or to a beneficiary rendered under the TRICARE military health system, are excluded from the total revenue of a health care provider. The provider may also exclude from its total revenue the actual cost of uncompensated care. The level of exclusion of the listed payments and costs is 50 percent for a health care provider that is a health care institution (Section 171.1011(o)) and 100 percent for other health care providers (Section 171.1011(n)).

Sec. 171.1011(u).

Exclusion from Total Revenue for the Cost of a Vaccine

A taxable entity shall exclude from total revenue the actual cost paid for a vaccine.

Sec. 171.1011(v).

Exclusion from Total Revenue of Certain Costs Incurred by Certain Taxable Entities Engaged in the Transportation of Goods by Waterways

A taxable entity that is primarily engaged in transporting goods by waterways that does not subtract cost of goods sold in computing taxable margin shall exclude from total revenue direct costs of providing transportation services to the same extent that a taxable entity that sells, in the ordinary course of business, real or tangible property would be authorized to subtract those costs as cost of goods sold in computing its taxable margin.

Sec. 171.1011(w-1).

Exclusion from Total Revenue of Certain Costs Incurred by Taxable Entities that Provide Agricultural Aircraft Operation Services

A taxable entity primarily engaged in the business of providing services as an agricultural aircraft operation as defined in federal regulations may exclude from its total revenue the cost of labor, equipment, fuel and materials used in providing those services.

Sec. 171.1012(k-2).

Cost of Goods Sold Subtraction for Certain Pipeline Entities

A taxable entity that provides pipeline transportation services for others, and only for that portion of the product to which the entity does not own title, may subtract as a cost of goods sold its depreciation, operations and maintenance costs allowed by law.

Sec. 171.1012(t).

Additional Cost of Goods Sold Subtraction for Movie Theaters

If a taxable entity that is a movie theater elects to subtract the cost of goods sold, the cost of goods sold for the taxable entity shall be the costs related to the acquisition, production, exhibition or use of a film or motion picture, including the expenses for the right to use the film or motion picture.

Sec. 171.1013(b-1).

Additional Subtraction of Newly Provided Health Benefit Costs for Certain Small Employers

This provision applies to small employers as defined by the Insurance Code that have not provided health care benefits to any of their employees in the calendar year preceding the beginning date of the reporting period, and that elect to subtract compensation for calculating taxable margin. If a qualified employer provides health benefits to all employees during the reporting period, the employer may subtract an additional amount equal to 50 percent of the cost of providing health benefits in the first 12-month period on which margin is based, and an amount equal to 25 percent of the cost during the second 12-month period.

Franchise Tax: Special Accounting Methods

Sec. 171.0001(4)(B).

Beginning date for a qualified veteran-owned business

A taxable entity that is a qualified veteran-owned business that begins doing business in Texas on or after Jan. 1, 2016 owes no franchise tax on business conducted before the fifth anniversary of the date the entity began doing business. This provision expires on Jan. 1, 2020.

Sec. 171.0001(12)(B), (D), (E) and (F).

Definition of Retail Includes Certain Rental Activities

Taxable entities that are primarily engaged in the renting of apparel; rental-purchase agreement activities; renting or leasing of tools, party and event supplies and furniture; or renting or leasing of heavy construction equipment are defined to be engaged in retail trade and, therefore, eligible for a tax rate of 0.5 percent of taxable margin.

Sec. 171.0001(12)(C).

Definition of Retail Includes Automotive Repair Services

Taxable entities that are primarily engaged in providing automotive repair services are defined to be engaged in retail trade and eligible for a tax rate of 0.5 percent of taxable margin.

Sec. 171.1016.

EZ Computation and Rate

A taxable entity with not more than \$20 million in total revenue from its entire business may elect to pay the franchise tax using the EZ computation method and rate. Tax is calculated by multiplying the taxable entity's total revenue by its apportionment factor and then multiplying the result by a tax rate of 0.331 percent. A taxable entity electing the EZ method may apply applicable deductions from the tax provided by Section 171.1011. A taxable entity electing the EZ method may not take other credits, deductions or adjustments.

Sec. 171.106(b) and (c).

Apportionment for Certain Investment Management Companies

Most firms that provide services (as opposed to tangible goods) are required to source their receipts to the location where the service was performed. Section 171.106(b) sources receipts from regulated investment company management services to the domicile of the owners of the investment funds. Section 171.106(c) sources receipts from employee retirement plan managers to the state of the plan's beneficiaries.

Sec. 171.106(f) and (f-1).

Apportionment of Proceeds from the Sale of Certain Loans and Securities

Section 171.1055 requires a taxable entity to exclude from gross receipts for apportionment any receipts that were excluded from total revenue. For taxpayers who sell loans or securities treated as inventory, or for financial institutions that sell loans or securities categorized as "securities available for sale" or "trading securities" under Financial Accounting Standard 115, gross receipts for apportionment include the gross proceeds from the sales, not just the net gain, which is included in total revenue.

Sec 171.106(g).

Apportionment for Internet Hosting

For most services, receipts are sourced to the location where the services are performed. A receipt for internet hosting is a receipt for business done in this state only if the customer to whom the services is provided is located in this state.

Rule 3.591(e)(32).

Apportionment for Transportation Companies

Transportation companies are permitted to exclude from their Texas receipts the Texas portion of interstate transportation services in computing taxable margin.

Rule 3.591(e)(30).

Apportionment for Telephone Companies

Telephone companies are permitted to exclude from their Texas receipts the Texas portion of interstate calls in computing taxable margin.

Franchise Tax: **Credits**

Sec. 171.111.

Temporary Credit on Taxable Margin

A taxable entity that has properly notified the Comptroller in writing may apply a tax credit against franchise tax due that is calculated on margin. The credit is based on the entity's amount of business loss carryforwards on tax reports due before Jan. 1, 2008 that were not exhausted on a report due before that date. The credit is calculated for reports due after Jan. 1, 2008 and before Jan. 1, 2018 as 2.25 percent of the unexhausted business loss carryforwards amount multiplied by 4.5 percent. For periods after Jan. 1, 2018 and before Sept. 1, 2027, the credit equals 7.75 percent of the unexhausted business loss carryforward amount multiplied by 4.5 percent.

Sec. 171.652.

Subchapter L Tax Credit for a Clean Energy Project

A taxable entity operating a certified clean energy project may receive a franchise tax credit equal to the lesser of 10 percent of the capital costs of the project or \$100 million. The Comptroller may not issue a credit before Sept. 1, 2018.

Secs. 171.651-171.665.

Subchapter M Tax Credit for Certain Research and Development Activities

A taxable entity may earn a franchise tax credit for qualified research expenses incurred in this state that exceed the amount of such expenses incurred during a base period. The credit is equal to 5 percent of the increased expenses, or 6.25 percent of the increased expenses if the entity contracts with an institution of higher education to perform qualified research.

Section 171.663 requires the Comptroller to provide certain information regarding the credits for research and development activities. For activity shown on 2015 franchise tax reports, 1,247 taxable entities applied credits totaling \$174 million; \$201 million in unused credits were carried forward.

Sec. 171.901-171.909.

Subchapter S Tax Credit for Certified Rehabilitation of Certified Historic Structures

An entity may earn a franchise tax credit for expenses incurred for the rehabilitation of a certified historic structure in which the entity has an ownership interest, in the year during which the structure is placed in service after the rehabilitation and the certified cost and expenses incurred exceed \$5,000. In order to earn credits, the entity must obtain a certificate of eligibility from the Texas Historical Commission. The amount of credit is limited to 25 percent of the total eligible cost and expenses incurred. The amount of the credit claimed on a report may not exceed the amount of franchise tax due on that report. An entity may carry unused credits forward for not more than five years. An entity that has established eligibility may assign or sell the credit to another entity.

Franchise Tax: **Refunds**

Sec. 171.501.

Refund for Job Creation in Enterprise Zone

Taxpayers located in an enterprise zone that create at least 10 new jobs can qualify for a franchise tax refund. Qualifying firms must be certified by the Texas Economic Development Bank. The refund amount is the lesser of \$5,000 or 25 percent of the amount of franchise tax due for the period. ☛

Motor Vehicle Sales and Use Tax

The motor vehicle sales tax is a transaction tax paid on each purchase of a qualifying motor vehicle. There is also a use tax component for a vehicle purchased out of state and then brought into Texas. Motor vehicle sales tax collections⁴ in fiscal 2016 totaled \$4.31 billion.

Motor Vehicle Sales and Use Tax: Exemptions

Motor vehicle sales tax exemptions are based on either the status of the purchaser or the intended use of the motor vehicle. **Table 8** summarizes the estimated values of these exemptions for fiscal years 2017 through 2022. The exemptions are as follows:

Tax Code Sec. 152.081.

Driver Training Motor Vehicles

Motor vehicles used by a public school in an approved standard driver training course are exempt when they are owned by a dealer, purchased in Texas and loaned free of charge by the dealer to a public school.

Sec. 152.082.

Sale of Motor Vehicle to or Use of Motor Vehicle by Public Agency

Motor vehicles purchased or used by public agencies are exempt. These vehicles must be operated with exempt license plates.

Sec. 152.086.

Motor Vehicles Driven by Handicapped Persons

The tax does not apply to the sale or use of motor vehicles that have been modified before the second anniversary of the date of purchase and primarily are for operation by, or for the transportation of, an orthopedically handicapped person.

Table 8

Value of Motor Vehicle Sales Tax Exemptions

Fiscal 2017 to 2022 (in millions of dollars)

Tax Code Section	Exemption	2017	2018	2019	2020	2021	2022
152.081	Driver training motor vehicles	*	*	*	*	*	*
152.082	Sales to or use by a public agency	\$38.4	\$39.9	\$40.7	\$42.3	\$43.1	\$44.7
152.086	Driven by handicapped persons	4.4	4.6	4.7	4.8	4.9	5.1
152.087	Fire trucks and ambulances	1.3	1.4	1.4	1.5	1.5	1.5
182.088	Used for religious purposes	1.3	1.3	1.3	1.4	1.4	1.5
152.089	Exempt Vehicles	50.2	52.1	53.1	55.1	56.2	58.4
152.09	Certain hydrogen-powered motor vehicles	cbe	cbe	cbe	cbe	cbe	cbe
152.091	Farm or timber use	33.8	35.1	35.8	37.1	37.9	39.3
152.092	Vehicles transported out of state	cbe	cbe	cbe	cbe	cbe	cbe
152.093	Certain licensed child-care facilities	2.1	2.1	2.2	2.3	2.3	2.4
Total	Value of Motor Vehicle Sales Tax Exemptions	\$131.5	\$136.5	\$139.2	\$144.5	\$147.3	\$152.9

* Amount is negligible

**Cannot be separated from the public agency purchases estimate.

cbe = cannot be estimated

Note: Totals may not sum due to rounding.

⁴ Includes revenue collections from the general motor vehicle sales tax (revenue object 3004) as well as the tax on motor carriers (3003) and seller-financed motor vehicle sales (3016).

Sec. 152.087.

Fire Trucks and Emergency Medical Services Vehicles

The tax does not apply to the purchase, rental or use of a fire truck, emergency medical services vehicle or other motor vehicle used exclusively for fire-fighting purposes or for emergency medical services. The vehicle must be purchased by a volunteer fire department, a nonprofit emergency medical service provider that receives a federal tax exemption under Section 501(c)(3) of the Internal Revenue Code, or by certain emergency medical service providers to which Section 502.456 of the Transportation Code applies.

Sec. 152.088.

Motor Vehicles Used for Religious Purposes

The tax does not apply to the sale or use, or the receipts for the rental of a motor vehicle that is used for religious purposes.

Sec. 152.089.

Exempt Vehicles

The tax does not apply to interstate motor vehicles, trailers and semitrailers, unless they cease to be used for interstate commerce within one year of the date the vehicle was purchased in Texas, or the date the vehicle was first brought into Texas. When a leased vehicle is no longer used for interstate commerce, the owner owes tax on the vehicle's book value.

An "interstate motor vehicle" means a motor vehicle operated in this state and another state or country, and for which registration fees could be apportioned if the motor vehicle were registered in a state or province of a country that is a member of the International Registration Plan (IRP). This definition includes a bus used in transportation of chartered parties if it meets all standards required of other motor vehicles for apportioned registration fees. This definition does not include a vehicle leased for less than 181 days or a vehicle that has Texas license plates and does not operate under the IRP.

Sec. 152.090.

Certain Hydrogen-Powered Motor Vehicles

The tax does not apply to vehicles meeting the definition of a "hydrogen-powered" motor vehicle that is hydrogen power capable with a fuel economy of at least 45 miles per gallon; or meets the definition and is fully hydrogen-powered.

Sec. 152.091.

Farm or Timber Use

The tax does not apply to the sale, purchase, use, or rental of a machine, trailer, or semi-trailer for use primarily for farming, ranching, or timber operations.

Sec. 152.092.

Motor Vehicles Transported Out of State

Motor vehicles that are transported out of state, prior to use in this state (other than removal) and for exclusive use outside of this state, are not subject to the tax. The purchaser must sign an exemption certificate provided by the Comptroller's office that authorizes the Comptroller's office to provide a copy of the exemption certificate to the state of intended use and registration.

Sec. 152.093.

Motor Vehicles Sold to Certain Licensed Child-Care Facilities

The tax does not apply to a motor vehicle purchased, used or rented by a qualified residential child care facility for the primary purpose of transporting the children residing in the facility. The facility must be licensed by the state to provide 24-hour care to both emotionally disturbed children and to children who do not require specialized services. The facility must be licensed for both groups of children who live together in a single residential group. ⚡

Gasoline Tax

The gasoline tax is a consumption tax on gasoline. In general, the tax is levied at a rate of \$0.20 per gallon on gasoline sold in Texas and used to propel vehicles on Texas' public roads. In fiscal 2016, gasoline tax collections totaled \$2.68 billion.

Liability for the gasoline tax may be reduced by three statutory mechanisms: exemptions, refunds and discounts. Estimates of their values – i.e., the cost to state government in lower gasoline tax revenue collections – are provided in **Table 9**. Gasoline sales are not taxed until gasoline moves outside the bulk transfer system of refineries, pipelines, marine transport vessels and IRS-approved terminals.

Exemptions include uses or sales of gasoline where the tax does not apply because the fuel is not used to propel a vehicle on public roads or because the sale is made to an exempt purchaser. Licensed aviation fuel dealers, the federal government, Texas public school districts, Texas volunteer fire departments, nonprofit electric and telephone cooperatives organized under the Texas Utilities Code and nonprofit entities providing emergency medical services are exempt purchasers.

Refunds may be applied for by licensed suppliers, distributors, Texas public school districts, Texas volunteer fire departments, non-highway users, the federal government, nonprofit electric and telephone cooperatives organized under the Texas Utilities Code, nonprofit entities providing emergency medical services and other license holders.

Discounts are handling fees that license holders are allowed to keep in exchange for timely collection and remitting of the gasoline tax.

