



# A Message From The Comptroller

January 31, 2005

The Honorable Rick Perry, Governor  
The Honorable David Dewhurst, Lieutenant Governor  
The Honorable Thomas R. Craddick, Speaker of the House  
Members of the 79th Legislature

Fellow Texans:

As required by the provisions of Section 403.014, Texas Government Code, this report estimates the value of each exemption, exclusion, special rate, deduction, and discount available under Texas' sales, franchise, motor vehicle sales, and gasoline taxes, as well as under the property tax levied by Texas school districts.

In fiscal 2005, aggregate exemptions for the above revenue sources will total an estimated \$30.6 billion. Of this amount, the exemptions related to state taxes will account for \$25.8 billion; school property tax exemptions will account for the remaining \$4.8 billion in calendar year 2005.

Additionally, this report presents the results of the analysis prepared pursuant to Section 403.0141, Texas Government Code, which directs the Comptroller of Public Accounts to report on the incidence of certain taxes and exemptions.

This report makes no recommendations for retaining, eliminating, or amending any provisions of these laws. It is provided as an informational resource only.

Sincerely,

A handwritten signature in black ink that reads "Carole Keeton Strayhorn". The signature is written in a cursive, flowing style.

Carole Keeton Strayhorn  
Texas Comptroller

c: John O'Brien, Deputy Director, Legislative Budget Board



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A Report to the Governor  
and 79th Texas Legislature

## Overview

In state fiscal year 2005—extending from September 1, 2004 to August 31, 2005—exemptions from the sales, franchise, gasoline, and motor vehicle sales taxes will amount to \$25.8 billion.

Sales tax exemptions will total \$24.3 billion, while franchise tax exemptions will total \$1.2 billion. Gasoline tax exemptions will amount to \$126.2 million, and motor vehicle sales tax exemptions will total \$158.2 million.

Exemptions from local school district property taxes will amount to an additional \$4.8 billion in calendar year 2005.

These amounts include exemptions, exclusions, special rates, deductions, and discounts written into the tax law for these taxes.

In fiscal 2004, the combined revenues—accruing to all funds—from the sales tax, franchise tax, gasoline tax, and motor vehicle sales tax were over \$22.1 billion and accounted for nearly 79 percent of the state's total tax revenue.

### About the estimates

Texas law requires the Comptroller to provide these estimates to the Governor and Legislature prior to each regular legislative session. The exemption estimates are unadjusted amounts, meaning that elimination 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 the Comptroller's tax records. The report contains no recommendations related to the exemptions estimated.

This informational report is intended to provide brief descriptions of state tax exemptions. These descriptions should be used as guidelines only; actual taxability is determined by the Tax Code and administrative rules. ☛



# Limited Sales and Use Tax

The sales and use tax is the largest source of tax revenue for Texas state government, bringing in about 55 cents of every state tax dollar in fiscal 2004. The sales tax is a tax 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 the repair of tangible personal property, amusements, and telephone services.

While total sales and use tax collections were \$15.4 billion in fiscal 2004, the tax is limited in scope compared with the total number and kind of transactions in the economy. The tax is limited by a host of exemptions and exclusions. For simplicity, this tax will be referred to as the "sales tax" throughout the remainder of this discussion.

## Classifying sales tax exemptions

Sales tax exemptions can be divided into

three general categories: exemptions, exclusions, and discounts. Estimates of these values are provided in Table 1.

An *exemption* protects items that would be taxable except for specific provisions in the law. For example, since 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 general legal definition of a taxable sale. Exclusions include sales of intangibles, such as stocks and bonds, and sales and rentals of real property. Currently, only certain specified services are under the sales tax.

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

Continued on page 7

**Table 1**  
**Value of Sales Tax Exemptions, Exclusions, and Discounts**  
**Fiscal 2005 to 2010**  
**(In millions of dollars)**

	2005	2006	2007	2008	2009	2010
Exemptions	\$19,580.3	\$20,293.7	\$21,105.2	\$21,943.4	\$22,800.0	\$23,689.2
Exclusions	4,367.8	4,619.7	4,912.7	5,210.8	5,509.2	5,828.3
Discounts	139.9	143.3	146.8	150.4	154.2	158.1
Total	\$24,087.9	\$25,056.6	\$26,164.7	\$27,304.7	\$28,463.5	\$29,675.5

Note: Totals may not add due to rounding.

**Table 2**  
**Value of Sales Tax Exemptions**  
**Fiscal 2005 to 2010**  
**(In millions of dollars)**

<b>Section</b>	<b>Exemption</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
151.302	Sale for resale	cbe	cbe	cbe	cbe	cbe	cbe
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	negligible	negligible	negligible	negligible	negligible	negligible
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	negligible	negligible	negligible	negligible	negligible	negligible
151.308	Items Taxed by other law						
	Crude oil	0.0	0.0	0.0	0.0	0.0	0.0
	Motor vehicles	2,232.3	2,332.8	2,450.0	2,567.4	2,681.9	2,807.3
	Motor fuels	1,663.8	1,578.0	1,571.0	1,582.5	1,635.1	1,691.0
	Mixed drinks	180.1	184.1	188.1	192.0	195.8	199.8
	Cement	0.0	0.0	0.0	0.0	0.0	0.0
	Sulphur	0.0	0.0	0.0	0.0	0.0	0.0
	Aviation fuel	210.6	198.2	205.6	214.6	227.2	242.8
	Oil well servicing	50.7	54.0	46.6	45.0	44.6	45.2
	Insurance premiums	3,335.7	3,435.8	3,530.2	3,622.0	3,716.2	3,812.8
	<i>Total for items taxed by other law</i>	<i>7,673.2</i>	<i>7,782.9</i>	<i>7,991.7</i>	<i>8,223.5</i>	<i>8,500.9</i>	<i>8,798.8</i>
151.309	Sales to governmental entities	242.7	254.7	266.3	277.9	290.3	304.4
151.31	Religious, educational/public service organizations						
	Sales to non-profits	19.8	21.0	22.5	24.0	25.4	26.9
	One day sales	4.6	4.8	5.2	5.5	5.9	6.2
151.3101	Amusement services	cbe	cbe	cbe	cbe	cbe	cbe
151.3105	Bingo equipment purchased by certain organizations	0.2	0.2	0.2	0.2	0.2	0.2
151.311	Property used for the improvement of exempt realty	17.1	18.0	18.8	19.6	20.5	21.5
151.3111	Certain personal property	cbe	cbe	cbe	cbe	cbe	cbe
151.312	Nonprofit or religious periodicals and writings	6.0	6.3	6.8	7.2	7.7	8.1
151.313	Health care supplies						
	Prescription medicine and devices	250.3	259.3	269.1	279.6	290.9	303.1
	Over-the-counter drugs	168.5	174.5	181.1	188.2	195.8	204.0
151.314	Food						
	Food for home consumption	1,291.0	1,340.0	1,394.0	1,451.9	1,513.8	1,581.0
	School lunches & certain food sales	38.1	39.5	41.0	42.6	44.3	46.2
151.3141	Food stamp purchases	8.6	8.9	9.2	9.6	10.0	10.4
151.315	Water	257.5	262.9	268.4	274.1	280.0	286.1
151.316	Agricultural items						
	Agricultural feed, seed, chemicals, & supplies	245.6	248.0	250.5	253.0	255.6	258.1
	Livestock for food	12.0	12.0	12.1	12.1	12.2	12.3
	Agricultural machinery and equipment	57.9	59.0	60.2	61.4	62.6	64.1
	Horses, mules, and work animals	5.1	5.1	5.1	5.1	5.1	5.2
	Commercial fishing ice	0.1	0.1	0.1	0.1	0.1	0.1
151.3162	Timber operations (equipment)	9.2	13.8	14.5	19.3	20.2	21.3
151.317	Gas and electricity						
	Manufacturing	457.5	434.7	420.7	434.2	443.8	456.4
	Residential	645.2	656.1	669.9	687.6	708.3	730.8
	Agricultural	12.7	12.8	12.9	13.1	13.3	13.4
	Mining	47.1	47.0	46.5	45.8	45.5	46.4
	Timber	*	*	*	*	*	*
151.318	Manufacturing						
	Materials used in manufacturing	6,937.8	7,390.8	7,828.9	8,232.8	8,610.2	8,983.5
	Manufacturing machinery & equipment	526.7	561.1	594.3	625.0	653.6	682.0
	Packaging and wrapping supplies	233.2	248.4	263.2	276.7	289.4	302.0



