

# LOCAL SALES TAX OPTIONS

A city, county or special purpose district may adopt a sales tax provided the combined rate of all local sales taxes would not exceed 2 percent at any location within its territorial limits. All local sales taxes require voter approval.



**Glenn Hegar**

Texas Comptroller of  
Public Accounts

## SALES TAX OPTIONS FOR CITIES

### SALES AND USE TAX

(Increments of 0.125 percent) – Most cities in Texas have this form of sales tax. It may be imposed by any incorporated city. Revenues are deposited into the city's general revenue fund and may be used for any lawful purpose. (**Tax Code, Chap. 321.**)

### SALES TAX FOR ECONOMIC DEVELOPMENT\*

(Increments of 0.125 percent) – Two options are available for a city to adopt this tax:

- **Type A** – This form of tax may be imposed by most incorporated cities. (There are exceptions in certain counties with mass transit systems). Revenues must be turned over to a development corporation formed to act on behalf of the city to carry out programs related to industrial development, business infrastructure and the promotion of new and expanded business enterprises that create or retain primary jobs.
- **Type B** – This form of tax may be imposed by any incorporated city. Revenues must be turned over to a development corporation formed to act on behalf of the city to carry out programs related to a wide variety of projects including business development and public parks.

For more detailed information, see the Comptroller's **Economic Development Sales Tax** brochure (PDF). (**Loc. Govt. Code, Chap. 501-505.**)



### STREET MAINTENANCE SALES TAX

(Increments of 0.125 percent) – All cities are authorized to hold an election to adopt a sales tax to repair and maintain existing city streets. For most cities, the tax expires after four years unless a new election is held to reauthorize the tax. The revenue from this tax may be used only to maintain and repair existing city streets and sidewalks. For more detailed information, see the Comptroller's **Street Maintenance Sales Tax** brochure (PDF). (**Tax Code, Chap. 327.**)

### MUNICIPAL DEVELOPMENT CORPORATION\*

(0.125, 0.25, 0.375 or 0.5 percent) – A city may create a municipal development corporation to undertake projects that provide job training, early childhood education, after-school programs, scholarships, literacy promotion and other projects.

\* This tax is actually imposed by a board, district or authority created by and for the benefit of a city or county.

The Comptroller's  
**online sales tax rate  
tool locates** all sales tax  
rates in effect for any  
Texas address.

FOR MORE INFORMATION,  
VISIT OUR WEBSITE  
**Comptroller.Texas.Gov**

RECEIVE ECONOMIC  
DEVELOPMENT TAX HELP  
BY EMAIL AT  
**econ.dev@cpa.texas.gov**

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