Gasoline Tax: **Exemptions, Refunds and Discounts**

Tax Code Sec. 162.104 and 162.125.

Exemptions, Refunds or Credits

Gasoline sold to the federal government or to a Texas public school district for their exclusive use is exempt from taxation. Similarly, gasoline sold to a commercial transportation company and used exclusively to provide transportation services for a public school district is not subject to taxation. Also exempt from tax are Texas volunteer fire departments, nonprofit electric and telephone cooperatives organized under the Texas Utilities Code, and nonprofit entities providing emergency medical services. If the tax is paid, a person may claim a refund.

Gasoline delivered to a licensed aviation fuel dealer solely for use in aircraft and aircraft servicing equipment is excluded from taxation. Likewise, gasoline sold from one aviation fuel dealer to another is not subject to tax. Taxes paid on gasoline for aircraft and aircraft servicing equipment uses are subject to refund.

Sales between licensed suppliers of gasoline that does not leave the bulk transfer system are not subject to tax.

Except for licensed interstate truckers, gasoline arriving in Texas in the fuel tank of a motor vehicle is exempt from Texas' tax. This includes both passenger and commercial vehicles.

A person also may claim a refund of taxes paid on gasoline when quantities of 100 gallons or more are lost by fire, theft or accident.

A transit company that paid tax on the purchase of gasoline may seek a refund from the Comptroller's office in an amount equal to one cent per gallon for gasoline used in eligible transit vehicles. These companies must hold an exemption certificate issued by the Comptroller.

Refunds are available for taxes paid on gasoline used in motorboats, tractors or similar agricultural equipment, or gasoline used in other off-road equipment.

The taxes paid on gasoline used to power auxiliary equipment, such as winches or refrigeration units, and not used to directly propel a motor vehicle, may be refunded. These auxiliary uses predominately are in agriculture, construction and other commercial activities.

Because there are insufficient data to distinguish tax-exempt gasoline sales for exempted uses from refunds of taxes on exempted uses, the estimates of the values of these exemptions are presented together.

Secs. 162.113 and 162.116.

Collection Allowances

Section 162.113 allows a licensed distributor, or a licensed importer who makes timely payments of this tax, to retain an amount equal to 1.75 percent of the tax payable to cover their administrative expenses. Section 162.116 allows a licensed supplier, or a licensed permissive supplier who timely pays this tax, to retain a collection allowance in an amount equal to 0.25 percent of the tax payable.

Secs. 162.113 and 162.126.

Refunds or Credits for Bad Debts

Section 162.113 allows a licensed supplier, or a licensed permissive supplier who cannot secure the payment of the tax due from a licensed distributor or a licensed importer, to

take an equivalent credit against a subsequent payment of this tax. Section 162.126 allows a licensed distributor to file a refund claim with the Comptroller’s office for taxes paid on gasoline sales that are written off as bad debt. A refund may not be claimed for gasoline sales that were delivered into the fuel supply tank of a motor vehicle or motorboat and for which payment was made through the use and acceptance of a credit card.

Utilities Code Secs. 161.062 and 162.062.

Exemption from Excise Taxes

These sections exempt an electric cooperative or a telephone cooperative organized under the Texas Utilities Code from all excise taxes. ⚡

Table 9

Value of Gasoline Tax Exemptions, Refunds and Discounts

Fiscal 2017 to 2022 (in millions of dollars)

Tax Code Section	Exemption	2017	2018	2019	2020	2021	2022
162.104, 162.116, and 162.125							
	Federal government	\$5.8	\$5.9	\$5.9	\$6.0	\$6.1	\$6.1
	Public schools and transportation services for public schools	3.6	3.6	3.7	3.7	3.8	3.8
	Sales between license holders	cbe	cbe	cbe	cbe	cbe	cbe
	Sales for export	cbe	cbe	cbe	cbe	cbe	cbe
	Aviation use	3.8	3.8	3.9	3.9	4.0	4.0
	Gasoline in tanks of vehicles entering Texas (except interstate truckers)	cbe	cbe	cbe	cbe	cbe	cbe
	Fire, theft, or accident losses	*	*	*	*	*	*
	Marine use	10.4	10.5	10.7	10.8	10.9	11.0
	Agricultural use	14.5	14.7	14.9	15.1	15.2	15.4
	Construction use	12.2	12.4	12.5	12.7	12.8	13.0
	Industry and commercial use	12.3	12.4	12.6	12.7	12.9	13.0
	Transit company use	*	*	*	*	*	*
	Volunteer Fire Department use	*	*	*	*	*	*
	Nonprofit Emergency Medical Service use	*	*	*	*	*	*
162.113 and 162.126	Refunds and credits for bad debts	0.2	0.2	0.3	0.3	0.3	0.3
162.113, 162.116	Collection allowances	55.4	56.1	56.8	57.4	58.1	58.8
Utilities Code Section	Item	2017	2018	2019	2020	2021	2022
161.062, 162.062	Exemptions for electric/telephone cooperative use	0.7	0.7	0.7	0.7	0.7	0.7
Total	Value of Gasoline Tax Exemptions, Refunds, and Discounts	\$118.9	\$120.3	\$122.0	\$123.3	\$124.8	\$126.1

* Amount is negligible.
 Cbe = cannot be estimated
 Note: Totals may not sum due to rounding.

School Property Tax

The Texas Constitution authorizes local governments to levy property taxes. Property taxes are levied by counties, cities, school districts and special-purpose districts such as junior colleges, hospitals and flood control districts.

In tax year 2015, school property tax collections totaled \$27.70 billion, which was 54 percent of the total property taxes levied in 2015.

There is no state property tax; nevertheless, property taxes levied by school districts are important to the state because they help determine how much state money is spent to support public education.

There are two types of school property tax levies: one to cover maintenance and operating costs (M&O) and another to pay interest and sinking fund (I&S) debt service for financing building programs. In tax year 2016, the statewide weighted average M&O tax rate was \$1.063 per \$100 valuation; the I&S tax rate was \$0.271 per \$100 valuation; and the combined statewide weighted average school tax rate was \$1.333 per \$100 valuation.

All real and tangible personal property, unless required or permitted to be exempt by the Texas Constitution, must be taxed in proportion to its value. Under Tax Code Section 11.02, most intangible personal property is not taxable. In order to receive property tax exemptions or special appraisals, in most cases a property owner must file an application with the appraisal district of the county in which the property is located.

The total estimated cost of local school district property tax exemptions or special appraisals is \$11.8 billion in tax year 2017. This amount is projected to increase to \$15.47 billion by 2022. Estimates for 2017 through 2022, reflecting anticipated school property tax rates and exempt value growth, are itemized in **Table 10**. The exemptions and special appraisals are explained below.

Table 10

Cost of School Property Tax Exemptions or Special Appraisals

Tax Year 2017 to 2022 (in millions of dollars)

Tax Code Section	Item	2017	2018	2019	2020	2021	2022
11.02	Intangible personal property	cbe	cbe	cbe	cbe	cbe	cbe
11.11	Public property (state and local)	cbe	cbe	cbe	cbe	cbe	cbe
11.111	Public property for housing indigent persons	1.6	1.7	1.8	1.8	1.9	2.0
11.12	Federal exemptions	cbe	cbe	cbe	cbe	cbe	cbe
	Residence homesteads:						
11.13(b)	Mandated \$25,000 exemption	\$1,727.8	\$1,762.1	\$1,796.8	\$1,831.4	\$1,866.3	\$1,901.4
11.13(c)	Mandated \$10,000 exemption: age 65 and older or disabled	227.8	235.3	243.0	251.0	259.3	267.9
11.13(d)	Optional exemption: age 65 and older or disabled	122.8	127.4	132.1	137.1	142.2	147.5
11.13(n)	Optional exemption of up to 20 percentage	636.0	671.2	705.9	743.9	784.0	825.8
11.131, 11.133	100 percent disabled or unemployable veterans, Residence homestead of surviving spouse of member of the armed services killed in action	124.9	140.6	156.8	173.3	191.6	211.7
11.132	Donated residence homestead of partially disabled veteran	0.0	0.0	0.0	0.0	0.0	0.0
11.14	Personal property not used for producing income	cbe	cbe	cbe	cbe	cbe	cbe
11.145	Income-producing personal property valued under \$500	0.4	0.4	0.4	0.4	0.4	0.4

(continued)

Table 10 (continued)

Cost of School Property Tax Exemptions or Special Appraisals
 Tax Year 2017 to 2022 (in millions of dollars)

Tax Code Section	Item	2017	2018	2019	2020	2021	2022
11.146	Mineral interest valued under \$500	1.5	1.5	1.4	1.4	1.4	1.4
11.15	Family supplies for home or farm use	cbe	cbe	cbe	cbe	cbe	cbe
11.16	Farm products	0.2	0.2	0.2	0.2	0.3	0.3
11.161	Implements of husbandry	0.3	0.3	0.3	0.3	0.3	0.3
11.17	Cemeteries	cbe	cbe	cbe	cbe	cbe	cbe
11.18	Charitable organizations	cbe	cbe	cbe	cbe	cbe	cbe
11.181	Improving property for housing with volunteer labor	1.5	1.6	1.7	1.7	1.8	1.8
11.182	Community housing development organizations improving property for housing	20.1	22.7	25.3	28.3	31.4	34.7
11.1825	Constructing or rehabing housing not previously exempt	0.3	0.3	0.3	0.3	0.3	0.3
11.1827	Community land trust	0.0	0.0	0.0	0.0	0.0	0.0
11.183	Assisting ambulatory health care centers	2.8	2.9	3.0	3.0	3.1	3.1
11.184	Performing charitable functions	4.4	4.6	4.7	4.9	5.1	5.3
11.185	Developing model colonia subdivisions	0.1	0.1	0.1	0.1	0.1	0.1
11.19	Youth spiritual, mental, and physical development organizations	9.4	9.9	10.4	11.0	11.6	12.2
11.20	Religious organizations	cbe	cbe	cbe	cbe	cbe	cbe
11.21	Nonprofit schools	79.2	83.6	88.0	92.7	97.7	102.9
11.22	Disabled veterans	25.2	26.1	26.9	27.8	28.7	29.7
11.23	Miscellaneous exemptions	34.5	36.5	38.3	40.4	42.6	44.9
11.231	Providing economic development services to local community	3.2	3.2	3.3	3.4	3.5	3.5
11.24	Historic or archeological sites	5.9	6.2	6.5	6.9	7.2	7.6
11.25	Marine cargo containers	0.0	0.0	0.0	0.0	0.0	0.0
11.251, 11.437	Freeport property and cotton stored in warehouses	483.1	522.1	564.4	610.1	659.5	712.9
11.252	Motor vehicles leased for personal use	33.8	35.2	36.9	38.6	40.4	42.3
11.253	Tangible personal property in transit (goods-in-transit)	0.5	0.5	0.5	0.5	0.5	0.5
11.254	Motor vehicles for income production and personal use	1.1	1.1	1.2	1.3	1.3	1.4
11.26	School tax ceiling: age 65 and older or disabled	786.4	823.3	861.4	902.8	945.0	988.5
11.27	Solar and wind energy devices	0.8	0.8	0.8	0.9	0.9	0.9
11.271	Offshore drilling equipment not in use	0.1	0.2	0.2	0.2	0.2	0.2
11.29	Intracoastal waterway dredge disposal site	0.0	0.0	0.0	0.0	0.0	0.0
11.30	Nonprofit water supply or wastewater service corporation	4.3	4.5	4.7	4.9	5.2	5.4
11.31	Pollution control property	139.2	142.2	145.3	148.3	151.4	154.4
11.311	Landfill-generated gas conversion facilities	0.1	0.1	0.1	0.1	0.1	0.1
11.315	Energy storage system in nonattainment area	0.0	0.0	0.0	0.0	0.0	0.0
11.32	Certain water conservation initiatives	0.0	0.0	0.0	0.0	0.0	0.0
11.33	Raw cocoa and green coffee held in Harris County	2.7	2.8	2.9	3.0	3.2	3.3
11.34	Limitation on certain properties in certain municipalities	0.1	0.1	0.1	0.1	0.1	0.1
21.02, 21.04	Railroad rolling stock	23.1	24.3	25.6	27.0	28.4	29.9
23.23	Limitation on appraised value of residence homestead (10% cap)	330.1	297.0	298.4	313.3	329.0	345.5
23.41-23.73, 23.9803	Special appraisal for agricultural and timber land	3,558.3	3,761.0	3,975.4	4,202.0	4,441.7	4,695.2
23.48, 23.60	Agricultural and open-space land reappraisal for temporary tick quarantine	0.0	0.0	0.0	0.0	0.0	0.0
26.10, 26.11, 26.111, 26.113	Prorations and other partial exemptions	3.7	3.8	3.9	3.9	4.0	4.1
Ch. 311	Tax Increment Financing Act	211.1	222.7	234.9	247.9	261.5	275.9
Ch. 313	Texas Economic Development Act	513.2	601.2	706.0	914.1	1,014.2	1,093.7
	Exemptions that can be separately estimated	\$9,121.7	\$9,581.2	\$10,110.0	\$10,780.3	\$11,367.1	\$11,959.2
	Exemptions that cannot be separately estimated	2,681.5	2,906.5	3,065.1	3,119.7	3,298.6	3,514.8
	Total School Property Tax Exemptions and Special Appraisals	\$11,803.2	\$12,487.8	\$13,175.2	\$13,900.1	\$14,665.6	\$15,474.1

"Tax Year" is equivalent to calendar year.
 cbe: cannot be estimated because of unavailable appraisal data.
 Note: Totals may not sum due to rounding.

Tax Code Sec. 11.02.

Intangible Personal Property

Most intangible personal property is not taxable including stocks, bonds, notes or accounts receivable, franchises, licenses or permits, demand or time deposits, certificates of deposit, share accounts, share certificate accounts, share deposit accounts, insurance policies, annuities, pensions, causes of action, contracts and goodwill.

Sec. 11.11.

Public Property

Property owned by the state or a political subdivision of the state and used for a public purpose is exempt from taxation. Included within this exemption are all oil, natural gas or other minerals owned by an institution of higher education. Several other specific types of public property also are exempt from property taxes.

- ***Institution of Higher Education Public Property Held in Trust***

Property owned by a private person but dedicated or held for the support, maintenance or benefit of a public institution of higher education is exempt.

- ***Alumni Association Property Built on State-owned Land***

Property owned by an alumni association or a higher education development foundation and located on land owned by a public institution of higher education is exempt if certain conditions are met.

- ***Prison Property Leased to the State***

Privately-owned improvements located on land owned, leased or lease-purchased by the Texas Department of Criminal Justice (TDCJ), and used by TDCJ, are exempt. The lease-purchase agreement under which TDCJ uses the property must provide that TDCJ will own the property at the end of the lease.