**Table 2 (Continued)**  
**Value of Sales Tax Exemptions**  
**Fiscal 2005 to 2010**  
**(In millions of dollars)**

Section	Exemption	2005	2006	2007	2008	2009	2010
151.3185	Film equipment	**	**	**	**	**	**
151.319	Newspapers						
	Newspapers	21.1	22.2	23.4	24.6	25.9	27.4
	Newspaper inserts	13.0	13.6	14.3	15.0	15.8	16.6
	Newspaper manufacturing equipment	***	***	***	***	***	***
151.320	Magazine subscriptions	8.1	8.2	8.3	8.4	8.5	8.6
151.321	University student organizations	negligible	negligible	negligible	negligible	negligible	negligible
151.322	Containers	81.5	86.8	92.0	96.7	101.1	105.5
151.323	Ceratin telecommunications services	cbe	cbe	cbe	cbe	cbe	cbe
151.324	Certain drilling equipment	32.0	32.5	33.2	33.8	34.3	34.9
151.325	Internet access service (partial)	47.5	49.9	52.4	55.0	57.8	60.6
151.326	Clothing and footwear holiday	37.2	38.5	39.9	41.5	43.2	45.0
151.328	Aircraft						
	Certain aircraft	negligible	negligible	negligible	negligible	negligible	negligible
	Repair equipment for certain aircraft	14.9	15.7	16.5	17.3	18.1	19.1
151.329	Certain ships	31.8	33.7	35.8	38.0	40.3	42.7
151.3291	Boats and boat motors	40.2	40.9	41.7	42.5	43.4	44.2
151.330	Interstate shipments	cbe	cbe	cbe	cbe	cbe	cbe
151.331	Rolling stock						
	Railroad fuel and supplies	13.8	14.1	14.4	14.9	15.5	16.0
	Rolling stock and locomotives	2.2	2.3	2.5	2.6	2.8	2.9
151.332	Certain sales by senior citizen organizations	negligible	negligible	negligible	negligible	negligible	negligible
151.335	Coin-operated services	38.2	40.7	43.5	46.4	49.4	52.6
151.336	Certain coins and metals	negligible	negligible	negligible	negligible	negligible	negligible
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	negligible	negligible	negligible	negligible	negligible	negligible
151.341	Development corporations	negligible	negligible	negligible	negligible	negligible	negligible
151.342	Agribusiness (Agricultural containers)	0.4	0.4	0.4	0.4	0.4	0.5
151.343	Animal shelters	negligible	negligible	negligible	negligible	negligible	negligible
151.346	Intercorporate sales of services	cbe	cbe	cbe	cbe	cbe	cbe
151.347	Lawn and yard	negligible	negligible	negligible	negligible	negligible	negligible
151.348	Cooperative research ventures	cbe	cbe	cbe	cbe	cbe	cbe
151.349	Texas National Laboratory	0.0	0.0	0.0	0.0	0.0	0.0
151.350	Labor to restore property	cbe	cbe	cbe	cbe	cbe	cbe
151.3501	Labor to restore historic sites	negligible	negligible	negligible	negligible	negligible	negligible
151.351	Data processing and info. services (partial)	23.0	24.3	25.8	27.5	29.1	30.8
151.353	Court reporting	negligible	negligible	negligible	negligible	negligible	negligible
151.354	Property management	negligible	negligible	negligible	negligible	negligible	negligible
151.355	Water-related exemptions	5.0	5.1	5.2	5.4	5.5	5.6
151.429	Equipment used in enterprise projects	2.7	2.8	3.0	3.2	3.4	3.6
151.4291	Defense adjustment	cbe	cbe	cbe	cbe	cbe	cbe
151.431	Job retention	negligible	negligible	negligible	negligible	negligible	negligible
151.432	Ticket resellers	negligible	negligible	negligible	negligible	negligible	negligible
	Total Exemptions	\$19,580.3	\$20,293.7	\$21,105.2	\$21,943.4	\$22,800.0	\$23,689.2

\*Included in the estimate of timber operations under Sec. 11.3162.  
\*\*Included in the estimate of manufacturing machinery and equipment under Sec. 151.318.  
\*\*\*Included in the estimate of equipment used in enterprise projects.  
Note: Totals may not add due to rounding.  
cbe: cannot be estimated.

**Table 3**  
**Value of Selected Service Exclusions from the Sales Tax**  
**Fiscal 2005 to 2010**  
(In millions of dollars)

	2005	2006	2007	2008	2009	2010
<b>Construction Labor</b>						
New residential construction	\$ 270.7	\$ 284.3	\$ 298.5	\$ 313.4	\$ 329.1	\$ 345.5
New nonresidential construction	177.1	185.5	202.6	209.6	212.9	216.8
Residential repair and remodeling	87.4	91.8	96.4	101.2	106.3	111.6
<b>Personal Services</b>						
Barber & beauty	59.9	63.8	68.1	72.7	77.4	82.4
Funeral	54.0	55.2	56.3	57.5	58.6	59.8
Child day care	161.8	167.9	174.7	181.7	189.2	198.2
Miscellaneous personal services	9.9	10.5	11.2	12.0	12.7	13.6
<b>Business and Professional Services</b>						
Physicians services	693.9	726.9	764.2	803.0	841.7	882.3
Dental services	243.7	259.2	276.9	295.7	314.7	334.9
Other health care	343.5	365.3	390.3	416.7	443.4	472.0
Legal services	342.5	364.3	389.2	415.5	442.2	470.7
Accounting and audit services	163.8	174.2	186.1	198.7	211.4	225.1
Architectural and engineering services	291.4	309.9	331.1	353.6	376.2	400.5
Management consulting and public relations	130.3	138.6	148.1	158.1	168.2	179.1
Contract computer programming	125.4	133.4	142.5	152.2	161.9	172.4
Research and development laboratory services	56.1	59.6	63.7	68.0	72.4	77.0
Economic and sociological research	19.6	20.8	22.3	23.8	25.3	26.9
Testing labs	43.8	46.6	49.7	53.1	56.5	60.2
Billboard advertising	21.3	23.1	24.8	26.6	28.5	30.5
Employment agency services	27.6	29.3	31.3	33.5	35.6	37.9
Temporary labor supply	47.4	50.4	53.8	57.4	61.1	65.1
Financial services brokerage	146.4	155.7	166.3	177.6	189.0	201.2
Other financial	98.1	104.3	111.5	119.0	126.6	134.8
Real estate brokerage & agency	180.9	192.4	205.5	219.5	233.5	248.6
Freight hauling	210.2	223.6	238.8	255.0	271.4	288.9
Other transportations (except scheduled passenger)	14.6	15.5	16.6	17.7	18.8	20.0
Veterinary service	34.1	35.8	37.6	39.5	41.4	43.5
<b>Other Services</b>						
Automotive maintenance and repair	206.0	219.1	234.1	250.0	266.0	283.1
Car washes	21.6	23.0	24.6	26.3	27.9	29.7
Travel arrangement	20.1	21.4	22.9	24.4	26.0	27.7
Private vocational education	30.2	32.1	34.3	36.6	39.0	41.5
Other educational services	26.7	28.4	30.4	32.4	34.5	36.7
Interior design	7.4	7.8	8.4	8.9	9.5	10.1
<b>Total - Services Excluded</b>	<b>\$4,367.8</b>	<b>\$4,619.7</b>	<b>\$4,912.7</b>	<b>\$5,210.8</b>	<b>\$5,509.2</b>	<b>\$5,828.3</b>

Note: Totals may not add due to rounding.

Exemptions are provided for certain basic necessities, such as groceries, residential gas and electric utilities, and prescription and over-the-counter drugs. Some sales are exempted when made to certain groups. For example, governmental bodies and religious and non-profit 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 the tax; however, purchasers with permits 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 text briefly outlines these exemptions and includes references to the appropriate section of the Tax Code covering those items. Table 2 summarizes the estimated values of these exemptions for fiscal 2005 and the following five fiscal years. The values of exemptions that cannot be estimated due to insufficient data are marked "cbe."

#### 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 from the sales tax. For example, when a wholesaler sells books to a book store, 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 sale for resale exemption is to keep the sales tax from pyramiding or cascading on every transaction.

#### 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 Texas use tax if the sale of the item was subject to Texas 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 from the sales tax. "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.

#### 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. 151.306. 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 this state is prohibited from taxing by the United States or Texas Constitutions, or by U.S. 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, sulphur taxed under the sulphur 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 Alcoholic Beverage Code, 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, sulphur, and cement from the sales tax since 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 under the provisions of the Texas Constitution.

Motor vehicles are currently taxed under a separate sales tax at the same rate as the state 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 United States, an agency or instrumentality of the United States, this state, 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 exemptions**

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 this state or the United States; educational, religious, or charitable organizations; law enforcement associations; and other nonprofit organizations, or if the services are provided in a place that is designated as a historical landmark. For example, this section exempts sales of tickets to high school football games. This exemption was added in 1984, when amusement services became taxable.

#### **Sec. 151.3105. Bingo equipment purchase 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), Internal Revenue Code of 1986, as amended, by being listed as an exempt organization under Section 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, like surveying or landscaping services. This provision was initially added in 1969 and has been amended several times since then.

**Sec. 151.3111. Services on certain exempted personal property**

This section exempts a service performed on tangible personal property that is also exempt from tax. 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 an exemption for religious periodicals that 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, soft drinks, ice, and candy.

Meals, soft drinks, and candy are exempt-

ed if sold by certain organizations, like elementary or secondary public or private schools, student or parent-teacher organizations, churches, hospitals, retirement facilities, or members of 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 was 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 waste-water, 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 (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.

**Sec. 151.3162. Timber items**

This provision, added in 1999, exempts seedlings, certain chemicals, and machinery and equipment used in the production of timber. The exemption is to be phased-in over a period of years. The phase-in will be staged: 33 percent, then 50 percent, then 75 percent exempt. Items become completely exempt on January 1, 2008. The section became effective October 1, 2001 (the prior timber section, 151.3161 was repealed on that date).



**Sec. 151.317. Gas and electricity**

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

Effective October 1, 2001, gas and electricity used in timber operations became exempt from taxation.

**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 that is 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; and certain equipment used to reduce water use and to reuse and recycle wastewater streams in the manufacturing process.

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. 151.3185. Film production**

Equipment used by a production company is exempt when the item is neces-

sary or essential and used directly in the production of motion pictures, video, or audio recordings. This equipment had been exempt for some years and was included under 151.318 previously. This section was added in 1999.

**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).

The section also provides an exemption for certain items used during the printing or processing of a newspaper, similar to the manufacturing exemption in Sec. 151.318.

**Sec. 151.320. Magazines**

Sales of subscriptions to magazines that are sold for a semiannual or longer period and mailed 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 nonreturnable 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 not both originated from and billed to a number or address in Texas, and broadcasts (other than cable TV) by radio or television 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, gas, sulphur, or other minerals offshore and not in this state. The exemption was added in 1967.

**Sec. 151.325. Basic fee for internet access**

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 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 tax.

**Sec. 151.326. Clothing and footwear for limited period**

This section exempts items of clothing and footwear from the sales tax. The exemption is limited to items costing \$100 or less. Further, the items are exempt from tax only during a three-day period consisting of the first Friday, Saturday, and Sunday of each August. 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. On or after January 1, 2000, local taxing authorities may opt to not offer this exemption as it applies to their sales taxes. This section was added in 1999.

**Sec. 151.328. Aircraft**

The 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, or (4) sold to a person for use and registration in another state or nation.

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 from the sales tax.

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

**Sec. 151.329. Certain ships and ship equipment**

This section exempts sales of (1) component parts of a vessel that is 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 that is 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 that are used in the maintenance and operation of the vessel or 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 motor that is 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 that is shipped outside this state by the seller or that is 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 that is stored here temporarily and used solely outside this state or that is physically attached to other tangible personal property that is 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 that is used as a licensed and certificated common carrier are also exempted.

**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 old 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. 151.335. Coin-operated services**

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

**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 if the total sales price of all of the items sold equals \$1,000 or more. This section was added in 1989.