- ***Personal Property Subject to Certain Lease-Purchase Agreements***

If a lease-purchase agreement entitles the state or a political subdivision of the state to compel delivery of the legal title of tangible personal property at the end of the lease, the property is exempt.

- ***Certain Property of a Nonprofit Corporation***

A nonprofit corporation engaged in providing chilled water and steam to an eligible institution is entitled to an exemption.

- ***Texas Department of Transportation Property Leased to a Private Entity***

Rail or highway property owned by the Texas Department of Transportation and licensed or leased to a private entity under the Transportation Code and not used for a commercial purpose is exempt.

Sec. 11.111.

Public Property Used to Provide Transitional Housing for Indigent Persons

The governing body of a taxing unit may exempt from property taxation residential property owned by an agency of the U.S. government. The property must be used to provide transitional housing for the indigent under certain types of programs operated or directed by the U.S. Department of Housing and Urban Development.

Sec. 11.12.

Federal Exemptions

Property exempt from ad valorem taxation by federal law is exempt. As a result, in general, federal property is exempt from property taxation. Examples include U.S. Post Office buildings, military bases, federal courthouses and property located in a foreign trade zone.

Secs. 11.13 and 11.135

Residence Homestead

Residence homesteads receive exemptions that apply to a portion of the appraised value of the home. If a residential property owner has an exemption under Sec. 11.13, and the residence is rendered uninhabitable or unusable by casualty, wind or water damage, the owner may continue to receive the exemption for up to two years while constructing a replacement residence. If the owner sells the property before completing the replacement residence, additional taxes and interest may be imposed.

Residence homestead exemptions are separated into those that are mandated by the state and those that are optional, subject to approval by school districts.

- ***State-Mandated, Sec. 11.13(b) and (c)***

1. A school district must grant an exemption of \$25,000 from the appraised value of all qualified residence homesteads in the district.
2. A school district also must grant an additional exemption of \$10,000 from the appraised value of a residence homestead for adults who are disabled or 65 years of age or older.

- ***Optional, Sec. 11.13(d) and (n)***

1. The governing body of a school district, or a majority of the qualified voters of a school district at a properly called election by petition, may grant an additional exemption of at least \$3,000 of the appraised value of a residence homestead for adults who are disabled or 65 years of age or older. There is no maximum amount for this exemption.
2. The governing body of a school district may grant an additional exemption of up to 20 percent of the appraised value of a residence homestead. The exemption must be at least \$5,000 when applied to a particular residence homestead.

Sec. 11.131.

Residence Homestead of 100 Percent or Totally Disabled Veteran

The total appraised value of residence homesteads owned by veterans receiving 100 percent disability compensation from the U.S. Department of Veterans Affairs, and having either a 100 percent disability rating or individual unemployability, as determined by the U.S. Department of Veterans Affairs, is exempt from property taxation. The disabled veteran's surviving spouse may also qualify for the exemption.

Sec. 11.132.

Donated Residence Homestead of Partially Disabled Veteran

A disabled veteran is entitled to a percentage exemption equal to the veteran's disability rating, if less than 100 percent, on the veteran's homestead if the home was donated by a charitable organization to the veteran at no cost to the veteran. The disabled veteran's surviving spouse may also qualify for the exemption.

Sec. 11.133.

Residence Homestead of Surviving Spouse of Member of the Armed Services Killed in Action

The surviving spouse of a member of the armed services killed in action is entitled to exemption of the total appraised value of their residence, so long as the surviving spouse has not remarried.

Sec. 11.14.

Tangible Personal Property Not Producing Income

Tangible personal property not used to produce income is exempt unless the taxing entity elects to tax the property. Mobile or manufactured homes as defined are not included in this exemption.

Sec. 11.145.

Income-producing Tangible Personal Property Having Value of Less Than \$500

A person is entitled to an exemption on tangible personal property that is held or used for the production of income and valued at less than \$500. The exemption applies to each separate taxing unit in which a person uses the property for the production of income. All property in each taxing unit is aggregated to determine taxable value.

Sec. 11.146.

Mineral Interest Having Value of Less than \$500

A person is entitled to an exemption on a mineral interest the person owns if the taxable value is less than \$500. This exemption applies to each separate taxing unit in which a person owns a mineral interest. All mineral interests located in each taxing unit are aggregated to determine taxable value.

Sec. 11.15.

Family Supplies

Family supplies — food, clothing and other consumables — for home or farm use are exempt.

Sec. 11.16.

Farm Products

Farm products in the hands of the producer are exempt from property taxation. Farm products include crops, livestock, poultry, eggs, timber and nursery products in a growing state.

Sec. 11.161.

Implements of Husbandry

All machinery and equipment used in the production of farm or ranch products or timber, regardless of their primary design, are considered to be implements of husbandry and are exempt from property taxation.

Sec. 11.17.

Cemeteries

Property is exempt from taxation if it is used exclusively for human burial and is not held for profit.

Secs. 11.18-11.185.

Charitable Organizations

Property owned and used exclusively by institutions engaged primarily in public charitable functions is exempt. The following types of charitable organizations receive specific mention in the Property Tax Code and are exempt from school property taxes if they meet certain qualifications:

- Charitable organizations performing enumerated functions (Secs. 11.18, 11.1801);
- Charitable organizations improving property for low-income housing with volunteer labor (Sec. 11.181);
- Community housing development organizations improving property for low-income and moderate-income housing prior to 2004 (Sec. 11.182);
- Organizations constructing or rehabilitating low-income housing not previously exempt including new constructions beginning January 1, 2004 (Sec. 11.1825);
- Community land trusts if the exemption is adopted by the governing body of the taxing unit on or after January 1, 2012 (Sec. 11.1827)
- Associations providing assistance to ambulatory health care centers (Sec. 11.183);
- Organizations engaged primarily in performing charitable functions (Sec. 11.184); and
- Organizations developing model colonia subdivisions (Sec. 11.185).

Sec. 11.19.

Youth Spiritual, Mental and Physical Development Associations

Property owned and used exclusively by qualified associations promoting youth spiritual, mental and physical development is exempt.

Sec. 11.20.

Religious Organizations

Property owned by a qualified religious organization and used as specified, such as a place of worship or clergy residence, is exempt.

Sec. 11.21.

Schools

Property owned and used by a nonprofit school may be exempt from taxation.

Sec. 11.22.

Disabled Veterans

Property owned and designated by a disabled veteran or surviving spouse or children may qualify for a partial exemption. The exemption applies to one property owned and designated by the veteran or surviving spouse or child. The property does not have to be a residence.

Property owned by a surviving spouse or child of a person who dies while on active duty in the U.S. armed services may qualify for a partial exemption of \$5,000 of the value of a property designated by the surviving spouse or child.

Sec. 11.23.

Miscellaneous Exemptions

Some specific property, and property owned by specific organizations, are exempt under this section.

- ***Veterans Organizations***

A nonprofit organization composed primarily of members or former members of the U.S. armed forces or its allies and chartered or incorporated by Congress may apply for exemption from taxation. Veterans organizations include the American Legion, Veterans of Foreign Wars of the U.S., American Veterans of World War II, Disabled American Veterans, Jewish War Veterans, Catholic War Veterans and the American GI Forum.

- ***Nature Conservancy of Texas***

The Nature Conservancy of Texas was entitled to an exemption from taxation of the tangible property it owns if the property is not held for gain. Although this exemption is still in the Tax Code, it was held to be unconstitutional.

- ***Federation of Women's Clubs***

The tangible property owned by the Federation of Women's Clubs is exempt if the property is not held for profit or gain.

- ***Congress of Parents and Teachers***

The Texas Congress of Parents and Teachers state headquarters buildings are exempt from state and county taxes, along with the land that is reasonably necessary for use of, access to and ornamentation of the buildings.

- ***Private Enterprise Demonstration Associations***

Tangible property that is owned and used exclusively by a qualified private enterprise demonstration association and that is reasonably necessary for the organization's operations is exempt.

- ***Bison, Buffalo and Cattalo***

Bison, buffalo and cattalo are exempt if the animals are not held for profit and are used in experimental breeding to produce an improved strain or kept in parks to preserve the species.

- ***Theater Schools***

Property owned by a qualified school devoted to teaching and study of the dramatic arts and used in the school's operation is exempt from taxation.

- ***County Fair Associations***

A county fair association organized to hold agricultural fairs and encourage agricultural pursuits is entitled to an exemption from taxation of the land and buildings that it owns and uses to hold agricultural fairs.

- ***Community Service Clubs***

Tangible property owned by a qualified community service organization and not used for profit or held for private gain is exempt.

- ***Medical Center Development***

Real and personal property used in developing or operating a medical center area may be exempt from property taxation. The property must be owned by a nonprofit corporation under the Texas Nonprofit Corporation Act. Additional requirements apply.

- ***Scientific Research Corporations***

Property owned and used by a scientific research corporation for scientific research and educational activities for the benefit of one or more colleges or universities is exempt. An organization qualifies if it is a nonprofit corporation organized under the Texas Nonprofit Corporation Act.

- ***National Hispanic Institute***

Property owned by The National Hispanic Institute is exempt as long as the organization is exempt from federal income taxation as a nonprofit organization.

Sec. 11.231.

Nonprofit Community Business Organization Providing Economic Development Services to Local Community

The exemption applies to buildings and tangible personal property owned and used exclusively by nonprofit community business organizations to provide economic development services to a local community.

Sec. 11.24.

Historic Sites

Property that has been legally designated an archeological or historic site may be exempted by the governing body of a taxing unit.

Sec. 11.25.

Marine Cargo Containers Used Exclusively in International Commerce

Marine cargo containers and associated equipment used exclusively in international commerce are exempt from property tax. The property must be owned by a citizen or entity organized under the laws of a foreign county.

Secs. 11.251 and 11.437.

Tangible Personal Property (Freeport) and Cotton Stored in a Warehouse

Tangible personal property that qualifies as “freeport goods” and is used for manufacturing, processing, fabricating, storing or assembling and transported out of Texas within 175 days may be exempt. On official action of a taxing entity, the 175-day period may be extended to 730 days for aircraft parts. This exemption also applies to all cotton stored in a warehouse for transportation outside of this state. Provisions for local taxation under certain circumstances exist in law.

Sec. 11.252.

Motor Vehicles Leased for Personal Use

The owner of a leased vehicle is entitled to a tax exemption from tax imposed on the vehicle if the lessee does not hold or use the vehicle primarily for the production of income.

Sec. 11.253.

Tangible Personal Property in Transit (Goods-in-transit)

Tangible personal property may be exempt from taxation if it is acquired in, or imported into, this state to be forwarded to another location in this state or outside of this state within 175 days and is stored under a contract for bailment by a public warehouse operator. After holding a public hearing, a taxing entity may elect to tax goods-in-transit.

Sec. 11.254.

Motor Vehicle Used for Production of Income and For Personal Activities

A person is entitled to an exemption from taxation of one personally owned motor vehicle that is used for both business and personal activities.

Sec. 11.26.

Limitation of School Tax on Homesteads of Elderly or Disabled

The school tax limitation (tax ceiling or tax freeze) is provided to homeowners receiving the mandatory disabled or 65 years of age or older \$10,000 homestead exemption for school taxes. The tax ceiling is not an exemption, but it is triggered by an exemption.

The tax ceiling provides that school taxes on a residence homestead will not increase above the amount of tax imposed in the first year the individual qualified for the “disabled or 65 years of age or older” exemption on that homestead. As long as the homeowner who qualified for the exemption remains in that home and does not change the homestead, the school taxes on the homestead will not increase above the amount levied in the first year qualified.

Homeowners are allowed to transfer their tax ceiling to a different home. The school tax ceiling on the new home is calculated to give the homeowner the same percentage of tax paid as the original home’s tax ceiling.

Sec. 11.27.

Solar and Wind-powered Energy Devices

Value attributable to the installation or construction of solar or wind-powered energy devices may be exempt. The devices must be used for on-site production and distribution of energy.

Sec. 11.271.

Offshore Drilling Equipment Not in Use

Certain equipment used in offshore drilling for oil or natural gas, or that is part of off-shore spill response containment systems, may be exempt if stored in counties bordering the Gulf of Mexico or other bodies of water immediately adjacent to the Gulf of Mexico.

Sec. 11.29.

Intracoastal Waterway Dredge Disposal Site

Land dedicated by a recorded donated easement as a disposal site for depositing and discharging materials dredged from the main channel of the Gulf Intracoastal Waterway or under the direction of the state or federal government is exempt. An exemption terminates when the land ceases to be used as an active dredge material disposal site and is no longer dedicated for that purpose. The Attorney General has ruled that this exemption is void insofar as it would apply to property required to be taxed by Texas Constitution, Article 8,

Section 1(b), which requires all property held by private persons or corporations to be taxed unless there is constitutional authorization. The Attorney General's opinion provided there was no cited constitutional authority for the exemption.

Sec. 11.30.

Nonprofit Water Supply or Wastewater Service Corporation

Property owned by a qualified corporation that provides in its bylaws that on dissolution the corporation's assets transfer to an entity that provides a water supply or wastewater service and is exempt from property taxation may be exempt. To be considered exempt, the property must be reasonably necessary for and used to acquire, treat, store, transport, sell, or distribute water or to provide wastewater service.

Sec. 11.31.

Pollution Control Property

All or part of real and personal property that is owned and used wholly or partly as a facility, device, or method for the control of air, water, or land pollution, as designated by the Texas Commission on Environmental Quality, is exempt.

Sec. 11.311.

Landfill-Generated Gas Conversion Facilities

A person is entitled to an exemption on property located on or near a landfill and used to collect, compress and transport, process, and deliver gas generated by the landfill.

Sec. 11.315.

Energy Storage System in Nonattainment Area

Under specific circumstances, a property owner is entitled to an exemption on energy storage systems if the exemption is adopted by governing bodies of taxing entities meeting certain criteria.

Sec. 11.32.

Certain Water Conservation Initiatives

The governing body of a taxing unit may exempt all or part of the value of property on which approved water conservation initiatives, desalination projects, or brush control initiatives have been implemented.

Sec. 11.33.

Raw Cocoa and Green Coffee Held in Harris County

Raw cocoa and green coffee held in Harris County are exempt.

Sec. 11.34.

Limitation of Taxes on Real Property in Designated Areas of Certain Municipalities

Cities with a population of less than 10,000 may call elections to enter into agreements with owners of property located in, or adjacent to, areas operated with certain funding from the Texas Department of Agriculture to limit property taxes levied on those owners' property by all taxing units for five years.

Secs. 21.02 and 21.04

Railroad Rolling Stock Taxable Only by Counties

Case law and Attorney General opinions, relying for the most part on the law of situs and the references in the law to only counties having taxing authority over railroad rolling stock, hold that railroad rolling stock is not taxable by school districts. The current law is reflected in Tax Code Sec. 21.04, which provides that, a "portion of the total market value of railroad rolling stock . . . is taxable by each county in which the railroad operates." Note that the general personal property situs statute, Tax Code Sec. 21.02, provides the conditions under which any taxing unit may tax tangible personal property "[e]xcept as provided by . . . [Tax Code Sec.] 21.04."