**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. 151.342. 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. 151.346. Intercorporate services**

This provision exempts certain services provided among affiliated entities, at least one of which is a corporation, that report their 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 service**

This section exempts lawn mowing and other yard maintenance services performed by self-employed 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. 151.349. Corporations formed by the Texas National Research Laboratory Commission**

A taxable item sold to any corporation established by the Texas National Research Laboratory Commission under Section 465.008(g), Government Code, is exempt. Items sold by such corporations are also exempt if used in an eligible undertaking as defined by Section 465.021, Government Code. This section was added in 1991 to provide the exemption for the superconducting supercollider project.

**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 from the sales tax. 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, and for the construction or operation of certain water supply or wastewater systems. 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.

**Sec. 151.429. Tax refunds for enterprise projects**

This section makes enterprise projects eligible for a refund of sales tax paid on purchases of machinery or equipment, gas and electricity used in an enterprise zone, and labor and materials to remodel or construct a structure in an enterprise zone. The project may obtain a refund of \$2,000 for each permanent job for a qualified employee added or retained by the project, up to a total refund of \$250,000 per fiscal year. Refunds of amounts above this limit may be carried forward to subsequent years.

This provision 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. Tax refunds for defense readjustment projects**

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. Sales and use tax refund for job retention**

A qualified business operating in an enterprise zone is entitled to a one-time refund of sales tax 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.

**Sec. 151.432. Certain tickets to amusement services**

Starting in 1997, resellers of tickets or admissions documents to an amusement service may deduct the face value of gaming tickets, less included taxes, that are purchased for resale and actually sold.

**Sales tax exclusions**

For most of its history, the sales tax was not imposed on the sales of services. Beginning in the mid-1980s, certain services have become subject to the sales tax.

In 1984, 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 these are profiled in Table 3. The value of the exclusions in Table 3 will exceed \$4.3 billion in fiscal 2005, an amount equal to more than one-quarter of expected sales tax collections.

Of the services not covered 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 brokerage; financial securities brokerage; and veterinary services. (Note: Individuals practicing these professions are subject to a \$200 fee, in addition to other license fees.)

Another large exclusion is for labor charges by contractors on new residential and nonresidential 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. (See Table 4.)

Taxpayers who report and remit on time may keep 0.5 percent of the taxes they collect as compensation for collecting those taxes. In fiscal 2005, the value of this discount will be an estimated \$72.9 million

Taxpayers who prepay their taxes based on a reasonable estimate of their tax liability may keep an additional 1.25 percent as a reward for early payment. The value of this prepayment discount will be about \$67.0 million in fiscal 2005. ❖

**Table 4**  
**Sales Tax Discounts**  
**Fiscal 2005 to 2010**  
**(In millions of dollars)**

	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Timely Filer Discount	\$72.9	\$73.6	\$74.3	\$75.1	\$75.8	\$76.6
Prepayment Discount	<u>67.0</u>	<u>69.7</u>	<u>72.5</u>	<u>75.4</u>	<u>78.4</u>	<u>81.5</u>
Total	\$139.9	\$143.3	\$146.8	\$150.4	\$154.2	\$158.1

Note: Totals may not add due to rounding.



# Franchise Tax

The franchise tax serves as Texas' primary business tax. The tax is levied on corporations (including S corporations) and limited liability companies doing business in Texas. Non-corporate business entities such as partnerships, associations, and proprietorships are excluded from the tax.

Adopted in its modern-day form in 1907, the franchise tax is one of Texas' most venerable revenue sources. Originally levied as a tax on corporate wealth (i.e., as a percentage of corporate assets), the tax changed little but for the tax rate until the 1980s. Legal challenges to the method of tax computation in the 1980s caused tax revenues to drop sharply.

In answer to the ensuing revenue shortfalls and to long-standing equity concerns, the Legislature in 1991 reformulated the tax. The franchise tax since 1992 has been computed on a dual tax base of capital (net worth) and earned surplus (modified net income).

The franchise tax is considered a privilege tax, meaning that corporations pay the tax in exchange for specific privileges granted by the State of Texas. These privileges include access to the state's legal system, the right to accumulate property separate and apart from any individual's property, and a limitation of personal financial liability for officers of the corporation.

In 2003, the last complete year of reporting, about 550,000 firms were subject to the tax. Of this total, 150,000 firms reported a tax liability, and the remaining 400,000 firms owed no tax. During the last complete year—fiscal 2004—franchise tax collections totaled \$1.8 billion.

## **How the franchise tax is computed**

Corporations make two sets of tax calculations: one for their "net worth" (or tax-

able capital) tax base, and another for their "earned surplus" tax base. The results are then used to determine final tax liability. Firms with a tax liability of less than \$100 and firms with total gross receipts of less than \$150,000 are not required to remit the tax, although they must file information reports.

The "net worth" tax base is computed by summing the corporation's stated capital and surplus. Stated capital is the par value of the firm's outstanding shares of stock. Surplus is the remainder of the firm's net worth. Net worth is defined as the firm's total assets minus debts. For franchise tax purposes, debts are time-certain, amount-certain, and legally enforceable.

Firms apportion their total net worth tax base to Texas according to the share of their total business done in the state, measured in terms of their gross receipts. A tax rate of 0.25 percent is applied to the apportioned tax base to determine the tax on taxable capital.

The "earned surplus" tax base is calculated by summing the firm's federal taxable income and the firm's compensation paid to officers and directors. Deductions are allowed for certain foreign income and dividends received. All S corporations and C corporations with 35 or fewer shareholders are permitted to exclude officer and director compensation from their tax base.

Firms also apportion their earned surplus tax base to Texas according to the share of their business done in the state, measured in terms of their gross receipts. A Texas business loss carryover may be used to reduce apportioned earned surplus. The tax rate on earned surplus is 4.5 percent.

If the tax on earned surplus exceeds the tax on net worth, the corporation will pay both the capital tax and a surtax on earned surplus. The surtax is equal to the firm's earned surplus tax liability minus its net

worth tax liability. In practice, the firm simply pays the higher of the tax on net worth or the tax on earned surplus.

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. A report extension to November 15 can be requested.

### **Origin of franchise exemptions**

Some exemptions under the franchise tax arise due to federal law. For example, federally-chartered credit unions and federal financial agencies (Fannie Mae, 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 they are also exempt from the registration requirements of the Secretary of State and Comptroller. For this reason, data on these organizations are not provided in this report.

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, and an organization may qualify under either. For example, a church might qualify for 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).

### **Nonprofit versus exempted**

A nonprofit corporation is not by that

reason alone exempt from the franchise tax. 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.

### **Franchise tax exemption types**

Five broad categories of franchise tax relief exist: statutory exemptions, deductions and exclusions, special accounting rules, credits, and special rates.

*Statutory exemptions and refunds.* A statutory exemption is used to grant certain types of firms a full waiver from all franchise tax liability and reporting. For example, insurance companies are granted a full exemption 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, in three cases, the taxpayer is not required to register with the Comptroller before receiving the exemption. Insurance companies exempt under Tax Code 171.052, state-chartered credit unions exempt under Tax Code 171.077, and trade show participants exempt under Tax Code 171.084 merit their exempt status without registration.

*Deductions and exclusions.* A tax deduction or exclusion grants a taxable firm a subtraction 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.

A 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 taken from the apportionment factor



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 base 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, such as the provision that allows small corporations to exclude executive compensation from their earned surplus tax base.

*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. 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.

*Credits and Refunds.* A credit allows a taxpayer a subtraction directly from tax owed. For this reason, a tax credit provides greater fiscal relief to taxpayers than a deduction of the same dollar amount.

Tax credits come in two types, distinguished by their frequency. One-time credits are available for a single tax period (or until they are used up). In contrast, continuing credits are available for use year after year. Each type can be used for a variety of 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

**Table 1**  
**Cost of Franchise Tax Exemptions, Deductions,**  
**Special Accounting Methods, Credits & Refunds**  
**Fiscal 2005 to 2010**  
**(In millions of dollars)**

	Revenue Impact in Fiscal Year					
	2005	2006	2007	2008	2009	2010
Exemptions: For-Profit Corps	\$ 402.7	\$ 423.3	\$ 445.9	\$ 470.4	\$ 495.8	\$ 521.7
Exemptions: Non-Profit Corps	344.9	352.0	359.6	367.8	376.5	385.1
Deductions	382.9	397.3	410.2	419.8	433.4	449.9
Special Accounting Methods	28.3	30.0	31.1	32.5	33.7	35.0
Credits and Refunds	<u>73.2</u>	<u>93.2</u>	<u>104.0</u>	<u>117.4</u>	<u>131.0</u>	<u>143.3</u>
Total	\$1,231.9	\$1,295.9	\$1,350.7	\$1,407.8	\$1,470.4	\$1,535.0

Note: Totals may not add due to rounding.

**Table 2**  
**Cost of Franchise Tax Exemptions**  
**Fiscal 2005 to 2010**  
**(In millions of dollars)**

Franchise Code Sec	Exemption	Revenue Impact in Fiscal Year					2010
		2005	2006	2007	2008	2009	
171.051	Grandfathered 1975			Included with IRS 501(c)(3)			
171.052	Insurance Companies	\$151.9	\$157.3	\$163.2	\$169.5	\$176.3	\$183.2
171.053	Railway Terminal Co	*	*	*	*	*	*
171.055	Mutual Funds	250.4	265.7	282.3	300.4	319.0	338.1
171.056	Solar Energy Co	0.3	0.3	0.4	0.4	0.4	0.4
171.057	Promote Local Area			Included with IRS 501(c)(6)			
171.058	Religious Orgs			Included with IRS 501(c)(3)			
171.059	Burial Organizations #	0.0	0.0	0.0	0.0	0.0	0.0
171.060	Agriculture Fairs			Included with IRS 501(c)(5)			
171.061	Educational Orgs			Included with IRS 501(c)(3)			
171.062	Public Charity			Included with IRS 501(c)(3)			
171.063	IRS Sec 501(c)(2)	0.0	0.0	0.0	0.0	0.0	0.0
	IRS Sec 501(c)(3)	294.7	299.9	305.8	312.2	319.1	325.8
	IRS Sec 501(c)(4)	5.5	5.6	5.7	5.8	5.9	6.1
	IRS Sec 501(c)(5)	8.0	8.1	8.2	8.4	8.6	8.8
	IRS Sec 501(c)(6)	6.6	6.7	6.8	7.0	7.1	7.3
	IRS Sec 501(c)(7)	2.4	2.4	2.5	2.5	2.6	2.6
	IRS Sec 501(c)(8)	2.1	2.1	2.2	2.2	2.3	2.3
	IRS Sec 501(c)(10)	0.0	0.0	0.0	0.0	0.0	0.0
	IRS Sec 501(c)(16)	*	*	*	*	*	*
	IRS Sec 501(c)(19)	0.0	0.0	0.0	0.0	0.0	0.0
	IRS Sec 501(c)(25)	-	-	-	-	-	-
171.064	Nature Conservation			Included with IRS 501(c)(3)			
171.065	Water Supply/Sewer	3.0	3.0	3.1	3.1	3.2	3.2
171.066	Natural Gas Facility	0.0	0.0	0.0	0.0	0.0	0.0
171.067	Convalescent Homes	0.0	0.0	0.0	0.1	0.1	0.1
171.068	Cooperative Housing	*	*	*	*	*	*
171.069	Ch 52 Ag Marketing			Included with IRS 501(c)(5)			
171.070	Lodges			Included with IRS 501(c)(8)			
171.071	Ch 51 Ag Coops			Included with IRS 501(c)(5)			
171.072	Housing Finance			Included with IRS 501(c)(3)			
171.073	Hospital Laundry	*	*	*	*	*	*
171.074	Development Corp			Included with IRS 501(c)(6)			
171.075	Health Coop			Included with IRS 501(c)(3)			
171.076	Ch 55 Ag Credit	0	0	0	0	0	0
171.077	State Credit Unions ##	5.8	6.2	6.4	6.8	7.1	7.4
171.079	Electric Coop	12.8	13.7	14.3	15.0	15.7	16.4
171.080	Telephone Coop	0.7	0.8	0.8	0.8	0.9	0.9
171.081	Exempt by Other Law	*	*	*	*	*	*
171.082	Homeowners Assn	1.3	1.4	1.4	1.5	1.6	1.6
171.083	EMS Corp			Included with IRS 501(c)(3)			
171.084	Trade Show	*	*	*	*	*	*
171.085	Sludge Recycling	*	*	*	*	*	*
171.086	Supercolider Org	0	0	0	0	0	0
171.087	Scholarship Org			Included with IRS 501(c)(3)			
	Total-All Exemptions	\$747.5	\$ 775.3	\$805.4	\$838.2	\$872.3	\$906.8

# Qualifies for IRS 501(c)(13)

## Qualifies for IRS 501(c)(14)

\*Amount is negligible.

Note: Totals may not add due to rounding.



**Table 3**  
**Cost of Franchise Tax Deductions, Special Accounting Methods, Credits and Refunds**  
**Fiscal 2005 to 2010**  
**(In millions of dollars)**

	Revenue Impact in Fiscal Year					
	2005	2006	2007	2008	2009	2010
<b>Deductions:</b>						
Small business exception	\$46.5	\$49.6	\$ 51.8	\$ 54.5	\$ 56.9	\$ 59.4
Enterprise zone investment	0.8	0.0	0.0	0.0	0.0	0.0
Food and medicine receipts	4.1	4.4	4.6	4.9	5.1	5.3
Solar energy device purchases	*	*	*	*	*	*
Business loss carryover	198.1	198.1	198.1	198.1	198.1	198.1
Officer compensation exclusion-small corps	100.5	107.3	112.0	117.7	122.9	128.3
Interest earnings on federal securities	32.8	37.8	43.6	44.6	50.4	58.7
Total deductions	\$382.9	\$397.3	\$410.2	\$419.8	\$433.4	\$449.9
<b>Special Accounting Methods:</b>						
Investment management firm apportionment	\$ 4.4	\$ 4.4	\$ 4.4	\$ 4.4	\$ 4.4	\$ 4.4
GAAP accounting exemption	5.8	6.2	6.5	6.8	7.1	7.4
Transportation firm apportionment	9.6	10.2	10.7	11.2	11.7	12.2
Telephone firm apportionment	8.6	9.2	9.6	10.0	10.5	10.9
Total special accounting methods	\$ 28.3	\$ 30.0	\$ 31.1	\$ 32.5	\$ 33.7	\$ 35.0
<b>Credits and Refunds:</b>						
Temporary (FAS 96) credit	\$ 0.7	\$ 0.7	\$ 0.7	\$ 0.7	\$ 0.6	\$ 0.6
Credit for wages paid to inmates of TDC*	*	*	*	*	*	*
Credit for wages paid to persons committed to TYC	*	*	*	*	*	*
Child care credit	0.7	0.9	1.1	1.3	1.4	1.5
Research and development credit	31.4	40.4	45.3	51.4	57.5	63.0
Job creation credit	5.4	7.7	8.6	9.8	11.1	12.2
Investment credit	33.1	41.5	46.3	52.1	58.1	63.6
Before- and after-school care contributions	*	*	*	*	*	*
Title Insurance Holding Company Credit	1.9	2.0	2.1	2.2	2.3	2.4
Refund for job creation in enterprise zones	*	*	*	*	*	*
Total credits and refunds	\$73.2	\$93.2	\$104.0	\$117.4	\$131.0	\$143.3

\*Amount is negligible.

Note: Totals may not add due to rounding.

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 used for the same purposes as are tax credits.

*Special rates.* A special rate usually takes the form of a lower tax rate for certain taxpayers, distinguished by either their line of business, or by their product. No special

rate provisions currently exist in the Tax Code for the franchise tax.

#### **Franchise tax exemptions**

#### **Sec. 171.051(d). Franchise tax exemptions granted before September 1, 1975**

Corporations that received exemptions

before September 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, Sec. 171.0525, and Sec. 171.0527. Insurance companies**

An insurance organization, title insurance company, or title insurance agent authorized to engage in insurance business in Texas now 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 are not subject to the franchise tax.

The exemption includes insurance companies or agents defined under Sections 2501.03 and 2501.05 of the Insurance Code.

**Sec. 171.053. Railway terminal corporation**

A railroad or 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 worship**

A nonprofit corporation organized primarily for the purpose of religious worship qualifies for this exemption.

**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 from the franchise tax. 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 exempted.

**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 may also contain 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, YMCAs, YWCAs, 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 purpose of improving conditions of work and for improving 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 organizations typically concern themselves with the improvement of business conditions of one or more lines of business.

Section 501(c)(7) exempts organizations of a social and recreation 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 lodges providing payments of life, sickness, accident, or other benefits to members. 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 past or present members of the armed forces. Examples are Veterans of Foreign Wars (VFW) Posts and its 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 to the other 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 fish, game, other wildlife, grasslands, or forests 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 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 that 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. Marketing associations**

A marketing association incorporated under Chapter 52 of the Agricultural Code is exempt from franchise tax. A marketing association generally provides 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 from the franchise tax. Examples of lodges qualifying for this exemption are the Masons and Elks.

**Sec. 171.071. Farmers' cooperative society**

A farmers' cooperative society incorporated under Chapter 51 of the Agricultural Code is exempt from the franchise tax. 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 Chapter 394, Local Government Code is exempt. A housing finance corporation is a financing vehicle used by local governments to provide safe and sanitary housing at affordable prices for its residents.

**Sec. 171.073. Hospital laundry cooperative association**

A hospital laundry cooperative associ-

ation incorporated under Subchapter A, Chapter 301, Health and Safety Code, is exempt from the franchise tax. The eligible institutions include: a municipality; a political subdivision of the state; a state-supported health-related institution, including the Texas A&M University System, the University of Texas System, and Texas Woman's University; a nonprofit health-related institution; and a cooperative association created under Subchapter B, Chapter 301, Health and Safety Code, 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 for 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 Subchapter B, Chapter 301 Health and Safety Code, or under the Cooperative Association Act (Article 1396-50.01, Vernon's Texas Civil Statutes) is exempt from the franchise tax. 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, insurance companies, and financial cooperatives.

**Sec. 171.076. Cooperative credit association**

A cooperative credit association incorporated under Chapter 55 of the Agriculture Code is exempt from the franchise tax. A cooperative credit association's purpose is to provide a financing source for its members. A cooperative credit association may be formed only by persons that are Texas citizens and that are 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 (Subtitle D, Title 3, Finance Code) is exempt from the franchise tax.

State-chartered credit unions exempt under this section are not required to register with the Comptroller.

**Sec. 171.079. Electric cooperative corporation**

An electric cooperative incorporated under the Electric Cooperative Corporation Act (Chapter 161, Utilities Code) that is not a participant in a joint powers agency is exempt from the franchise tax. 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 Chapter 551 of the Government Code. 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 (Chapter 162, Utilities Code) is exempt from the franchise tax. The purpose of a telephone cooperative is to provide telephone service to rural areas.

**Sec. 171.081. Corporation exempt by another law**

This section provides that a corporation that is exempt from the franchise tax under another statute, federal or state, is not affected by a lack of a specific exemption provision in Chapter 171 of the Tax Code.

An example is a health facilities development corporation created under Chapter 221 of the Health and Safety Code. Section 221.033, Health and Safety Code, exempts such a corporation from all state taxes. Accordingly, even though there is no provision in Chapter 171 of the Tax Code exempting the corporation, it is exempt from franchise tax.

**Sec. 171.082. Certain homeowners' associations**

A nonprofit corporation is exempt from the franchise tax 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 use as a residence.

**Sec. 171.083. Emergency medical service corporation**

A nonprofit corporation organized solely to provide emergency medical services, including rescue and ambulance service, is exempt from the franchise tax.

**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. Recycling operation**

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

**171.086. Corporations formed by the Texas National Research Laboratory Commission**

A corporation formed by the Texas National Research Laboratory under Section 465.008(g) of the Government Code is exempt.

**Sec. 171.087. Nonprofit corporation organized for student loan fund or student scholarship purposes**

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

**Deductions, special accounting methods, and credits and refunds**

For many of the allowable deductions or special accounting methods, taxpayers are not required to alert the Comptroller when employing the deduction or accounting method. For this reason, the number of taxpayers taking advantage of these forms of tax relief is not known absolutely. 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 that deduction or method. Tax credits can also be identified on a taxpayer-specific basis.

**Franchise tax deductions****Sec. 171.002(d). Small business exception**

Firms with a tax liability of less than \$100 and firms with total gross receipts of less than \$150,000 are not required to remit the tax, although they must file information reports.