Sec. 23.23.

Limitation on Appraised Value of Residence Homestead

The appraised value of a residence homestead for a tax year is limited to the lesser of the market value of the property or the sum of 110 percent of the appraised value for the preceding tax year plus the market value of all new improvements.

Secs. 23.41, 23.52, 23.73 and 23.9803.

Special Appraisal for Agricultural and Timber Land

Certain land devoted to agricultural production, wildlife management, or timber production is appraised at productivity value—a value based on the land's capacity to produce agricultural products.

Secs. 23.48 and 23.60.

Reappraisal of Land Subject to Temporary Quarantine for Ticks

An owner of qualified agricultural or open-space land may request a reappraisal of land subject to a temporary quarantine of at least 90 days in the current tax year. The reappraised value may not exceed the lesser of the market value or one-half of the original appraised value for the current tax year.

Ch. 311.

Tax Increment Financing Act

Tax increment financing (TIF) zones are designated by a city or county. The tax increments generated by the increase of the property value inside the TIF zone are used to finance development costs of improvements and infrastructure to promote and attract new developments within the area. The TIF levy loss in Table 10 is mostly for zones in which school districts participated before September 1, 1999. A school district entering into an agreement after this date is generally not held harmless by the state for losses in revenue as a result of the agreement.

Ch. 313.

Texas Economic Development Act

Property used in connection with manufacturing; research and development; a clean coal project as defined by Section 5.001, Water Code; an advanced clean energy project as defined by Section 382.003, Health and Safety Code; renewable energy electric generation; electric power generation using integrated gasification combined cycle technology; nuclear electric power generation; certain computer centers; or a Texas priority project may be eligible for value limitation agreements. These agreements are entered into by school districts and property owners making a certain level of investment and creating jobs. The agreements limit the taxable value of qualifying investments for property tax maintenance and operations purposes. Property taxes levied for the repayment of debt are not affected. ⚡

The Nature of Tax Incidence

The final incidence of a tax often cannot be directly observed, nor even estimated with absolute objectivity. The subjective selection of economic and behavioral assumptions exerts a heavy influence on the calculated incidence, and myriad assumptions are possible.

Economic analysis, at heart, involves the study of how a change in one segment of the economy is diffused throughout the rest of the economy. Those who have studied in the field of public finance have long recognized that the person from whom a given tax is collected is not necessarily the one who ultimately pays the tax.

It should be recognized that any tax levied directly on a business will ultimately be paid by real, live people — if not consumers via higher prices, then business owners via reduced profits or employees via reduced wages. In the first instance, the tax is considered to be shifted “forward,” and in the second and third instances it is considered to be shifted “backward” to the factors of production. (Taxes also may be exported out of state, thereby relieving the burden in state. Of course, other states’ taxes may end up being imported into Texas as well.) In any case, or in any combination where the tax burden is borne jointly, the old cliché is true: “Only people pay taxes.”

Governments levy taxes, for the most part, to cover the costs of their expenditures. In and of itself, a tax will have two direct economic effects. First, it will alter the relative prices of goods and services, affecting what is produced and how. Second, to the extent that virtually every tax takes more income from some groups than from others, it will alter the distribution of income.

Incidence analysis attempts to identify who bears the ultimate burden of a given tax. The analysis can be conducted on two levels: first, measurement of the initial direct “impact” of the tax in terms of the shares borne by consumers and/or different business sectors; and second, measurement of the ultimate “incidence,” frequently represented by translating the initial impacts in terms of their effects on different household income groups.

The analysis is complicated because it is difficult, if not impossible, to isolate a change in one tax without taking into account the effect on other taxes or expenditures. For example, eliminating an exemption in one tax would imply either an equal decrease in another tax (to compensate for the increased revenues) or an equal increase in spending — either of which would have its own incidence implications above and beyond the incidence of the exemption being repealed.

The study of tax incidence is also made difficult because of competing policy goals. That is, while some taxes are justified on the basis of fairness or equity (the “ability to pay” principle), others are justified as user fees (the “benefits received” principle). The former is best exemplified by the federal income tax; the latter, by federal and state motor fuels taxes, which are earmarked for highway construction and maintenance and other public transportation.

A tax is considered “regressive” when the tax burden as a share of income increases as income decreases; “proportional,” when the share of tax burden relative to income remains constant for all income groups; and “progressive,” when the share of tax burden relative to income grows larger as income increases. As such, taxes on alcohol and tobacco are considered regressive (because consumption levels remain relatively flat as income rises); a “flat” single-rate income tax (without any deductions or exemptions) is considered proportional; and the current federal income tax, with its schedule of increasing marginal tax rates, is considered progressive. Note that under either a proportional tax or a progressive tax, the ability to pay principle may be satisfied, because people with higher incomes pay more under either tax.

For practical purposes, most empirical incidence analyses are reduced to measuring the effects of a single tax in isolation from all others, without taking into account the effects of other taxes or any government expenditures or transfers. Even here, however, economists must confront the problem of accurate income measurement. That is, the results can vary depending upon whether income is measured at the individual or household level, in terms of “current” or “lifetime” income, and whether it is “gross,” “adjusted gross,” or “taxable” income. This problem becomes particularly difficult at the lower end of the income scale, where transfers — which are not always susceptible to accurate quantification — make up a significant portion of the income stream.

In addition, and equally complicated, is the problem of determining the proper “shifting” assumptions — what portion of the tax is shifted to consumers, what portion is

shifted to labor, what portion is shifted to capital, and what portion is exported out of state.

The shifting effects will depend on many things, including how producers and consumers respond to price changes and whether a particular market is competitive or monopolistic. In general, most tax burdens are believed to be borne jointly by producers and consumers — raising the price paid by consumers and reducing the revenue received by producers, with the share of the burden depending upon the level of competition and the price elasticity of demand for the item being taxed. The more inelastic the demand, the greater the burden shifted to the consumer (consider the tax on cigarettes). The more elastic the demand, the greater the burden borne by the producer (consider a tax on milk in glass milk bottles but not on milk in paper cartons, each a close substitute for the other in the eyes of most consumers).

Similarly, when the producer enjoys a near monopoly over the good being taxed (consider a tax on local natural gas utility service), the greater the ability to shift the tax forward onto consumers by raising prices; but when the individual producer has no ability to set prices (consider the world oil market), the less their ability to shift the tax burden.

Finally, the answer to who bears the tax burden can vary depending upon whether the analysis focuses on the short term or the long term. For example, imposition of an

increase in the fee for a liquor license or an annual occupation tax would not be expected to be shifted forward in higher prices in the short term because the fee would be considered part of the firm's fixed costs, whereas prices are determined by marginal costs (the cost of producing one incremental unit of the item sold). In this instance, the fee would be borne entirely by the producer.

In the long run, however, when all costs are taken into account, resources would shift and prices would adjust to take the tax into account in determining price, and as such the producer would be able to shift at least a portion of the burden forward onto consumers.

Recognizing the impracticality of developing an incidence model that satisfies all the demands of pure economic theory, the tables in the following section reflect the necessity of making certain basic assumptions, which are described in the beginning of that section. Perhaps key among these assumptions is that consumers will bear the ultimate burden of any taxes levied directly upon them.

While the following tables may be of great interest for policy makers, it nevertheless must be recognized that the results depend not upon hard science but upon subjective assumptions — and that the only thing that can be said with certainty is that no one really knows how taxes (particularly those levied on property and business) are shifted. 🔄

Texas Tax Incidence

The taxes discussed in the report's tax incidence section include the sales and use tax, the franchise tax, the motor vehicle sales and use tax, the gasoline production tax and the school property tax, the same taxes discussed in the preceding tax exemption sections. Under the Government Code's tax incidence reporting requirements, this section also presents incidence tables for the oil production tax and the insurance premium tax.

To conduct this incidence analysis, certain assumptions had to be developed concerning the measurement of income and how tax burdens shift. As discussed in the previous section concerning the nature of tax incidence, the outcome of any incidence study depends to a significant degree on the initial assumptions relating to income, shifting and the relative demographic cohort and time period.

For the purposes of this study, the relative demographic cohort is the household rather than the individual, and the relative time periods are short-term — for the study of initial distributions or burdens — and intermediate term — for the final incidences. In the intermediate term it is assumed that any tax changes affecting businesses will be shifted until the final incidence is absorbed by households — whether by consumers, workers or owners. However, in the case of taxable purchases for household consumption, it is assumed that the household will bear the initial as well as final tax burdens. In contrast, a long-term full equilibrium analysis would allow for backward shifting brought about by consumer reactions to the tax change, and then another round of shifting by business, until the final incidence was redistributed. The various types of income that are included within this report's definition of household income are provided in **Exhibit A**.

For each of the taxes covered in this section, the incidence analysis begins with a summary table that lays out the initial distribution and the final incidence of that tax.

Where applicable, each summary table is followed by a series of tables that show the incidence effects of each statutory exemption or exclusion that reduces revenues from the tax by more than 1 percent.

The tables in this section describe final incidence by household income groups referred to as "quintiles." In fiscal year 2019, it is forecasted that there will be approximately 10,607,250 households in Texas. Each quintile includes approximately 2,121,450 households, representing one-fifth of the households in the state, ordered by total income. Thus, Quintile 1 represents the 2,121,450 households with incomes less than \$35,108; Quintile 2 represents the 2,121,450 households with incomes from \$35,108 to \$63,522; and so forth, up to Quintile 5, which represents the 2,121,450 households in Texas with incomes of \$146,699 or more.

Each of the seven total tax summary tables has five displays. The two displays at the top of each table relate to initial distribution and show, first, how the initial burden is

Exhibit A Components of Household Income

Components	Definition
Federal Adjusted Gross Income	The total income from all taxable sources less certain expenses incurred in earning that income. Other sources of cash income are excluded by statute from the federal income tax. These are called statutory adjustments.*
Nontaxable Interest Income	Interest income that is not taxed by the federal government.
Nontaxable Pension Income**	Pension income that is not taxed by the federal government.
Nontaxable Social Security Benefits	Not all Social Security benefits are taxable by the federal government.
Non-filer Income (from Census)	Income received by persons whose annual income is below that of the income required to file a tax return.***

* Statutory adjustments are the deductions listed on page 1 of the 1040 form.

** Capital gains and pension benefits are included when realized, not as they accrue.

*** This income includes public assistance, workers' compensation, Social Security benefits, and unemployment compensation.

Note: Adjustments were made to total income for the lowest quintiles due to lack of sufficient data.

distributed among various industry sectors and consumers, and second, how the initial burden is distributed by type of business organization. The two displays in the middle relate to final incidence and show, first, how final incidence is either exported or distributed by family income quintile, and second, how the final incidence is either exported or distributed between renters and homeowners.

The final display, at the bottom left of each tax summary table, involves a calculation of the overall equity of the tax — that is, its degree of progressivity or regressivity. This calculation, known as the “Suits Index,” ranges from +1.0 to -1.0, with a 0.0 indicating that the tax burden is perfectly proportional to income at all quintiles. At the extremes, a +1.0 would indicate an extremely progressive tax, and a -1.0 would indicate an extremely regressive tax, (i.e., with the entire incidence borne entirely by the lowest quintile).

The total tax summary tables for the sales tax, the franchise tax, the motor vehicle sales and use tax, the gasoline tax and the school property tax are each followed by a series of smaller tables, each with two displays. These tables relate to Tax Code provisions that reduce overall collections for each particular tax by more than 1 percent. The first display shows how the initial impact is distributed among consumers and various industry groups, and the second shows how the final incidence is exported or borne by households, categorized by income quintile.

Finally, for contributions to the incidence material contained in this report, the Comptroller’s office would like to acknowledge the Minnesota Department of Revenue’s “Minnesota Tax Incidence Study” (several editions), data providers (both public and private) and the staff of the Texas Legislative Budget Board. 🔄

Table 1

Initial Distribution and Final Incidence of Total Limited Sales and Use Tax Revenue Fiscal 2019 (dollar amounts in millions)

Initial Distribution of Tax -- By Industry		
Industry	Amount	Percent
Agriculture	\$67.5	0.2
Mining	1,669.3	5.3
Utilities & Transportation	1,721.2	5.4
Construction	1,811.9	5.7
Manufacturing	1,338.5	4.2
Trade (Wholesale and Retail)	1,703.0	5.4
Information	1,025.9	3.2
Finance, Insurance, and Real Estate	852.6	2.7
Other Services	3,077.8	9.7
Government	0.0	0.0
Individual Consumers	18,464.2	58.2
TOTAL	\$31,731.9	100.0

Note: Totals may not sum due to rounding.

Initial Distribution of Tax -- By Type of Entity		
	Amount	Percent
Corporations	\$10,201.5	32.1
Partnerships	2,378.0	7.5
Sole Proprietors	688.2	2.2
Subtotal	\$13,267.7	41.8
Individual Consumers	18,464.2	58.2
Total	\$31,731.9	100.0

Note: Totals may not sum due to rounding.

Final Incidence of Tax -- By Household Income Quintile				
Quintile	Household Income	Amount	Percent of Total Tax Paid	Tax as a Percent of Total Income
1	Less than \$35,108	\$2,158.3	6.8	6.7
2	\$35,108 - 61,522	3,157.1	9.9	3.7
3	\$61,522 - 95,635	4,349.6	13.7	3.2
4	\$95,635 - 146,699	5,945.4	18.7	2.8
5	\$146,699 and higher	9,403.4	29.6	1.5
Residents		\$25,013.8	78.8	
Exported		6,718.1	21.2	
Total		\$31,731.9	100.0	

Estimated Equity of Tax

Suits Index	-0.242
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Note: Totals may not sum due to rounding.

Final Incidence of Tax -- By Homeowners/Renters		
	Amount	Percent
Homeowners	\$17,211.8	54.2
Renters	7,802.1	24.6
Subtotal	\$25,013.9	78.8
Exported	6,718.0	21.2
Total	\$31,731.9	100.0

Note: Totals may not sum due to rounding.

Table 2: Incidence Analysis

Limited Sales and Use Tax Exemption for Items Taxed by Other Law

Tax Code Section 151.308

Fiscal 2019 (dollar amounts in millions)

Initial Distribution of Exemption -- By Industry		
Industry	Amount	Percent
Agriculture	\$163.5	1.0
Mining	363.7	2.3
Utilities and Transportation	2,730.8	17.4
Construction	1,646.1	10.5
Manufacturing	1,273.7	8.1
Trade (Wholesale and Retail)	109.3	0.7
Information	7.6	0.0
Finance, Insurance and Real Estate	63.8	0.4
Other Services	125.5	0.8
Government	0.0	0.0
Individual Consumers	9,182.0	58.6
Total	\$15,665.9	100.0

Note: Totals may not sum due to rounding.