**Sec. 171.1015. Reduction of taxable capital for investment in an enterprise zone**

Although this section of the Tax Code was repealed by the 77th Legislature effective September 1, 2001, the provisions remain applicable to enterprise projects designated before September 1, 2001. An eligible taxpayer is allowed a reduction of either taxable capital or earned surplus by the amount of the firm's investment in an enterprise zone. The deduction is 50 percent of investment if taken as a capital deduction, or 5 percent, if taken as an earned surplus deduction.

**Sec. 171.104. Deduction for food and medicine receipts**

For purposes of apportioning taxable capital, multistate firms may subtract from their Texas receipts any receipts for shipments from outside Texas into the state of food and health-care supplies that are exempt from the sales tax. The deduction may not be used for apportioning earned surplus.

**Sec. 171.107. Deduction of cost of solar energy device from taxable capital apportioned to this state**

Taxpayers may deduct the cost of solar energy equipment installed from either the taxable capital base (fully deductible) or the earned surplus base (a 10 percent deduction).

**Sec. 171.110(a)(4). Deduction of business loss carryover**

Taxpayers may deduct from their earned surplus tax base any accumulated earned surplus business losses. A business loss is any negative amount of earned surplus after apportionment and allocation. Business losses may be carried over to any of the next five taxable years.

**Sec. 171.110(b). Small corporation exclusion from officer compensation add-back**

In computing their earned surplus tax, corporations are required to add any officer and director compensation paid which was deducted on their federal tax return.

The compensation add-back is waived for S corporations and for other firms with 35 or fewer shareholders. Qualifying firms may exclude officer compensation from their earned surplus tax base.

**Rule 3.555(k). Deduction of interest income from U.S. obligations**

Taxpayers may deduct the interest income from debt instruments or certain other obligations of the U.S. government and certain specified federal agencies.

**Franchise tax special accounting methods**

**Sec. 171.106(c) and (d). Special apportionment method 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(c) sources receipts from regulated investment company management services to the domicile of the owners of the investment funds. Section 171.106(d) sources receipts from employee retirement plan managers to the state of the plan's beneficiaries.

**Sec. 171.109(c), and Sec. 171.113. Use of the federal income tax (FIT) accounting method**

Most corporations are required to follow generally accepted accounting principles (GAAP) in computing the tax on taxable capital. This requirement is waived in two franchise tax sections.

Section 171.109(c) allows corporations with less than \$1 million in taxable capital to use federal income tax (FIT) accounting rules. Section 171.113 permits firms organized as either S corporations or close corporations to use FIT accounting methods also. Use of FIT accounting rules generally results in the reduction of tax liability.

**Rule 3.549(e)(45). Transportation company apportionment for taxable capital**

**Rule 3.557(e)(41). Transportation company apportionment for earned surplus**

Transportation companies are permitted to exclude from their Texas receipts the Texas portion of interstate transportation services in computing both the capital tax and the earned surplus tax.

**Rule 3.549(e)(43). Telephone company apportionment for taxable capital**  
**Rule 3.557(e)(39). Telephone company apportionment for earned surplus**

Telephone companies are permitted to exclude from their Texas receipts the Texas portion of interstate calls in computing both the capital tax and the earned surplus tax.

**Franchise tax credits**

**Sec. 171.111. Temporary (FAS 96) credit on net taxable earned surplus**

The temporary credit allows corporations to deduct, over a 20-year period, the amount of the timing differences on their books at the end of their 1991 accounting year. Timing differences are created by the differences between accounting requirements of federal income tax and financial reporting. Taxpayers electing the FAS 96 credit are required to pay an additional 0.2 percent tax on their taxable capital.

**Sections 171.651-171.657.**

**Subchapter L: Credit for wages paid to Texas Department of Criminal Justice work program participants**

Companies that employ in a work program inmates or former inmates of the Texas Department of Corrections are allowed a credit. The credit is equal to ten percent of the portion of wages that the Department apportions to the state as reimbursement for the cost of the inmate's confinement.

**Sections 171.681-171.687.**

**Subchapter M: Credit for wages paid to children committed to the Texas Youth Commission**

Companies that employ in a work program children committed to, or children

formerly committed to the Texas Youth Commission are allowed a credit. The credit is equal to ten percent of the wages paid to the child.

**Sections 171.701-171.707.**

**Subchapter N: Credit for child care centers or services**

Taxpayers that construct or operate a child care center, or that purchase child care services for pre-school children of the firm's employees, are allowed a credit. The credit is equal to 50 percent of the eligible costs, or \$50,000, whichever is lower.

The child care credit is limited to 90 percent of the firm's tax liability and the care must be provided to children no more than five years of age.

**Sections 171.721-171.730.**

**Subchapter O: Credit for research and development**

The research credit is available to firms that perform qualified research in Texas. The credit is based on the firm's annual increase in research activities. The definition of qualified research, as well as the credit computation methods, closely follow those used for the federal research credit.

For tax reports due through the end of 2001, the research credit will be equal to 4.0 percent of the qualified research. For tax reports due in 2002 and after, the credit rate will increase to 5.0 percent of qualified research.

Taxpayers may receive a research credit bonus when the research is performed in an area of the state designated as a Strategic Investment Area (SIA). Research performed in a SIA will be multiplied by 1.5 for reports due in 2001, and by 2.0 for reports due in 2002 and after.

The Strategic Investment Area is a group of counties in the state that have an unemployment rate higher than the state average and a per-capita income lower than the state average. SIA counties are designated annually by the Comptroller's Office. See Appendix for more information on SIA counties for calendar 2005.

The research credit is limited to 25 percent of the firm's tax liability for reports due in 2001 and to 50 percent of the firm's tax

liability for reports due in 2002 and after. Unused credits may be carried over for up to 20 years.

**Sections 171.751-171.761.**

**Subchapter P: Credit for job creation**

The job creation credit is available to firms that (a) are located in a Strategic Investment Area, (b) are engaged in a qualified business activity, and (c) create at least 10 jobs during the year.

The Strategic Investment Area is a group of counties in the state that have an unemployment rate higher than the state average and a per-capita income lower than the state average. SIA counties are designated annually by the Comptroller's Office. See Appendix for more information on SIA counties for calendar 2005.

Qualified business activities include the following industries: manufacturing (SIC 2011-3999), warehousing (SIC 4221-4226), wholesale distribution (SIC 5012-5199), computer services (SIC 7371-7379) and research laboratories (SIC 8731).

The job credit is equal to 5 percent of the annual wages paid to new hires. The credit may be taken for up to five years.

The job credit is limited to 50 percent of the firm's tax liability in the year the credits are claimed. Unclaimed credits may be carried over for up to five years.

**Sections 171.801-171.811.**

**Subchapter Q: Credit for capital investment**

The investment credit is available to firms that (a) are located in a Strategic Investment Area, (b) are engaged in a qualified business activity, and (c) make a capital investment of at least \$500,000 during the year.

The Strategic Investment Area is a group of counties in the state that have an unemployment rate higher than the state average and a per-capita income lower than the state average. SIA counties are designated annually by the Comptroller's Office. See Appendix for more information on SIA counties for calendar 2001.

Qualified business activities include the following industries: manufacturing (SIC 2011-3999), warehousing (SIC 4221-4226), wholesale distribution (SIC 5012-5199),



computer services (SIC 7371-7379) and research laboratories (SIC 8731).

The investment credit is equal to 7.5 percent of the investment made during the year. Investment in depreciable tangible assets, other than buildings and structures, qualifies for the credit. The credit must be taken in five equal annual installments.

The investment credit is limited to 50 percent of the firm's tax liability in the year the credits are claimed. Unclaimed credits may be carried over for up to five years.

#### **Sections 171.831-171.837.**

##### **Subchapter R: Credit for contributions to before- and after-school care programs**

Taxpayers that make contributions to a before- or after-school care program operated by an accredited facility may receive a tax credit.

The credit is equal to 30 percent of the eligible contributions. The credit is limited to 50 percent of the firm's tax liability and the care must be provided to children from five to thirteen years of age.

#### **Sections 171.851-171.856. Subchapter T: Credit for wages paid to persons with certain disabilities**

A corporation that hires an employee, who at the time of being hired is eligible for supplemental security income benefits on the basis of disability or blindness or is the recipient of social security disability insurance benefits, may qualify for a tax credit.

The credit is equal to 10 percent of the wages paid by the corporation to each qual-

ified employee. The credit is limited to wages paid during the first two years of the qualified employee's employment. The amount of credit claimed on any report may not exceed 50 percent of a firm's tax liability.

#### **Sections 171.891-171.894.**

##### **Subchapter U: Credit for Certain Premium Taxes**

Title insurance holding companies are authorized a credit against their franchise tax in the amount of the premium taxes paid by their title insurance subsidiaries. The credit is prorated based on the ownership percentage of the holding company in the title insurer. For example, if the holding company owned a 75 percent interest in the title insurer, the hold company's franchise tax credit would be limited to 75 percent of the insurance premium tax paid by the title insurer.

#### **Franchise Tax Refunds**

##### **Sec 171.501. Refund for job creation in an enterprise zone**

Taxpayers located in an enterprise zone that create at least ten new jobs can qualify for a franchise tax refund. Qualifying firms must be certified by the Texas Economic Development Bank.

The refund is 25 percent of the firm's tax liability, up to a \$5,000 maximum per firm. ☺

# Gasoline Tax

**T**he gasoline tax is the third largest source of tax revenue for Texas state government, bringing in nearly 8.2 cents of every state tax dollar. The tax is a consumption tax on gasoline. In general, the tax is charged on each gallon of gasoline, sold in Texas, which is used to propel vehicles on Texas' public roads.

Total gasoline tax collected in fiscal 2004 was just under \$2.3 billion.

Gasoline tax exemptions can be divided into three general categories: exemptions, refunds, and discounts. (See Table 1.)

Sales of gasoline between licensed suppliers within the bulk transfer/terminal system are not taxed. Excepted purchasers are licensed exporters including licensed suppliers and permissive suppliers, distributors and importers that remove gasoline from a terminal in Texas for export to another state and hold a valid license in the destination state for the purpose of paying the destination state tax. Effective January 1, 2006 a licensed supplier must either collect the Texas tax or be licensed to collect the destination states tax on all gasoline removed from a terminal for export.

A licensed exporter including licensed suppliers and permissive suppliers, distributors and importers can remove gasoline from a Texas terminal tax free for export to another country only when the bill of lading shows a foreign country destination and the fuel is actually exported.

Exemptions are uses or sales of gasoline where the tax does not apply because the fuel is not used to propel a vehicle on Texas' public roads or because the sale is made to an exempt purchaser. Exempt purchasers are licensed aviation fuel dealers, the federal government, Texas public school districts, and non profit electric and telephone cooperatives organized under the Texas Utilities Code.

Refunds may be applied for by registered transit companies, licensed suppliers and distributors, who experience a bad debt, and others.

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

The following outlines these exemptions, refunds, and discounts.

## **Sec. 162.104. Exemptions; and Secs. 162.125, 162.127, Refund or Credit**

Gasoline sold to the federal government or to a Texas public school district for its 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 tax. If these taxes are paid, a person may claim a refund.

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

Except for licensed interstate truckers, gasoline that arrives in Texas in the fuel tank of a motor vehicle is exempt from Texas' tax. This includes both passenger vehicles 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 with the Comptroller 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 made for taxes paid on gasoline used in motorboats, tractors or similar agricultural equipment, or used other than in a vehicle operated on public roads.

The portion of taxes paid on gasoline used to power auxiliary equipment, such as winches or refrigeration units, not used to directly propel a motor vehicle may be refunded. These auxiliary uses typically are in agriculture, construction, or industry.

Because there are insufficient data to distinguish tax exempt gasoline sales for excepted uses from refunds of taxes on

excepted uses, the estimates of the values of these exemptions are presented together.

**Sections. 162.113, 162.116. Credits and allowances**

Section 162.113 allocates to a licensed distributor or licensed importer who makes timely payments of the tax, to the supplier or permissive supplier, the amount of 1.75 percent of the total taxes to be paid, to cover administrative expenses. Section 162.116 allocates a collection allowance to a supplier or permissive supplier who timely pays the tax to the state, equal to .25 percent of the tax payable.

**Sections 162.113 and 162.126. Credit or refund for bad debts**

Section 162.113 allows a licensed supplier or licensed permissive supplier, who

cannot secure the payment of taxes due to take a credit against a subsequent payment of taxes to the state. Section 162.126 allows a licensed distributor to file a refund claim with the Comptroller for tax paid on sales of gasoline, which are written off as a bad debt. A refund may not be claimed for gasoline sales which 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 Sec. 161.062 and Sec. 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 1**  
**Value of Gasoline Tax Exceptions, Refunds, and Discounts**  
**Fiscal 2005 to 2010**  
**(In millions of dollars)**

Section	Item	2005	2006	2007	2008	2009	2010
<i>Tax Code</i>							
162.104, 162.116 and 162.125	Exceptions and Refunds						
	Federal	\$10.70	\$10.90	\$11.10	\$11.30	\$11.50	\$11.70
	Public schools and commercial public school transportation companies	4.4	4.4	4.5	4.6	4.7	4.8
	Fuel sold by a license holder to another permit holder	cbe	cbe	cbe	cbe	cbe	cbe
	Fuel for export	cbe	cbe	cbe	cbe	cbe	cbe
	Aviation use	5.5	5.6	5.7	5.8	5.9	6.0
	Fuel arriving in the tank of a motor vehicle (non-interstate trucker)	cbe	cbe	cbe	cbe	cbe	cbe
	Fuel lost by fire, theft or accident	3.5	3.5	3.6	3.6	3.7	3.8
	Marine use	11.3	11.6	11.7	11.9	12.1	12.3
	Agricultural use	9.6	9.8	10.0	10.2	10.4	10.5
	Construction use	9.4	9.5	9.7	9.9	10.1	10.3
	Industry and commercial use	24.0	24.4	24.9	25.4	25.9	26.3
	Transit company use	negligible	negligible	negligible	negligible	negligible	negligible
162.113 and 162.126	Refunds and credits for bad debts	0.5	0.5	0.6	0.6	0.6	0.7
162.113 and 162.116	Discount for tax collection	46.9	47.8	48.7	49.6	50.6	51.4
<i>Utilities Code</i>							
161.062 and 162.062	Electric and telephone cooperative use	0.4	0.5	0.5	0.5	0.5	0.5
Totals		\$126.2	\$128.5	\$131.0	\$133.4	\$136.0	\$138.3

cbe: cannot be estimated

Note: Totals may not add due to rounding.

# Motor Vehicle Sales and Use Tax

**M**otor vehicle sales tax is the second largest source of tax revenue for Texas state government, bringing in about 11 cents of every state tax dollar. The tax is a transaction tax paid on each purchase of a qualifying motor vehicle.

Motor vehicle sales tax collections in fiscal 2004 totaled approximately \$2.5 billion.

## **Motor vehicle sales and use tax exemptions**

There are several motor vehicle sales tax exemptions, each based on the status of the purchaser or the intended use of the motor vehicle.

Specific sections of the Tax Code exempt particular purchases from motor vehicle sales taxes. The following text outlines these exemptions and includes references to the appropriate section of the Tax Code covering those items. Table 1 summarizes the estimated values of these exemptions for fiscal 2005 through 2010.

### **Sec. 152.081. Driver training motor vehicles**

Motor vehicles used by a public school in an approved standard driver training course are exempt from the motor vehicle sales tax 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 by public agencies are exempt from the motor vehicle sales tax. Public agencies include, but are

not limited to, city and county governments and other political subdivisions. Generally, these motor vehicles must bear a license plate with the word "exempt" on its face.

### **Sec. 152.083. Lease of motor vehicle to public agency**

This provision exempts the purchase of a motor vehicle by a leasing company when the vehicle will be leased to a public agency. Under the Tax Code it is ordinarily the lessor's purchase transaction that is taxable rather than the lease contract (a lease contract is defined to include only contracts in excess of 180 days). The vehicle must be operated with exempt license plates.

### **Sec. 152.086. Motor vehicles driven by handicapped persons**

Motor vehicles modified primarily for operation by, or for the transportation of, an orthopedically handicapped person are exempt from the motor vehicle sales tax.

### **Sec. 152.087. Fire trucks and emergency medical services vehicles**

Motor vehicle sales tax does not apply to the purchase 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. To qualify for the exemption, the motor vehicle must be purchased by a volunteer fire department, a nonprofit emergency medical service provider that receives a federal income tax exemption as an organization described by Section 501(c)(3), Internal Revenue Code, or certain emergency medical service providers.

**Sec. 152.088. Motor vehicles used for religious purposes**

Motor vehicle sales tax does not apply to the sale or use of a motor vehicle designed to carry more than six people that is used for transportation to religious services or meetings.

**Sec. 152.089. Vehicles taxed by other law**

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

An "interstate motor vehicle" means a motor vehicle that is 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. The term includes a bus used in transportation of chartered parties if the bus meets all the standards required of other motor vehicles for apportioned registration fees. The term 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 International Registration Plan.

**Sec. 152.091. Farm use**

Motor vehicle sales tax does not apply to the sale or use of a farm machine, trailer, or semitrailer for use primarily for farming and

ranching, including the rearing of poultry and use in feedlots, or a machine, trailer, or semitrailer for use primarily for timber operations. The tax does not apply to a purchase of a farm machine, machine, trailer, or semitrailer that is to be leased or rented for use primarily for farming and ranching, including the rearing of poultry, and use in feedlots, or for 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), for exclusive use outside of this state are not subject to the motor vehicle sales tax. To qualify, the purchaser must sign an exemption certificate provided by the Comptroller that authorizes the Comptroller to provide a copy of the certificate to the state of intended use and registration.

**Sec. 152.093. Motor vehicles sold to certain licensed child-care facilities**

Motor vehicle sales 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. ☺

**Table 1**  
**Value of Motor Vehicle Sales Tax Exemptions**  
**Fiscal 2005 to 2010**  
**(In millions of dollars)**

<b>Section Name</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
152.081 Driver training motor vehicles	negligible	negligible	negligible	negligible	negligible	negligible
152.082 Sales to or use by a public agency	\$ 38.3	\$ 39.2	\$ 40.1	\$ 41.6	\$ 43.5	\$ 45.6
152.083 Lease to a public agency	*	*	*	*	*	*
152.086 Driven by handicapped persons	7.0	7.1	7.3	7.5	7.9	8.3
152.087 Fire trucks and ambulances	3.3	3.4	3.5	3.6	3.8	4.0
152.088 Used for religious purposes	1.6	1.6	1.6	1.7	1.8	1.9
152.089 Vehicles taxed by other law	69.0	72.5	76.3	80.3	84.5	88.9
152.091 Farm use	36.0	37.4	38.8	40.3	42.2	44.2
152.092 Transported out of state	cbe	cbe	cbe	cbe	cbe	cbe
152.093 Certain licensed child-care facilities	<u>3.1</u>	<u>3.2</u>	<u>3.3</u>	<u>3.4</u>	<u>3.6</u>	<u>3.8</u>
<b>Total</b>	<b>\$158.2</b>	<b>\$164.4</b>	<b>\$170.9</b>	<b>\$178.5</b>	<b>\$187.3</b>	<b>\$196.6</b>

cbe: cannot be estimated.

\*Cannot be separated from estimate of sales to public agency. Included in the estimate for Sec. 152.082.

Note: Totals may not add 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 districts such as junior colleges, hospitals, rural fire districts and flood control districts. School property taxes represent 60 percent of the total property taxes levied.

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 forwarded to school districts to support public education.

There are two types of school property tax levies: one to cover maintenance and operating costs (M & O) and the other to pay interest and sinking fund (I&S) debt service for financing building programs. In 2003, the statewide weighted average M & O tax rate was \$1.467 per \$100 valuation, and the I & S tax rate was \$1.183 per \$100 valuation, for a combined statewide weighted average school tax rate of \$1.650 per \$100 valuation.

All real and tangible personal property, unless required or permitted to be exempt by the Constitution, must be taxed in proportion to its value. To receive most property tax exemptions, a person must file an application with the county appraisal district that serves the taxing units in which the property is located. If the property is in an area served by more than one appraisal district, a person must file the application in all affected appraisal districts, except for the residence homestead exemption application. The appraisal district will apply the exemption, when granted, in each of the taxing units in which the particular exemption is allowed and the property is located. For residence homestead exemptions, the homeowner may apply in one of the county appraisal districts in which the property is located.