Final Incidence of Exemption -- By Household Income Quintile				
Quintile	Household Income	Amount	Percent of Exemption Total	Exemption Percent of Total Income
1	Less than \$35,108	\$1,173.4	7.5	3.6
2	\$35,108 - 61,522	1,617.6	10.3	1.9
3	\$61,522 - 95,635	2,442.6	15.6	1.8
4	\$95,635 - 146,699	3,119.2	19.9	1.5
5	\$146,699 and higher	4,209.2	26.9	0.7
Residents		\$12,561.9	80.2	
Exported		3,104.0	19.8	
Total		\$15,665.9	100.0	

Note: Totals may not sum due to rounding.

Table 3: Incidence Analysis

Limited Sales and Use Tax Exemption for Sales to Government Entities

Tax Code Section 151.309

Fiscal 2019 (dollar amounts in millions)

Initial Distribution of Exemption -- By Industry		
Industry	Amount	Percent
Agriculture	\$0.0	0.0
Mining	0.0	0.0
Utilities and Transportation	0.0	0.0
Construction	0.0	0.0
Manufacturing	0.0	0.0
Trade (Wholesale and Retail)	0.0	0.0
Information	0.0	0.0
Finance, Insurance and Real Estate	0.0	0.0
Other Services	0.0	0.0
Government	423.7	100.0
Individual Consumers	0.0	0.0
Total	\$423.7	100.0

Note: Totals may not sum due to rounding.

Final Incidence of Exemption -- By Household Income Quintile				
Quintile	Household Income	Amount	Percent of Exemption Total	Exemption Percent of Total Income
1	Less than \$35,108	\$29.5	7.0	0.1
2	\$35,108 - 61,522	42.7	10.1	0.1
3	\$61,522 - 95,635	51.9	12.3	0.0
4	\$95,635 - 146,699	77.4	18.3	0.0
5	\$146,699 and higher	139.2	32.9	0.0
Residents		\$340.8	80.4	
Exported		82.9	19.6	
Total		\$423.7	100.0	

Note: Totals may not sum due to rounding.

Table 4: Incidence Analysis**Limited Sales and Use Tax Exemption for Health Care Supplies**

Tax Code Section 151.313

Fiscal 2019 (dollar amounts in millions)

Initial Distribution of Exemption -- By Industry		
Industry	Amount	Percent
Agriculture	\$1.4	0.1
Mining	0.0	0.0
Utilities and Transportation	0.0	0.0
Construction	0.0	0.0
Manufacturing	1.2	0.1
Trade (Wholesale and Retail)	0.4	0.0
Information	0.2	0.0
Finance, Insurance and Real Estate	0.0	0.0
Other Services	116.5	11.3
Government	0.0	0.0
Individual Consumers	915.3	88.4
Total	\$1,035.0	100.0

Note: Totals may not sum due to rounding.

Final Incidence of Exemption -- By Household Income Quintile				
Quintile	Household Income	Amount	Percent of Exemption Total	Exemption Percent of Total Income
1	Less than \$35,108	\$158.1	15.3	0.5
2	\$35,108 - 61,522	215.2	20.8	0.3
3	\$61,522 - 95,635	194.9	18.8	0.1
4	\$95,635 - 146,699	195.2	18.9	0.1
5	\$146,699 and higher	223.6	21.6	0.0
Residents		\$987.0	95.4	
Exported		48.0	4.6	
Total		\$1,035.0	100.0	

Note: Totals may not sum due to rounding.

Table 5: Incidence Analysis**Limited Sales and Use Tax Exemption for Food for Home Consumption**

Tax Code Section 151.314

Fiscal 2019 (dollar amounts in millions)

Initial Distribution of Exemption -- By Industry		
Industry	Amount	Percent
Agriculture	\$0.0	0.0
Mining	0.0	0.0
Utilities and Transportation	0.0	0.0
Construction	0.0	0.0
Manufacturing	0.0	0.0
Trade (Wholesale and Retail)	0.0	0.0
Information	0.0	0.0
Finance, Insurance and Real Estate	0.0	0.0
Other Services	0.0	0.0
Government	0.0	0.0
Individual Consumers	3,214.9	100.0
Total	\$3,214.9	100.0

Note: Totals may not sum due to rounding.

Final Incidence of Exemption -- By Household Income Quintile				
Quintile	Household Income	Amount	Percent of Exemption Total	Exemption Percent of Total Income
1	Less than \$35,108	\$392.3	12.2	1.2
2	\$35,108 - 61,522	511.9	15.9	0.6
3	\$61,522 - 95,635	583.3	18.1	0.4
4	\$95,635 - 146,699	729.2	22.7	0.3
5	\$146,699 and higher	909.2	28.3	0.1
Residents		\$3,126.0	97.2	
Exported		88.9	2.8	
Total		\$3,214.9	100.0	

Note: Totals may not sum due to rounding.

Table 6: Incidence Analysis

Limited Sales and Use Tax Exemption for Water

Tax Code Section 151.315

Fiscal 2019 (dollar amounts in millions)

Initial Distribution of Exemption -- By Industry		
Industry	Amount	Percent
Agriculture	\$2.9	0.7
Mining	4.8	1.1
Utilities and Transportation	4.6	1.1
Construction	3.2	0.7
Manufacturing	10.0	2.3
Trade (Wholesale and Retail)	7.6	1.8
Information	0.6	0.1
Finance, Insurance and Real Estate	21.8	5.1
Other Services	23.8	5.5
Government	0.0	0.0
Individual Consumers	351.3	81.6
Total	\$430.4	100.0

Note: Totals may not sum due to rounding.

Final Incidence of Exemption -- By Household Income Quintile				
Quintile	Household Income	Amount	Percent of Exemption Total	Exemption Percent of Total Income
1	Less than \$35,108	\$47.9	11.1	0.1
2	\$35,108 - 61,522	63.7	14.8	0.1
3	\$61,522 - 95,635	73.2	17.0	0.1
4	\$95,635 - 146,699	92.6	21.5	0.0
5	\$146,699 and higher	118.5	27.5	0.0
Residents		\$395.9	92.0	
Exported		34.5	8.0	
Total		\$430.4	100.0	

Note: Totals may not sum due to rounding.

Table 7: Incidence Analysis

Limited Sales and Use Tax Exemption for Agricultural Items

Tax Code Section 151.316

Fiscal 2019 (dollar amounts in millions)

Initial Distribution of Exemption -- By Industry		
Industry	Amount	Percent
Agriculture	\$681.4	100.0
Mining	0.0	0.0
Utilities and Transportation	0.0	0.0
Construction	0.0	0.0
Manufacturing	0.0	0.0
Trade (Wholesale and Retail)	0.0	0.0
Information	0.0	0.0
Finance, Insurance and Real Estate	0.0	0.0
Other Services	0.0	0.0
Government	0.0	0.0
Individual Consumers	0.0	0.0
Total	\$681.4	100.0

Note: Totals may not sum due to rounding.

Final Incidence of Exemption -- By Household Income Quintile				
Quintile	Household Income	Amount	Percent of Exemption Total	Exemption Percent of Total Income
1	Less than \$35,108	\$34.0	5.0	0.1
2	\$35,108 - 61,522	50.2	7.4	0.1
3	\$61,522 - 95,635	71.2	10.5	0.1
4	\$95,635 - 146,699	89.6	13.1	0.0
5	\$146,699 and higher	123.2	18.1	0.0
Residents		\$368.3	54.1	
Exported		313.1	45.9	
Total		\$681.4	100.0	

Note: Totals may not sum due to rounding.

Table 8: Incidence Analysis**Limited Sales and Use Tax Exemption for Gas and Electricity**

Tax Code Section 151.317

Fiscal 2019 (dollar amounts in millions)

Initial Distribution of Exemption -- By Industry		
Industry	Amount	Percent
Agriculture	\$13.4	1.0
Mining	62.3	4.6
Utilities and Transportation	35.1	2.6
Construction	15.0	1.1
Manufacturing	519.2	38.0
Trade (Wholesale and Retail)	0.0	0.0
Information	0.0	0.0
Finance, Insurance and Real Estate	0.0	0.0
Other Services	0.0	0.0
Government	0.0	0.0
Individual Consumers	721.4	52.8
Total	\$1,366.4	100.0

Note: Totals may not sum due to rounding.

Final Incidence of Exemption -- By Household Income Quintile				
Quintile	Household Income	Amount	Percent of Exemption Total	Exemption Percent of Total Income
1	Less than \$35,108	\$120.6	8.8	0.4
2	\$35,108 - 61,522	169.4	12.4	0.2
3	\$61,522 - 95,635	197.9	14.5	0.1
4	\$95,635 - 146,699	236.3	17.3	0.1
5	\$146,699 and higher	302.5	22.1	0.0
Residents		\$1,026.6	75.1	
Exported		339.8	24.9	
Total		\$1,366.4	100.0	

Note: Totals may not sum due to rounding.

Table 9: Incidence Analysis**Limited Sales and Use Tax Exemption for Manufacturing**

Tax Code Section 151.318

Fiscal 2019 (dollar amounts in millions)

Initial Distribution of Exemption -- By Industry		
Industry	Amount	Percent
Agriculture	\$0.0	0.0
Mining	0.0	0.0
Utilities and Transportation	430.2	3.0
Construction	0.0	0.0
Manufacturing	13,460.9	94.7
Trade (Wholesale and Retail)	0.0	0.0
Information	0.0	0.0
Finance, Insurance and Real Estate	0.0	0.0
Other Services	319.0	2.2
Government	0.0	0.0
Individual Consumers	0.0	0.0
Total	\$14,210.1	100.0

Note: Totals may not sum due to rounding.

Final Incidence of Exemption -- By Household Income Quintile				
Quintile	Household Income	Amount	Percent of Exemption Total	Exemption Percent of Total Income
1	Less than \$35,108	\$545.9	3.8	1.7
2	\$35,108 - 61,522	702.7	4.9	0.8
3	\$61,522 - 95,635	997.2	7.0	0.7
4	\$95,635 - 146,699	1,458.2	10.3	0.7
5	\$146,699 and higher	2,331.4	16.4	0.4
Residents		\$6,035.4	42.5	
Exported		8,174.7	57.5	
Total		\$14,210.1	100.0	

Note: Totals may not sum due to rounding.

Table 10: Incidence Analysis

Limited Sales and Use Tax Exemption for Basic Fee for Internet Access

Tax Code Section 151.325

Fiscal 2019 (dollar amounts in millions)

Initial Distribution of Exemption -- By Industry		
Industry	Amount	Percent
Agriculture	\$0.0	0.0
Mining	0.0	0.0
Utilities and Transportation	0.0	0.0
Construction	0.0	0.0
Manufacturing	0.0	0.0
Trade (Wholesale and Retail)	0.0	0.0
Information	11.5	3.6
Finance, Insurance and Real Estate	0.0	0.0
Other Services	0.0	0.0
Government	0.0	0.0
Individual Consumers	307.5	96.4
Total	\$319.0	100.0

Note: Totals may not sum due to rounding.

Final Incidence of Exemption -- By Household Income Quintile				
Quintile	Household Income	Amount	Percent of Exemption Total	Exemption Percent of Total Income
1	Less than \$35,108	\$41.5	13.0	0.1
2	\$35,108 - 61,522	56.1	17.6	0.1
3	\$61,522 - 95,635	58.1	18.2	0.0
4	\$95,635 - 146,699	70.2	22.0	0.0
5	\$146,699 and higher	85.2	26.7	0.0
Residents		\$311.0	97.5	
Exported		8.0	2.5	
Total		\$319.0	100.0	

Note: Totals may not sum due to rounding.

Table 11: Incidence Analysis

Limited Sales and Use Tax Exclusion for New Nonresidential Construction Labor

Fiscal 2019 (dollar amounts in millions)

Initial Distribution of Exclusion -- By Industry		
Industry	Amount	Percent
Agriculture	\$0.6	0.1
Mining	33.8	8.6
Utilities and Transportation	60.6	15.5
Construction	8.3	2.1
Manufacturing	56.9	14.5
Trade (Wholesale and Retail)	99.2	25.3
Information	22.1	5.6
Finance, Insurance and Real Estate	13.3	3.4
Other Services	97.0	24.8
Government	0.0	0.0
Individual Consumers	0.0	0.0
Total	\$391.7	100.0

Note: Totals may not sum due to rounding.

Final Incidence of Exclusion -- By Household Income Quintile				
Quintile	Household Income	Amount	Percent of Exclusion Total	Exclusion Percent of Total Income
1	Less than \$35,108	\$24.2	6.2	0.1
2	\$35,108 - 61,522	35.1	9.0	0.0
3	\$61,522 - 95,635	45.6	11.6	0.0
4	\$95,635 - 146,699	68.4	17.5	0.0
5	\$146,699 and higher	121.6	31.0	0.0
Residents		\$294.9	75.3	
Exported		96.8	24.7	
Total		\$391.7	100.0	

Note: Totals may not sum due to rounding.

Table 12: Incidence Analysis**Limited Sales and Use Tax Exclusion for Temporary Labor Services**

Fiscal 2019 (dollar amounts in millions)

Initial Distribution of Exclusion -- By Industry		
Industry	Amount	Percent
Agriculture	\$2.1	0.5
Mining	9.7	2.4
Utilities and Transportation	25.7	6.4
Construction	22.3	5.6
Manufacturing	9.3	2.3
Trade (Wholesale and Retail)	63.5	15.9
Information	2.1	0.5
Finance, Insurance and Real Estate	21.7	5.4
Other Services	243.2	60.9
Government	0.0	0.0
Individual Consumers	0.0	0.0
Total	\$399.6	100.0

Note: Totals may not sum due to rounding.

Final Incidence of Exclusion -- By Household Income Quintile				
Quintile	Household Income	Amount	Percent of Exclusion Total	Exclusion Percent of Total Income
1	Less than \$35,108	\$23.6	5.9	0.1
2	\$35,108 - 61,522	32.5	8.1	0.0
3	\$61,522 - 95,635	53.6	13.4	0.0
4	\$95,635 - 146,699	65.9	16.5	0.0
5	\$146,699 and higher	112.5	28.1	0.0
Residents		\$288.2	72.1	
Exported		111.4	27.9	
Total		\$399.6	100.0	

Note: Totals may not sum due to rounding.

Table 13: Incidence Analysis**Limited Sales and Use Tax Exclusion for Health Care Services (Physicians, Dentists and Other Health Care Services)**

Fiscal 2019 (dollar amounts in millions)

Initial Distribution of Exclusion -- By Industry		
Industry	Amount	Percent
Agriculture	\$0.0	0.0
Mining	0.0	0.0
Utilities and Transportation	0.0	0.0
Construction	0.0	0.0
Manufacturing	0.0	0.0
Trade (Wholesale and Retail)	0.0	0.0
Information	0.0	0.0
Finance, Insurance and Real Estate	0.0	0.0
Other Services	0.0	0.0
Government	0.0	0.0
Individual Consumers	2,548.1	100.0
Total	\$2,548.1	100.0

Note: Totals may not sum due to rounding.