The estimated value of the exemptions can be found in Table 1. The exemptions are as follows:

## **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 and 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 an institution of higher education as defined by Chapter 61, Education Code, is exempt if certain conditions are met.

### *Leased prison property to the state*

Privately owned improvements located on land owned by the Texas Department of Corrections (TDCJ), leased or lease-purchased by 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.

### *Lease-purchase agreements of public property*

Tangible personal property is owned by the state or a political subdivision of the state if the property is subject to a lease-purchase agreement. The lease-purchase agreement must provide that the state or the political subdivision is entitled to the property at the end of the lease.

**Table 1**  
**Cost of Exemptions to the School Property Tax**  
**Tax Year\* 2005 to 2010**  
**(In millions of dollars)**

<b>Section Item</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
11.11 Public property (state and local)	cbe	cbe	cbe	cbe	cbe	cbe
11.111 Public property used to provide transitional housing for indigent persons	cbe	cbe	cbe	cbe	cbe	cbe
11.12 Federal exemptions	cbe	cbe	cbe	cbe	cbe	cbe
11.13 Residence homesteads:						
(b) State mandated \$15,000	\$1,185.5	\$1,241.0	\$1,299.1	\$1,359.9	\$1,423.6	\$1,490.3
(c) State mandated 65 and above or disabled \$10,000	203.6	213.6	224.3	235.7	248.0	261.1
(d) Optional 65 and above or disabled	107.7	115.8	124.8	134.6	145.5	157.5
(n) Optional percentage	471.2	512.3	557.0	605.7	658.5	716.0
11.14 Tangible personal property not producing income	cbe	cbe	cbe	cbe	cbe	cbe
11.145 Income-producing tangible personal property having value of less than \$500	0.1	0.1	0.2	0.2	0.2	0.2
11.146 Mineral interest having value of less than \$500	0.8	0.8	0.8	0.8	0.8	0.8
11.15 Family supplies	cbe	cbe	cbe	cbe	cbe	cbe
11.16 Farm products	cbe	cbe	cbe	cbe	cbe	cbe
11.161 Implements of farming, ranching, and timber	cbe	cbe	cbe	cbe	cbe	cbe
11.17 Cemeteries	cbe	cbe	cbe	cbe	cbe	cbe
11.18 Charitable organizations	cbe	cbe	cbe	cbe	cbe	cbe
11.181 Charitable organizations improving property for low-income housing	cbe	cbe	cbe	cbe	cbe	cbe
11.182 Community housing development organizations improving property for low- and moderate-income housing	cbe	cbe	cbe	cbe	cbe	cbe
11.183 Associations providing assistance to ambulatory health care centers	cbe	cbe	cbe	cbe	cbe	cbe
11.20 Religious organizations	cbe	cbe	cbe	cbe	cbe	cbe
11.21 Private schools	cbe	cbe	cbe	cbe	cbe	cbe
11.22 Disabled veterans	24.7	26.4	28.3	30.3	32.4	34.6
11.23 Miscellaneous exemptions	cbe	cbe	cbe	cbe	cbe	cbe
11.24 Historic sites	4.4	4.5	4.5	4.6	4.6	4.7
11.25 Marine cargo containers	cbe	cbe	cbe	cbe	cbe	cbe
11.251 Freeport Property	210.4	228.2	247.6	268.5	291.3	316.0
11.252 Motor Vehicles Leased for Personal Use	5.2	5.5	5.8	6.1	6.4	6.7
11.26 65 and above "tax freeze" on homestead	533.5	575.6	621.8	672.9	729.3	791.7
11.27 Solar and wind-powered energy devices	3.3	3.4	3.4	3.4	3.5	3.5
11.271 Offshore drilling equipment not in use	cbe	cbe	cbe	cbe	cbe	cbe
11.28 Tax abatement	7.0	5.1	3.6	2.6	1.9	1.4
11.30 Nonprofit water supply or wastewater service corporation	cbe	cbe	cbe	cbe	cbe	cbe
11.31 Pollution control property	97.9	101.9	106.0	110.2	114.7	119.3
11.32 Certain water conservation initiatives	0.0	0.0	1.0	2.0	2.0	3.0
23.23 Limitation on appraised value of homestead (10% cap)Productivity value loss (Secs. 23.41, 23.52, 23.73 & 23.9803, Tax Code)	147.1	132.9	134.3	141.7	149.6	157.9
311.013 Tax Increment Financing	1,638.1	1,734.5	1,836.7	1,944.8	2,059.4	2,180.6
Ch. 313 Texas Economic Development Act	117.5	141.0	169.1	202.8	243.3	291.8
	9.8	7.3	38.2	30.4	31.5	30.1
<b>Total</b>	<b>\$4,767.9</b>	<b>\$5,049.8</b>	<b>\$5,403.1</b>	<b>\$5,752.5</b>	<b>\$6,141.2</b>	<b>\$6,561.8</b>

cbe Cannot be estimated because of insufficient appraisal data.  
 \* Tax year means calendar year (January 1 through December 31).  
 Note: Totals may not add due to rounding.



**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 the United States or an agency of the United States. The property must be used to provide transitional housing for the indigent under a program operated or directed by the United States Department of Housing and Urban Development (HUD).

**Sec. 11.12. Federal exemptions**

Property exempt by federal law is automatically exempt from state and local taxation. Examples include a U. S. Post Office building, military base, federal courthouse, and property located in a foreign trade zone.

**Sec. 11.13. Residence homestead**

Texas homeowners may be eligible for various types and amounts of exemptions from school property taxes for resident homesteads. These exemptions apply to a portion of the appraised value of the home.

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

*State-Mandated*

1. A school district must grant an exemption of \$15,000 from the market value of all qualified resident homesteads in the district.

2. A school district must grant an additional exemption of \$10,000 from the market value of a resident homestead for adults who are disabled 65 or older.

*Optional*

1. The governing body of a school district may grant an additional percentage exemption of up to 20 percent of the market value of a residence homestead. The exemption must be at least \$5,000.

2. The governing body of a school district may grant an additional exemption of at least \$3,000 of the market value of a residence homestead for adults who are

disabled or over 65. There is no maximum amount for this exemption.

**Sec. 11.14. Personal property not used to produce income**

Persons are entitled to an exemption for all tangible personal property they own if the property is not used to produce income. Mobile or manufactured homes are not included in this exemption.

**Sec. 11.145. Personal property— income producing—valued at less than \$500**

A person is entitled to an exemption on tangible personal property the person owns 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 holds or 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 property valued at less than \$500**

A person is entitled to an exemption from property taxation of a mineral interest the person owns if the interest has a taxable value of 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**

A family is entitled to an exemption from taxation of its family supplies for home or farm use. Family supplies are food, clothing, and other consumable supplies necessary to operate and maintain a home or farm.

**Sec. 11.16. Farm products**

Producers are entitled to an exemption of the farm products that they produce and own. Farm products include crops, livestock, poultry and timber. Nursery products in a growing state are farm products. Farm products in the hands of their producer are exempt.

**Sec. 11.161. Implements of farming, ranching, and timber**

The Texas property tax system excludes implements of farming or ranching or timber (“implements of husbandry”) from local property taxation. The exemption applies to equipment and machinery—such as tractors, cultivators, planters and combines—used to produce farm or ranch products or timber.

**Sec. 11.17. Cemeteries**

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

**Secs. 11.181-11.183. Charitable organizations**

Property used exclusively and owned by institutions of purely public charity are exempt from school property taxes. The Property Tax Code provides specific qualifications for the owner and the property of charitable organizations. The organization must be organized exclusively to perform religious, charitable, scientific, literary, or educational functions. The organization may not make a distributable profit or operate in a way that results in private gain. The organization must have a provision in its charter to transfer assets upon discontinuation of operations to the federal government, state of Texas or to an organization that qualifies as a charitable organization under Section 501(c) (3) Internal Revenue Code.

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.

1. Charitable organizations improving property for low-income housing (Sec. 11.181);
2. Community housing development organizations improving property for low-income and moderate-income housing (Sec. 11.182), and
3. Associations providing assistance to ambulatory health care centers (Sec. 11.183).

**Sec. 11.19. Youth spiritual, mental, and physical development organizations**

Property owned and used exclusively by qualified associations promoting youth spiritual, mental, and physical development are exempt from property taxes.

**Sec. 11.20. Religious organizations**

Some property owned by a qualified religious organization may qualify for a property tax exemption. An organization must first show that it qualifies before any of its property is entitled to an exemption. Eligible property includes places of worship and residence of clergy.

**Sec. 11.21. Private schools**

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

**Sec. 11.22. Disabled veterans**

Disabled veterans and their surviving spouses or children may apply for a partial exemption to one designated property. The qualified individual must own the property and designate it for the exemption. A disabled veteran can designate a property other than a home. However, most disabled veterans do designate the homestead property for this exemption.

**Sec. 11.23. Miscellaneous exemptions**

Some entities are specifically exempted from property taxes and are identified under this section of the Property Tax Code.

*Veterans' organizations*

A non-profit organization composed primarily of members or former members of the armed forces of the United States or its allies and chartered or incorporated by the United States Congress may apply for exemption from taxation. Veteran's 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, incorporated, is entitled to an exemption from taxation of the tangible property it owns if the property is not held for gain, as long as the organization is a nonprofit corporation as defined by the Texas Non-Profit Corporation Act.

*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.

*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. The Property Tax Code provides that the organization's land that is reasonably necessary for use of, access to, and ornamentation of the buildings is also exempt.

*Private enterprise demonstration associations*

Tangible real and personal property that is owned and used exclusively by a qualified private enterprise demonstration organization and that is reasonably necessary for the organization's operations qualifies for a total exemption. Property qualifies if the organization:

1. engages exclusively in conducting nonprofit educational programs to demonstrate the American private enterprise system to children and young people, and

2. operates under a similar state or national organization set up to demonstrate American private enterprise to children and youths.

*Bison, buffalo, and cattalo*

The exemption of bison, buffalo, and cattalo applies only to those animals not held for profit and those used in experimental breeding to produce an improved meat

strain or animals kept in parks to preserve the species.

*Theater schools*

Property owned by a qualified school devoted to teaching dramatic arts and used in the school's operation is exempt from taxation. A theater school's property qualifies if the school meets several qualifications.

The school must be a non-profit corporation organized under the Texas Non-Profit Corporation Act.