Final Incidence of Exclusion -- By Household Income Quintile				
Quintile	Household Income	Amount	Percent of Exclusion Total	Exclusion Percent of Total Income
1	Less than \$35,108	\$216.3	8.5	0.7
2	\$35,108 - 61,522	388.6	15.3	0.5
3	\$61,522 - 95,635	521.7	20.5	0.4
4	\$95,635 - 146,699	626.2	24.6	0.3
5	\$146,699 and higher	753.0	29.6	0.1
Residents		\$2,505.8	98.3	
Exported		42.3	1.7	
Total		\$2,548.1	100.0	

Note: Totals may not sum due to rounding.

Table 14: Incidence Analysis

Limited Sales and Use Tax Exclusion for Legal Services

Fiscal 2019 (dollar amounts in millions)

Initial Distribution of Exclusion -- By Industry		
Industry	Amount	Percent
Agriculture	\$0.3	0.1
Mining	23.9	4.5
Utilities and Transportation	35.5	6.6
Construction	4.6	0.9
Manufacturing	40.9	7.7
Trade (Wholesale and Retail)	21.5	4.0
Information	6.7	1.3
Finance, Insurance and Real Estate	47.7	9.0
Other Services	128.3	24.0
Government	0.0	0.0
Individual Consumers	224.1	42.0
Total	\$533.5	100.0

Note: Totals may not sum due to rounding.

Final Incidence of Exclusion -- By Household Income Quintile				
Quintile	Household Income	Amount	Percent of Exclusion Total	Exclusion Percent of Total Income
1	Less than \$35,108	\$27.5	5.2	0.1
2	\$35,108 - 61,522	55.7	10.4	0.1
3	\$61,522 - 95,635	72.8	13.7	0.1
4	\$95,635 - 146,699	87.3	16.4	0.0
5	\$146,699 and higher	154.6	29.0	0.0
Residents		\$398.0	74.6	
Exported		135.5	25.4	
Total		\$533.5	100.0	

Note: Totals may not sum due to rounding.

Table 15: Incidence Analysis

Limited Sales and Use Tax Exclusion for Architecture and Engineering Services

Fiscal 2019 (dollar amounts in millions)

Initial Distribution of Exclusion -- By Industry		
Industry	Amount	Percent
Agriculture	\$0.2	0.0
Mining	23.6	4.7
Utilities and Transportation	26.3	5.3
Construction	196.9	39.5
Manufacturing	69.1	13.9
Trade (Wholesale and Retail)	9.1	1.8
Information	40.3	8.1
Finance, Insurance and Real Estate	41.0	8.2
Other Services	81.7	16.4
Government	0.0	0.0
Individual Consumers	10.6	2.1
Total	\$498.9	100.0

Note: Totals may not sum due to rounding.

Final Incidence of Exclusion -- By Household Income Quintile				
Quintile	Household Income	Amount	Percent of Exclusion Total	Exclusion Percent of Total Income
1	Less than \$35,108	\$22.5	4.5	0.1
2	\$35,108 - 61,522	37.2	7.4	0.0
3	\$61,522 - 95,635	51.5	10.3	0.0
4	\$95,635 - 146,699	66.3	13.3	0.0
5	\$146,699 and higher	118.9	23.8	0.0
Residents		\$296.4	59.4	
Exported		202.5	40.6	
Total		\$498.9	100.0	

Note: Totals may not sum due to rounding.

Table 16: Incidence Analysis**Limited Sales and Use Tax Exclusion for Accounting and Audit Services**

Fiscal 2019 (dollar amounts in millions)

Initial Distribution of Exclusion -- By Industry		
Industry	Amount	Percent
Agriculture	\$3.2	0.9
Mining	12.7	3.7
Utilities and Transportation	25.8	7.5
Construction	10.7	3.1
Manufacturing	26.4	7.6
Trade (Wholesale and Retail)	42.9	12.4
Information	21.8	6.3
Finance, Insurance and Real Estate	52.1	15.1
Other Services	119.5	34.6
Government	0.0	0.0
Individual Consumers	30.1	8.7
Total	\$345.3	100.0

Note: Totals may not sum due to rounding.

Final Incidence of Exclusion -- By Household Income Quintile				
Quintile	Household Income	Amount	Percent of Exclusion Total	Exclusion Percent of Total Income
1	Less than \$35,108	\$15.2	4.4	0.0
2	\$35,108 - 61,522	23.6	6.8	0.0
3	\$61,522 - 95,635	38.5	11.1	0.0
4	\$95,635 - 146,699	52.3	15.2	0.0
5	\$146,699 and higher	94.5	27.4	0.0
Residents		\$224.1	64.9	
Exported		121.3	35.1	
Total		\$345.3	100.0	

Note: Totals may not sum due to rounding.

Table 17**Limited Sales and Use Tax Exclusion for Real Estate Brokerage and Agency**

Fiscal 2019 (dollar amounts in millions)

Initial Distribution of Exclusion -- By Industry		
Industry	Amount	Percent
Agriculture	\$1.5	0.5
Mining	6.2	1.9
Utilities and Transportation	10.9	3.4
Construction	5.2	1.6
Manufacturing	7.2	2.2
Trade (Wholesale and Retail)	34.2	10.6
Information	5.8	1.8
Finance, Insurance and Real Estate	43.2	13.4
Other Services	101.3	31.3
Government	0.0	0.0
Individual Consumers	108.1	33.4
Total	\$323.4	100.0

Note: Totals may not sum due to rounding.

Final Incidence of Exclusion -- By Household Income Quintile				
Quintile	Household Income	Amount	Percent of Exclusion Total	Exclusion Percent of Total Income
1	Less than \$35,108	\$33.3	10.3	0.1
2	\$35,108 - 61,522	41.7	12.9	0.0
3	\$61,522 - 95,635	54.8	16.9	0.0
4	\$95,635 - 146,699	53.5	16.5	0.0
5	\$146,699 and higher	66.4	20.5	0.0
Residents		\$249.6	77.2	
Exported		73.8	22.8	
Total		\$323.4	100.0	

Note: Totals may not sum due to rounding.

Table 18: Incidence Analysis

Limited Sales and Use Tax Exclusion for Freight Hauling

Fiscal 2019 (dollar amounts in millions)

Initial Distribution of Exclusion -- By Industry		
Industry	Amount	Percent
Agriculture	\$9.2	2.2
Mining	7.5	1.8
Utilities and Transportation	60.1	14.7
Construction	27.6	6.7
Manufacturing	107.9	26.4
Trade (Wholesale and Retail)	71.8	17.6
Information	4.3	1.1
Finance, Insurance and Real Estate	10.4	2.5
Other Services	26.6	6.5
Government	0.0	0.0
Individual Consumers	83.5	20.4
Total	\$408.9	100.0

Note: Totals may not sum due to rounding.

Final Incidence of Exclusion -- By Household Income Quintile				
Quintile	Household Income	Amount	Percent of Exclusion Total	Exclusion Percent of Total Income
1	Less than \$35,108	\$24.8	6.1	0.1
2	\$35,108 - 61,522	33.2	8.1	0.0
3	\$61,522 - 95,635	51.6	12.6	0.0
4	\$95,635 - 146,699	59.0	14.4	0.0
5	\$146,699 and higher	93.9	23.0	0.0
Residents		\$262.4	64.2	
Exported		146.5	35.8	
Total		\$408.9	100.0	

Note: Totals may not sum due to rounding.

Table 19: Incidence Analysis

Limited Sales and Use Tax Exclusion for Automotive Maintenance and Repair

Fiscal 2019 (dollar amounts in millions)

Initial Distribution of Exclusion -- By Industry		
Industry	Amount	Percent
Agriculture	\$0.7	0.2
Mining	2.4	0.6
Utilities and Transportation	19.9	4.7
Construction	8.7	2.1
Manufacturing	32.6	7.7
Trade (Wholesale and Retail)	8.8	2.1
Information	3.8	0.9
Finance, Insurance and Real Estate	4.7	1.1
Other Services	22.7	5.4
Government	0.0	0.0
Individual Consumers	320.0	75.4
Total	\$424.4	100.0

Note: Totals may not sum due to rounding.

Final Incidence of Exclusion -- By Household Income Quintile				
Quintile	Household Income	Amount	Percent of Exclusion Total	Exclusion Percent of Total Income
1	Less than \$35,108	\$37.6	8.9	0.1
2	\$35,108 - 61,522	50.1	11.8	0.1
3	\$61,522 - 95,635	66.5	15.7	0.0
4	\$95,635 - 146,699	89.3	21.0	0.0
5	\$146,699 and higher	133.4	31.4	0.0
Residents		\$376.9	88.8	
Exported		47.5	11.2	
Total		\$424.4	100.0	

Note: Totals may not sum due to rounding.

Table 20

Initial Distribution and Final Incidence of Total Franchise Tax Revenue

Fiscal 2019 (dollar amounts in millions)

Initial Distribution of Tax -- By Industry		
Industry	Amount	Percent
Agriculture	\$14.1	0.4
Mining	276.0	7.0
Utilities & Transportation	199.5	5.0
Construction	166.6	4.2
Manufacturing	671.8	17.0
Trade (Wholesale and Retail)	650.7	16.4
Information	232.3	5.9
Finance, Insurance, and Real Estate	505.1	12.8
Other Services	1,242.0	31.4
Government	0.0	0.0
Individual Consumers	0.0	0.0
TOTAL	\$3,958.1	100.0

Note: Totals may not sum due to rounding.

Initial Distribution of Tax -- By Type of Entity		
	Amount	Percent
Corporations	\$3,400.3	85.9
Partnerships	557.8	14.1
Sole Proprietors	0.0	0.0
Subtotal	\$3,958.1	100.0
Individual Consumers	0.0	0.0
Total	\$3,958.1	100.0

Note: Totals may not sum due to rounding.

Final Incidence of Tax -- By Household Income Quintile				
Quintile	Household Income	Amount	Percent of Total Tax Paid	Tax as a Percent of Total Income
1	Less than \$35,108	\$152.3	3.8	0.5
2	\$35,108 - 61,522	288.5	7.3	0.3
3	\$61,522 - 95,635	418.0	10.6	0.3
4	\$95,635 - 146,699	556.5	14.1	0.3
5	\$146,699 and higher	1,112.9	28.1	0.2
Residents		\$2,528.2	63.9	
Exported		1,429.9	36.1	
Total		\$3,958.1	100.0	

Estimated Equity of Tax

Suits Index	-0.064
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Note: Totals may not sum due to rounding.

Final Incidence of Tax -- By Homeowners/Renters		
	Amount	Percent
Homeowners	\$1,837.5	46.4
Renters	690.7	17.5
Subtotal	\$2,528.2	63.9
Exported	1,429.9	36.1
Total	\$3,958.1	100.0

Note: Totals may not sum due to rounding.

Table 21: Incidence Analysis

Franchise Tax Exemption for Insurance Companies

Tax Code Sections 171.052 and 171.0525

Fiscal 2019 (dollar amounts in millions)

Initial Distribution of Exclusion -- By Industry		
Industry	Amount	Percent
Agriculture	\$0.0	0.0
Mining	0.0	0.0
Utilities and Transportation	0.0	0.0
Construction	0.0	0.0
Manufacturing	0.0	0.0
Trade (Wholesale and Retail)	0.0	0.0
Information	0.0	0.0
Finance, Insurance and Real Estate	215.5	100.0
Other Services	0.0	0.0
Government	0.0	0.0
Individual Consumers	0.0	0.0
Total	\$215.5	100.0

Note: Totals may not sum due to rounding.

Final Incidence of Exclusion -- By Household Income Quintile				
Quintile	Household Income	Amount	Percent of Exemption Total	Exemption Percent of Total Income
1	Less than \$35,108	\$11.5	5.3	0.0
2	\$35,108 - 61,522	12.4	5.8	0.0
3	\$61,522 - 95,635	21.2	9.8	0.0
4	\$95,635 - 146,699	28.5	13.2	0.0
5	\$146,699 and higher	52.6	24.4	0.0
Residents		\$126.1	58.5	
Exported		89.4	41.5	
Total		\$215.5	100.0	

Note: Totals may not sum due to rounding.

Table 22: Incidence Analysis

Franchise Tax Exemption for Open-End Investment Companies

Tax Code Section 171.055

Fiscal 2019 (dollar amounts in millions)

Initial Distribution of Exclusion -- By Industry		
Industry	Amount	Percent
Agriculture	\$0.0	0.0
Mining	0.0	0.0
Utilities and Transportation	0.0	0.0
Construction	0.0	0.0
Manufacturing	0.0	0.0
Trade (Wholesale and Retail)	0.0	0.0
Information	0.0	0.0
Finance, Insurance and Real Estate	123.9	100.0
Other Services	0.0	0.0
Government	0.0	0.0
Individual Consumers	0.0	0.0
Total	\$123.9	100.0

Note: Totals may not sum due to rounding.

Final Incidence of Exclusion -- By Household Income Quintile				
Quintile	Household Income	Amount	Percent of Exemption Total	Exemption Percent of Total Income
1	Less than \$35,108	\$4.8	3.9	0.0
2	\$35,108 - 61,522	8.3	6.7	0.0
3	\$61,522 - 95,635	11.7	9.4	0.0
4	\$95,635 - 146,699	17.4	14.1	0.0
5	\$146,699 and higher	30.7	24.8	0.0
Residents		\$73.0	58.9	
Exported		50.9	41.1	
Total		\$123.9	100.0	

Note: Totals may not sum due to rounding.

Table 23: Incidence Analysis**Franchise Tax Exemption for Nonprofit Corporations Exempt from Federal Income Tax: IRS Sec. 501 (c)(3)**

Tax Code Section 171.063

Fiscal 2019 (dollar amounts in millions)

Initial Distribution of Exemption -- By Industry		
Industry	Amount	Percent
Agriculture	\$0.0	0.0
Mining	0.0	0.0
Utilities and Transportation	0.0	0.0
Construction	0.0	0.0
Manufacturing	0.0	0.0
Trade (Wholesale and Retail)	0.0	0.0
Information	0.0	0.0
Finance, Insurance and Real Estate	0.0	0.0
Other Services	280.5	100.0
Government	0.0	0.0
Individual Consumers	0.0	0.0
Total	\$280.5	100.0

Note: Totals may not sum due to rounding.

Final Incidence of Exemption -- By Household Income Quintile				
Quintile	Household Income	Amount	Percent of Exemption Total	Exemption Percent of Total Income
1	Less than \$35,108	\$12.0	4.3	0.0
2	\$35,108 - 61,522	23.8	8.5	0.0
3	\$61,522 - 95,635	30.6	10.9	0.0
4	\$95,635 - 146,699	51.3	18.3	0.0
5	\$146,699 and higher	90.2	32.1	0.0
Residents		\$207.8	74.1	
Exported		72.7	25.9	
Total		\$280.5	100.0	

Note: Totals may not sum due to rounding.

Table 24: Incidence Analysis**Franchise Tax Temporary Credit on Taxable Margin**

Tax Code Section 171.111

Fiscal 2019 (dollar amounts in millions)

Initial Distribution of Exemption -- By Industry		
Industry	Amount	Percent
Agriculture	\$0.2	0.2
Mining	13.9	14.4
Utilities and Transportation	7.5	7.8
Construction	1.1	1.1
Manufacturing	37.9	39.3
Trade (Wholesale and Retail)	10.6	11.0
Information	6.8	7.1
Finance, Insurance and Real Estate	6.0	6.2
Other Services	12.4	12.9
Government	0.0	0.0
Individual Consumers	0.0	0.0
Total	\$96.4	100.0

Note: Totals may not sum due to rounding.

Final Incidence of Exemption -- By Household Income Quintile				
Quintile	Household Income	Amount	Percent of Exemption Total	Exemption Percent of Total Income
1	Less than \$35,108	\$6.9	7.2	0.0
2	\$35,108 - 61,522	8.6	8.9	0.0
3	\$61,522 - 95,635	11.3	11.7	0.0
4	\$95,635 - 146,699	16.2	16.8	0.0
5	\$146,699 and higher	25.2	26.2	0.0
Residents		\$68.2	70.8	
Exported		28.2	29.2	
Total		\$96.4	100.0	

Note: Totals may not sum due to rounding.

Table 25: Incidence Analysis

Franchise Tax Small Business Exemption

Tax Code Section 171.002(d)

Fiscal 2019 (dollar amounts in millions)

Initial Distribution of Exemption -- By Industry		
Industry	Amount	Percent
Agriculture	\$3.9	1.9
Mining	3.9	1.9
Utilities and Transportation	5.5	2.7
Construction	15.7	7.7
Manufacturing	5.3	2.6
Trade (Wholesale and Retail)	27.7	13.6
Information	1.8	0.9
Finance, Insurance and Real Estate	44.5	21.8
Other Services	95.6	46.9
Government	0.0	0.0
Individual Consumers	0.0	0.0
Total	\$203.9	100.0

Note: Totals may not sum due to rounding.

Final Incidence of Exemption -- By Household Income Quintile				
Quintile	Household Income	Amount	Percent of Exemption Total	Exemption Percent of Total Income
1	Less than \$35,108	\$12.4	6.1	0.0
2	\$35,108 - 61,522	17.8	8.7	0.0
3	\$61,522 - 95,635	22.9	11.2	0.0
4	\$95,635 - 146,699	38.2	18.7	0.0
5	\$146,699 and higher	65.2	32.0	0.0
Residents		\$156.6	76.8	
Exported		47.3	23.2	
Total		\$203.9	100.0	

Note: Totals may not sum due to rounding.

Table 26: Incidence Analysis

Franchise Tax Health Care Provider Exclusions

Tax Code Sections 171.1011 (n) and (o)

Fiscal 2019 (dollar amounts in millions)

Initial Distribution of Exclusion -- By Industry		
Industry	Amount	Percent
Agriculture	\$0.0	0.0
Mining	0.0	0.0
Utilities and Transportation	0.0	0.0
Construction	0.0	0.0
Manufacturing	0.0	0.0
Trade (Wholesale and Retail)	0.0	0.0
Information	0.0	0.0
Finance, Insurance and Real Estate	0.0	0.0
Other Services	68.4	100.0
Government	0.0	0.0
Individual Consumers	0.0	0.0
Total	\$68.4	100.0

Note: Totals may not sum due to rounding.

Final Incidence of Exclusion -- By Household Income Quintile				
Quintile	Household Income	Amount	Percent of Exclusion Total	Exclusion Percent of Total Income
1	Less than \$35,108	\$4.1	6.0	0.0
2	\$35,108 - 61,522	6.4	9.4	0.0
3	\$61,522 - 95,635	8.4	12.3	0.0
4	\$95,635 - 146,699	11.6	17.0	0.0
5	\$146,699 and higher	19.2	28.0	0.0
Residents		\$49.8	72.8	
Exported		18.6	27.2	
Total		\$68.4	100.0	

Note: Totals may not sum due to rounding.

Table 27: Incidence Analysis**Franchise Tax Subchapter M Tax Credit for Certain Research and Development Activities**

Tax Code Sections 171.651-171.665

Fiscal 2019 (dollar amounts in millions)

Initial Distribution of Tax Credits -- By Industry		
Industry	Amount	Percent
Agriculture	\$0.0	0.0
Mining	0.3	0.2
Utilities and Transportation	0.0	0.0
Construction	0.0	0.0
Manufacturing	0.8	0.5
Trade (Wholesale and Retail)	0.1	0.1
Information	0.1	0.1
Finance, Insurance and Real Estate	0.0	0.0
Other Services	0.4	0.2
Government	0.0	0.0
Individual Consumers	0.0	0.0
Total	\$182.5	1.0

Note: Totals may not sum due to rounding.

Final Incidence of Tax Credits -- By Household Income Quintile				
Quintile	Household Income	Amount	Percent of Tax Credits Total	Tax Credits Percent of Total Income
1	Less than \$35,108	\$0.1	0.1	0.0
2	\$35,108 - 61,522	0.2	0.1	0.0
3	\$61,522 - 95,635	0.2	0.1	0.0
4	\$95,635 - 146,699	0.3	0.2	0.0
5	\$146,699 and higher	0.5	0.3	0.0
Residents		\$1.2	0.7	
Exported		0.6	0.3	
Total		\$182.5	1.0	

Note: Totals may not sum due to rounding.

Table 28: Incidence Analysis**Franchise Tax Special Accounting Methods for Apportionment of Proceeds from the Sale of Certain Loans and Securities**

Tax Code Sections 171.106 (f) and (f-1)

Fiscal 2019 (dollar amounts in millions)

Initial Distribution of Special Accounting Methods -- By Industry		
Industry	Amount	Percent
Agriculture	\$0.0	0.0
Mining	31.8	23.5
Utilities and Transportation	0.0	0.0
Construction	0.0	0.0
Manufacturing	0.0	0.0
Trade (Wholesale and Retail)	0.0	0.0
Information	0.0	0.0
Finance, Insurance and Real Estate	103.3	76.5
Other Services	0.0	0.0
Government	0.0	0.0
Individual Consumers	0.0	0.0
Total	\$135.1	100.0

Note: Totals may not sum due to rounding.

Final Incidence of Special Accounting Methods -- By Household Income Quintile				
Quintile	Household Income	Amount	Percent of Special Accounting Methods Total	Special Accounting Methods Percent of Total Income
1	Less than \$35,108	\$5.6	4.1	0.0
2	\$35,108 - 61,522	8.1	6.0	0.0
3	\$61,522 - 95,635	12.7	9.4	0.0
4	\$95,635 - 146,699	19.1	14.2	0.0
5	\$146,699 and higher	30.8	22.8	0.0
Residents		\$76.3	56.5	
Exported		58.8	43.5	
Total		\$135.1	100.0	

Note: Totals may not sum due to rounding.

Table 29: Incidence Analysis

Franchise Tax Optional Subtraction of \$1 Million from Total Revenue for Determination of Taxable Margin

Tax Code Section 171.101 (a)(1)(B)(i)

Fiscal 2019 (dollar amounts in millions)

Initial Distribution of Exclusion -- By Industry		
Industry	Amount	Percent
Agriculture	\$0.6	1.3
Mining	1.0	2.1
Utilities and Transportation	1.6	3.3
Construction	2.7	5.4
Manufacturing	1.1	2.3
Trade (Wholesale and Retail)	3.2	6.5
Information	0.4	0.9
Finance, Insurance and Real Estate	15.6	31.7
Other Services	22.9	46.5
Government	0.0	0.0
Individual Consumers	0.0	0.0
Total	\$49.3	100.0

Note: Totals may not sum due to rounding.

Final Incidence of Exclusion -- By Household Income Quintile				
Quintile	Household Income	Amount	Percent of Exclusion Total	Exclusion Percent of Total Income
1	Less than \$35,108	\$3.7	7.4	0.0
2	\$35,108 - 61,522	4.4	8.9	0.0
3	\$61,522 - 95,635	5.6	11.3	0.0
4	\$95,635 - 146,699	8.9	18.0	0.0
5	\$146,699 and higher	16.6	33.7	0.0
Residents		\$39.1	79.4	
Exported		10.2	20.6	
Total		\$49.3	100.0	

Note: Totals may not sum due to rounding.

Table 30

Initial Distribution and Final Incidence of Total Motor Vehicle Sales and Use Tax Revenue Tax Year 2019 (dollar amounts in millions)

Initial Distribution of Tax -- By Industry		
Industry	Amount	Percent
Agriculture	\$65.6	1.4
Mining	184.3	3.9
Utilities & Transportation	286.3	6.1
Construction	216.1	4.6
Manufacturing	166.3	3.5
Trade (Wholesale and Retail)	228.5	4.8
Information	5.7	0.1
Finance, Insurance, and Real Estate	94.0	2.0
Other Services	693.2	14.7
Government	0.0	0.0
Individual Consumers	2,790.4	59.0
TOTAL	\$4,730.4	100.0

Note: Totals may not sum due to rounding.

Initial Distribution of Tax -- By Type of Entity		
	Amount	Percent
Corporations	\$1,464.9	31.0
Partnerships	275.5	5.8
Sole Proprietors	199.6	4.2
Subtotal	\$1,940.0	41.0
Individual Consumers	2,790.4	59.0
TOTAL	\$4,730.4	100.0

Note: Totals may not sum due to rounding.

Final Incidence of Tax -- By Household Income Quintile				
Quintile	Household Income	Amount	Percent of Total Tax Paid	Tax as a Percent of Total Income
1	Less than \$35,108	\$277.6	5.9	0.9
2	\$35,108 - 61,522	422.6	8.9	0.5
3	\$61,522 - 95,635	745.3	15.8	0.6
4	\$95,635 - 146,699	1,006.0	21.3	0.5
5	\$146,699 and higher	1,639.4	34.7	0.3
Residents		\$4,090.9	86.5	
Exported		639.5	13.5	
Total		\$4,730.4	100.0	

Estimated Equity of Tax

Suits Index	-0.184
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Note: Totals may not sum due to rounding.

Final Incidence of Tax -- By Homeowners/Renters		
	Amount	Percent
Homeowners	\$2,811.2	59.4
Renters	1,279.7	27.1
Subtotal	\$4,090.9	86.5
Exported	639.5	13.5
TOTAL	\$4,730.4	100.0

Note: Totals may not sum due to rounding.

Table 31: Incidence Analysis

Motor Vehicle Sales and Use Tax Exempt Vehicles

Tax Code Section 152.089

Tax Year 2019 (dollar amounts in millions)

Initial Distribution of Exemption -- By Industry		
Industry	Amount	Percent
Agriculture	\$0.0	0.0
Mining	0.0	0.0
Utilities and Transportation	53.1	100.0
Construction	0.0	0.0
Manufacturing	0.0	0.0
Trade (Wholesale and Retail)	0.0	0.0
Information	0.0	0.0
Finance, Insurance and Real Estate	0.0	0.0
Other Services	0.0	0.0
Government	0.0	0.0
Individual Consumers	0.0	0.0
Total	\$53.1	100.0

Note: Totals may not sum due to rounding.

Final Incidence of Exemption -- By Household Income Quintile				
Quintile	Household Income	Amount	Percent of Exemption Total	Exemption Percent of Total Income
1	Less than \$35,108	\$3.1	5.9	0.0
2	\$35,108 - 61,522	4.5	8.5	0.0
3	\$61,522 - 95,635	7.3	13.8	0.0
4	\$95,635 - 146,699	10.2	19.2	0.0
5	\$146,699 and higher	16.1	30.3	0.0
Residents		\$41.2	77.7	
Exported		11.9	22.3	
Total		\$53.1	100.0	

Note: Totals may not sum due to rounding.

Table 32

Initial Distribution and Final Incidence of Total Gasoline Tax Revenue

Tax Year 2019 (dollar amounts in millions)

Initial Distribution of Tax -- By Industry		
Industry	Amount	Percent
Agriculture	\$17.7	0.6
Mining	7.4	0.3
Utilities & Transportation	170.5	6.1
Construction	87.5	3.1
Manufacturing	168.1	6.0
Trade (Wholesale and Retail)	21.0	0.8
Information	4.8	0.2
Finance, Insurance, and Real Estate	26.4	0.9
Other Services	46.9	1.7
Government	0.0	0.0
Individual Consumers	2,231.3	80.2
TOTAL	\$2,781.4	100.0

Note: Totals may not sum due to rounding.

Initial Distribution of Tax -- By Type of Entity		
	Amount	Percent
Corporations	\$397.4	14.3
Partnerships	105.0	3.8
Sole Proprietors	47.6	1.7
Subtotal	\$550.1	19.8
Individual Consumers	2,231.3	80.2
TOTAL	\$2,781.4	100.0

Note: Totals may not sum due to rounding.

Final Incidence of Tax -- By Household Income Quintile				
Quintile	Household Income	Amount	Percent of Total Tax Paid	Tax as a Percent of Total Income
1	Less than \$35,108	\$237.6	8.5	0.7
2	\$35,108 - 61,522	349.1	12.6	0.4
3	\$61,522 - 95,635	515.4	18.5	0.4
4	\$95,635 - 146,699	629.0	22.6	0.3
5	\$146,699 and higher	765.1	27.5	0.1
Residents		\$2,496.2	89.7	
Exported		285.2	10.3	
Total		\$2,781.4	100.0	

Estimated Equity of Tax

Suits Index	-0.293
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Note: Totals may not sum due to rounding.

Final Incidence of Tax -- By Homeowners/Renters		
	Amount	Percent
Homeowners	\$1,587.8	57.1
Renters	908.4	32.7
Subtotal	\$2,496.2	89.7
Exported	285.2	10.3
TOTAL	\$2,781.4	100.0

Note: Totals may not sum due to rounding.

Table 33: Incidence Analysis

Gasoline Tax Collection Allowances

Tax Code Sections 162.113 and 162.116

Tax Year 2019 (dollar amounts in millions)

Initial Distribution of Exemption -- By Industry		
Industry	Amount	Percent
Agriculture	\$0.0	0.0
Mining	0.0	0.0
Utilities and Transportation	0.0	0.0
Construction	0.0	0.0
Manufacturing	0.0	0.0
Retail and Wholesale Trade	56.8	100.0
Information	0.0	0.0
Finance, Insurance and Real Estate	0.0	0.0
Other Services	0.0	0.0
Government	0.0	0.0
Individual Consumers	0.0	0.0
Total	\$56.8	100.0

Note: Totals may not sum due to rounding.

Final Incidence of Exemption -- By Household Income Quintile				
Quintile	Household Income	Amount	Percent of Exemption Total	Exemption Percent of Total Income
1	Less than \$35,108	\$4.5	7.9	0.0
2	\$35,108 - 61,522	6.2	10.8	0.0
3	\$61,522 - 95,635	8.9	15.7	0.0
4	\$95,635 - 146,699	14.0	24.6	0.0
5	\$146,699 and higher	17.9	31.4	0.0
Residents		\$51.4	90.5	
Exported		5.4	9.5	
Total		\$56.8	100.0	

Note: Totals may not sum due to rounding.

Table 34

Initial Distribution and Final Incidence of Total School Property Tax Revenue

Tax Year 2019 (dollar amounts in millions)

Initial Distribution of Tax -- By Industry		
Industry	Amount	Percent
Agriculture	\$624.9	1.8
Mining	2,041.8	5.7
Utilities & Transportation	2,646.0	7.4
Construction	415.8	1.2
Manufacturing	2,708.6	7.6
Trade (Wholesale and Retail)	1,240.2	3.5
Information	1,152.3	3.2
Finance, Insurance, and Real Estate	5,580.1	15.6
Other Services	1,935.8	5.4
Government	0.0	0.0
Individual Consumers	17,345.4	48.6
TOTAL	\$35,691.1	100.0

Note: Totals may not sum due to rounding.

Initial Distribution of Tax -- By Type of Entity		
	Amount	Percent
Corporations	\$14,815.6	41.5
Partnerships	2,954.3	8.3
Sole Proprietors	575.8	1.6
Subtotal	\$18,345.7	51.4
Individual Consumers	17,345.4	48.6
TOTAL	\$35,691.1	100.0

Note: Totals may not sum due to rounding.

Final Incidence of Tax -- By Household Income Quintile				
Quintile	Household Income	Amount	Percent of Total Tax Paid	Tax as a Percent of Total Income
1	Less than \$35,108	\$2,421.3	6.8	7.5
2	\$35,108 - 61,522	3,108.0	8.7	3.7
3	\$61,522 - 95,635	3,930.5	11.0	2.9
4	\$95,635 - 146,699	6,238.3	17.5	2.9
5	\$146,699 and higher	13,054.1	36.6	2.1
Residents		\$28,752.1	80.6	
Exported		6,938.9	19.4	
Total		\$35,691.1	100.0	

Estimated Equity of Tax

Suits Index	-0.07
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Note: Totals may not sum due to rounding.

Final Incidence of Tax -- By Homeowners/Renters		
	Amount	Percent
Homeowners	\$22,175.9	62.1
Renters	6,576.2	18.4
Subtotal	\$28,752.1	80.6
Exported	6,938.9	19.4
TOTAL	\$35,691.1	100.0

Note: Totals may not sum due to rounding.

Table 35: Incidence Analysis

School Property Tax State-Mandated Homestead Exemption of \$25,000

Tax Code Section 11.13(b)

Tax Year 2019 (dollar amounts in millions)

Initial Distribution of Exemption -- By Industry		
Industry	Amount	Percent
Agriculture	\$0.0	0.0
Mining	0.0	0.0
Utilities & Trans	0.0	0.0
Construction	0.0	0.0
Manufacturing	0.0	0.0
Retail and Wholesale Trade	0.0	0.0
Information	0.0	0.0
Finance, Insurance and Real Estate	0.0	0.0
Other Services	0.0	0.0
Government	0.0	0.0
Individual Consumers	1,796.8	100.0
Total	\$1,796.8	100.0

Note: Totals may not sum due to rounding.

Final Incidence of Exemption -- By Household Income Quintile				
Quintile	Household Income	Amount	Percent of Exemption Total	Exemption Percent of Total Income
1	Less than \$35,108	\$154.9	8.6	0.5
2	\$35,108 - 61,522	227.0	12.6	0.3
3	\$61,522 - 95,635	271.3	15.1	0.2
4	\$95,635 - 146,699	364.0	20.3	0.2
5	\$146,699 and higher	451.3	25.1	0.1
Residents		\$1,468.5	81.7	
Exported		328.3	18.3	
Total		\$1,796.8	100.0	

Note: Totals may not sum due to rounding.

Table 36: Incidence Analysis

School Property Tax Optional Percentage Homestead Exemption

Tax Code Section 11.13(n)

Tax Year 2019 (dollar amounts in millions)

Initial Distribution of Exemption -- By Industry		
Industry	Amount	Percent
Agriculture	\$0.0	0.0
Mining	0.0	0.0
Utilities and Transportation	0.0	0.0
Construction	0.0	0.0
Manufacturing	0.0	0.0
Retail and Wholesale Trade	0.0	0.0
Information	0.0	0.0
Finance, Insurance and Real Estate	0.0	0.0
Other Services	0.0	0.0
Government	0.0	0.0
Individual Consumers	705.9	100.0
Total	\$705.9	100.0

Note: Totals may not sum due to rounding.

Final Incidence of Exemption -- By Household Income Quintile				
Quintile	Household Income	Amount	Percent of Exemption Total	Exemption Percent of Total Income
1	Less than \$35,108	\$27.2	3.9	0.1
2	\$35,108 - 61,522	41.6	5.9	0.0
3	\$61,522 - 95,635	63.2	9.0	0.0
4	\$95,635 - 146,699	118.0	16.7	0.1
5	\$146,699 and higher	319.3	45.2	0.1
Residents		\$569.3	80.7	
Exported		136.6	19.3	
Total		\$705.9	100.0	

Note: Totals may not sum due to rounding.

Table 37: Incidence Analysis**School Property Tax Freeport Property Exemption**

Tax Code Sections 11.251 and 11.437

Tax Year 2019 (dollar amounts in millions)

Initial Distribution of Exemption -- By Industry		
Industry	Amount	Percent
Agriculture	\$23.9	4.2
Mining	1.4	0.3
Utilities and Transportation	98.2	17.4
Construction	12.2	2.2
Manufacturing	254.9	45.2
Retail & Wholesale Trade	62.8	11.1
Information	0.3	0.1
Finance, Insurance and Real Estate	70.3	12.5
Other Services	40.3	7.1
Government	0.0	0.0
Individual Consumers	0.0	0.0
Total	\$564.4	100.0

Note: Totals may not sum due to rounding.

Final Incidence of Exemption -- By Household Income Quintile				
Quintile	Household Income	Amount	Percent of Exemption Total	Exemption Percent of Total Income
1	Less than \$35,108	\$25.6	4.5	0.1
2	\$35,108 - 61,522	43.0	7.6	0.1
3	\$61,522 - 95,635	56.8	10.1	0.0
4	\$95,635 - 146,699	88.8	15.7	0.0
5	\$146,699 and higher	171.4	30.4	0.0
Residents		\$385.7	68.3	
Exported		178.7	31.7	
Total		\$564.4	100.0	

Note: Totals may not sum due to rounding.

Table 38: Incidence Analysis**School Property Tax Ceiling for Disabled or Age 65 and Older**

Tax Code Section 11.26

Tax Year 2019 (dollar amounts in millions)

Initial Distribution of Exemption -- By Industry		
Industry	Amount	Percent
Agriculture	\$0.0	0.0
Mining	0.0	0.0
Utilities and Transportation	0.0	0.0
Construction	0.0	0.0
Manufacturing	0.0	0.0
Retail and Wholesale Trade	0.0	0.0
Information	0.0	0.0
Finance, Insurance and Real Estate	0.0	0.0
Other Services	0.0	0.0
Government	0.0	0.0
Individual Consumers	861.4	100.0
Total	\$861.4	100.0

Note: Totals may not sum due to rounding.

Final Incidence of Exemption -- By Household Income Quintile				
Quintile	Household Income	Amount	Percent of Exemption Total	Exemption Percent of Total Income
1	Less than \$35,108	\$129.9	15.1	0.4
2	\$35,108 - 61,522	143.3	16.6	0.2
3	\$61,522 - 95,635	128.3	14.9	0.1
4	\$95,635 - 146,699	135.2	15.7	0.1
5	\$146,699 and higher	176.2	20.5	0.0
Residents		\$712.9	82.8	
Exported		148.5	17.2	
Total		\$861.4	100.0	

Note: Totals may not sum due to rounding.

Table 39: Incidence Analysis

School Property Tax Special Appraisal for Agricultural and Timber Land

Tax Code Sections 23.41, 23.52, 23.73, and 23.9803

Tax Year 2019 (dollar amounts in millions)

Initial Distribution of Special Appraisal -- By Industry		
Industry	Amount	Percent
Agriculture	\$3,975.4	100.0
Mining	0.0	0.0
Utilities and Transportation	0.0	0.0
Construction	0.0	0.0
Manufacturing	0.0	0.0
Retail and Wholesale Trade	0.0	0.0
Information	0.0	0.0
Finance, Insurance and Real Estate	0.0	0.0
Other Services	0.0	0.0
Government	0.0	0.0
Individual Consumers	0.0	0.0
Total	\$3,975.4	100.0

Note: Totals may not sum due to rounding.

Final Incidence of Special Appraisal -- By Household Income Quintile				
Quintile	Household Income	Amount	Percent of Special Appraisal Total	Special Appraisal Percent of Total Income
1	Less than \$35,108	\$189.4	4.8	0.6
2	\$35,108 - 61,522	317.7	8.0	0.4
3	\$61,522 - 95,635	479.1	12.1	0.4
4	\$95,635 - 146,699	692.9	17.4	0.3
5	\$146,699 and higher	1,205.8	30.3	0.2
Residents		2,884.9	72.6	
Exported		1,090.5	27.4	
Total		\$3,975.4	100.0	

Note: Totals may not sum due to rounding.

Table 40: Incidence Analysis

School Property Tax Texas Economic Development Act Exemptions

Tax Code Chapter 313

Tax Year 2019 (dollar amounts in millions)

Initial Distribution of Exemption -- By Industry		
Industry	Amount	Percent
Agriculture	\$0.0	0.0
Mining	0.0	0.0
Utilities and Transportation	381.3	54.0
Construction	0.0	0.0
Manufacturing	315.5	44.7
Retail and Wholesale Trade	0.0	0.0
Information	0.0	0.0
Finance, Insurance and Real Estate	0.0	0.0
Other Services	9.2	1.3
Government	0.0	0.0
Individual Consumers	0.0	0.0
Total	\$706.0	100.0

Note: Totals may not sum due to rounding.

Final Incidence of Exemption -- By Household Income Quintile				
Quintile	Household Income	Amount	Percent of Exemption Total	Exemption Percent of Total Income
1	Less than \$35,108	\$31.9	4.5	0.1
2	\$35,108 - 61,522	36.8	5.2	0.0
3	\$61,522 - 95,635	52.5	7.4	0.0
4	\$95,635 - 146,699	77.4	11.0	0.0
5	\$146,699 and higher	139.5	19.8	0.0
Residents		338.1	47.9	
Exported		367.9	52.1	
Total		\$706.0	100.0	

Note: Totals may not sum due to rounding.

Table 41**Initial Distribution and Final Incidence of Total Oil Production Tax Revenue**

Fiscal 2019 (dollar amounts in millions)

Initial Distribution of Tax -- By Industry		
Industry	Amount	Percent
Agriculture	\$0.0	0.0
Mining	2,482.3	100.0
Utilities & Transportation	0.0	0.0
Construction	0.0	0.0
Manufacturing	0.0	0.0
Trade (Wholesale and Retail)	0.0	0.0
Information	0.0	0.0
Finance, Insurance, and Real Estate	0.0	0.0
Other Services	0.0	0.0
Government	0.0	0.0
Individual Consumers	0.0	0.0
TOTAL	\$2,482.3	100.0

Note: Totals may not sum due to rounding.

Initial Distribution of Tax -- By Type of Entity		
	Amount	Percent
Corporations	\$1,415.9	57.0
Partnerships	676.5	27.3
Sole Proprietors	389.9	15.7
Subtotal	\$2,482.3	100.0
Individual Consumers	0.0	0.0
TOTAL	\$2,482.3	100.0

Note: Totals may not sum due to rounding.

Final Incidence of Tax -- By Household Income Quintile				
Quintile	Household Income	Amount	Percent of Total Tax Paid	Tax as a Percent of Total Income
1	Less than \$35,108	\$43.3	1.7	0.1
2	\$35,108 - 61,522	67.4	2.7	0.1
3	\$61,522 - 95,635	131.8	5.3	0.1
4	\$95,635 - 146,699	240.7	9.7	0.1
5	\$146,699 and higher	449.4	18.1	0.1
Residents		\$932.6	37.6	
Exported		1,549.6	62.4	
Total		\$2,482.3	100.0	

Estimated Equity of Tax

Suits Index	-0.029
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Note: Totals may not sum due to rounding.

Final Incidence of Tax -- By Homeowners/Renters		
	Amount	Percent
Homeowners	\$722.4	29.1
Renters	210.3	8.5
Subtotal	\$932.6	37.6
Exported	1,549.6	62.4
Total	\$2,482.3	100.0

Note: Totals may not sum due to rounding.

Table 42

Initial Distribution and Final Incidence of Total Insurance Premium Tax Revenue
Fiscal 2019 (dollar amounts in millions)

Initial Distribution of Tax -- By Industry		
Industry	Amount	Percent
Agriculture	\$0.0	0.0
Mining	0.0	0.0
Utilities & Transportation	0.0	0.0
Construction	0.0	0.0
Manufacturing	0.0	0.0
Trade (Wholesale and Retail)	0.0	0.0
Information	0.0	0.0
Finance, Insurance, and Real Estate	2,449.3	100.0
Other Services	0.0	0.0
Government	0.0	0.0
Individual Consumers	0.0	0.0
TOTAL	\$2,449.3	100.0

Note: Totals may not sum due to rounding.

Initial Distribution of Tax -- By Type of Entity		
	Amount	Percent
Corporations	\$1,944.3	79.4
Partnerships	367.0	15.0
Sole Proprietors	138.0	5.6
Subtotal	\$2,449.3	100.0
Individual Consumers	0.0	0.0
Total	\$2,449.3	100.0

Note: Totals may not sum due to rounding.

Final Incidence of Tax -- By Household Income Quintile				
Quintile	Household Income	Amount	Percent of Total Tax Paid	Tax as a Percent of Total Income
1	Less than \$35,108	\$265.0	10.8	0.8
2	\$35,108 - 61,522	374.3	15.3	0.4
3	\$61,522 - 95,635	467.6	19.1	0.3
4	\$95,635 - 146,699	509.1	20.8	0.2
5	\$146,699 and higher	690.5	28.2	0.1
Residents		\$2,306.5	94.2	
Exported		142.8	5.8	
Total		\$2,449.3	100.0	

Estimated Equity of Tax

Suits Index	-0.304
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Note: Totals may not sum due to rounding.

Final Incidence of Tax -- By Homeowners/Renters		
	Amount	Percent
Homeowner	\$1,578.93	64.5
Renter	727.6	29.7
Subtotal	\$2,306.5	94.2
Exported	142.8	5.8
Total	\$2,449.3	100.0

Note: Totals may not sum due to rounding.

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