*Community service clubs*

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

*Medical center development*

A nonprofit corporation may apply for exemption of its real and personal property used in developing a medical center area. The corporation must be nonprofit under the Texas Non-Profit Corporation Act. Medical center development property qualifies if the corporation has donated land for a state medical, dental, or nursing school and for other hospital, medical, or educational uses reasonably related to the state medical-type school use.

*Scientific research corporations*

Property owned and used by a qualified scientific research organization 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 non-profit corporation organized under the Texas Non-Profit Corporation Act.

**Sec. 11.24. Historic or archeological sites**

The archeological or historic site exemption is a local-option exemption. The governing body of a taxing unit may choose to grant an archeological or historic site exemption. A property may receive an exemption from some of the taxing units that tax it and not from other units.

**Sec. 11.25. Marine cargo containers**

A person is entitled to an exemption from taxation of a marine cargo container and associated equipment used exclusively in international commerce.

**Sec. 11.251 (and Sec. 11.437). Freeport property—including cotton stored in a warehouse**

The “freeport exemption” provides an exemption for goods transported out of Texas within 175 days of acquisition in the state. Certain types of local taxing units may continue to tax the property if the unit’s governing bodies took action to do so before April 1990.

This exemption also applies to all cotton stored in the warehouse for transportation outside of this state, regardless of the 175 days requirement.

**Sec. 11.252. Motor Vehicles Leased for Personal Use**

The owner of a motor vehicle that is subject to a lease is entitled to an exemption from taxation of the vehicle if the lessee does not hold or use the vehicle for the production of income.

**Sec. 11.26. School tax ceiling**

The school tax ceiling, or “tax freeze” as it is often called, is provided for those homeowners who receive the mandatory “65 and over” \$10,000 homestead exemption granted by a school district. 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 “65 and over” 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 energy devices**

Solar or wind-powered energy devices are subject to exemption. The amount of a property’s appraised 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 rig not in use**

A property owner may apply to exempt certain stored equipment used in offshore drilling for oil or gas.

**Sec. 11.28. Abatement**

A property tax abatement exempts all or part of the increase in the value of improvements and personal property, except inventory and supplies. A tax abatement begins when a city or county designates a particular area as a “reinvestment zone”—an area where private investment will promote economic development and public welfare. A property owner within the zone who makes specified improvements receives an exemption for all or part of the value of the new improvements. School districts may elect to participate in abatement agreements.

**Sec. 11.30. Nonprofit water supply or wastewater service corporation**

A corporation is entitled to an exemption from taxation of property that the corporation owns and that is reasonably necessary for and used in the operation of the corporation:

- (1) to acquire, treat, store, transport, sell, or distribute water; or
- (2) to provide wastewater service.

The corporation must be organized under Chapter 67 of the Water Code.

**Sec. 11.31. Pollution control property**

A person is entitled to an exemption from taxation of all or part of real and personal property that the person owns that is used wholly or partly as a facility, device, or method for the control of air, water, or land pollution.

**Sec. 11.32. Certain water conservation initiatives**

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

**Sec. 23.23. Limitation on appraised value of residence homestead (10% cap)**

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

**Secs. 23.41, 23.52, 23.73, and 23.9803. Productivity appraisal for agricultural land and timberland**

Certain kinds of land devoted to farm, ranch, or wildlife management purposes and timberland are appraised not at market value but at productivity value—a value based solely on the land's capacity to produce agricultural products.

**Sec. 311.013. Tax increment financing**

Tax increment financing (TIF) is similar to tax abatement. However, TIF can only be sponsored by a city. In a TIF zone, the city actually works as the developer, by improving public facilities in the zone. As the improvements generate higher appraised values on private property in the zone, tax revenue collected on these value increases is dedicated to paying for the city's development costs. Once a city has initiated TIF, counties, school districts and special districts are allowed to consider participating in the TIF agreement.

**Ch. 313. Texas Economic Development Act**

Created by the 77th Legislature. Provides that corporations and limited liability companies making a certain level of investment and creating jobs in specified numbers are entitled to a limitation on the taxable value of qualifying investments for property tax purposes. The tax limitation only applies to property used in connection with manufacturing, research and development, and renewable energy electric generation. ♻️





# 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 may also 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 federal tax on luxury automobiles 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 of all others, without taking into account the effects of other taxes or any government expenditures or transfers. Even here, however, economists must confront the thorny 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,” 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 telephone 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 the 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 this section include the sales and use tax, the franchise tax, the gasoline tax, the motor vehicle sales and use tax, and the school property tax. (These are the same taxes discussed in the preceding sections.)

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

## Exhibit A Components of Household Income

### Components

Federal Adjusted Gross Income

Nontaxable Interest Income

Nontaxable Pension Income\*\*

Nontaxable Social Security Benefits

Nonfiler Income (from Census)

### Definition

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.\*

Interest income that is not taxed by the federal government.

Pension income is not taxed by the federal government.

Not all Social Security benefits are taxable by the federal government.

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 deciles due to lack of sufficient data.

household income are provided in Exhibit A; and Exhibit B presents the assumptions relating to how the taxes initially paid by businesses are either exported out of state or shifted to consumers, workers, and owners in Texas.

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 “deciles.” Each decile includes approximately 822,530 households, representing one-tenth of the households in the state, ordered by total income. Thus, Decile 1 represents the 822,530 households with incomes less than \$12,820; Decile 2 represents the 822,530 households with incomes of \$12,820 up to \$21,797; and so forth, up to Decile 10, which represents the 822,530 households in Texas with incomes of \$135,599 or more.

Each of the five 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 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 decile, 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,” can vary from +1.0 to -1.0, with a 0.0 indicating that the tax burden is perfectly proportional to income at all deciles. 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 decile).

The summary tables for the sales and use tax, the franchise tax, the gasoline tax, the motor vehicle sales and use 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 decile.

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**  
**Incidence Analysis of**  
**Total Limited Sales and Use Tax Revenue**

INITIAL DISTRIBUTION OF TAX—  
 BY INDUSTRY, FISCAL 2006  
 (dollar amounts in millions)

Industry	Amount	Percent
Agriculture	\$49.6	0.3%
Mining	412.9	2.5
Utilities & Transportation	925.0	5.6
Construction	214.7	1.3
Manufacturing	660.7	4.0
Trade (Wholesale and Retail)	825.9	5.0
Information	925.0	5.6
Finance, Insurance, and Real Estate	743.3	4.5
Other Services	2,494.2	15.1
Government	0.0	0.0
Personal Consumption	<u>9,266.4</u>	<u>56.1</u>
<b>TOTAL</b>	<b><u>\$16,517.6</u></b>	<b><u>100.0%</u></b>

FINAL DISTRIBUTION OF TAX—  
 BY HOUSEHOLD INCOME DECILE, FISCAL 2006  
 (dollar amounts in millions)

Decile	Family Income	Amount (\$millions)	Percent of Tax Paid	Tax as a Percent of Total Income
Decile 1:	less than \$12,820	\$561.6	3.4%	10.0%
Decile 2:	\$12,820 to \$21,797	594.6	3.6	4.2%
Decile 3:	\$21,797 to \$30,397	809.4	4.9	3.7%
Decile 4:	\$30,397 to \$39,743	892.0	5.4	3.0%
Decile 5:	\$39,743 to \$49,661	1,073.6	6.5	2.9%
Decile 6:	\$49,661 to \$61,734	1,255.3	7.6	2.7%
Decile 7:	\$61,734 to \$76,037	1,453.5	8.8	2.5%
Decile 8:	\$76,037 to \$96,693	1,734.3	10.5	2.4%
Decile 9:	\$96,693 to \$135,599	1,982.1	12.0	2.1%
Decile 10:	\$135,599 and over	<u>3,121.8</u>	<u>18.9</u>	1.6%
Residents		\$ 13,478.4	81.6%	
Exported		\$ <u>3,039.2</u>	<u>18.4%</u>	
<b>TOTAL</b>		<b><u>\$16,517.6</u></b>	<b><u>100.0%</u></b>	

ESTIMATED EQUITY OF TAX, FISCAL 2006

Suits Index -0.18

Totals may not add due to rounding.

INITIAL DISTRIBUTION OF TAX—  
 BY INDUSTRY TYPE, FISCAL 2006  
 (dollar amounts in millions)

	Amount	Percent
Corporations	\$ 4,666.4	28.3%
Partnerships	2,216.7	13.4
Sole Proprietors	<u>368.1</u>	<u>2.2</u>
Subtotal	\$ 7,251.2	43.9%
Individual Consumers	\$ <u>9,266.4</u>	<u>56.1%</u>
<b>TOTAL</b>	<b><u>\$16,517.6</u></b>	<b><u>100.0%</u></b>

FINAL DISTRIBUTION OF TAX—  
 BY HOMEOWNERS/RENTERS, FISCAL 2006  
 (dollar amounts in millions)

	Amount	Percent
Homeowners	\$ 9,299.4	56.3%
Renters	<u>4,179.0</u>	<u>25.3</u>
Subtotal	\$13,478.4	81.6%
Exported	\$ <u>3,039.2</u>	<u>18.4%</u>
<b>TOTAL</b>	<b><u>\$16,517.6</u></b>	<b><u>100.0%</u></b>

**Table 2  
Incidence Analysis  
Limited Sales and Use Tax  
Exemption for Items Taxed by Other Law  
(Tax Code 151.308)**

INITIAL DISTRIBUTION OF EXEMPTION—  
BY INDUSTRY, FISCAL 2006  
(dollar amounts in millions)

Industry	Amount	Percent
Agriculture	\$ 139.4	1.8%
Mining	81.0	1.0
Utilities & Transportation	760.7	9.8
Construction	616.9	7.9
Manufacturing	1,218.8	15.7
Trade (Wholesale and Retail)	48.6	0.6
Information	14.6	0.2
Finance, Insurance, and Real Estate	571.6	7.3
Other Services	217.5	2.8
Government	0.0	0.0
Personal Consumption	<u>4,117.2</u>	<u>52.9</u>
<b>TOTAL</b>	<b><u>\$7,782.9</u></b>	<b><u>100.0%</u></b>

Totals may not add due to rounding.

FINAL DISTRIBUTION OF EXEMPTION—  
BY HOUSEHOLD INCOME DECILE, FISCAL 2006  
(dollar amounts in millions)

Decile	Family Income	Amount (\$millions)	Percent of Tax Paid	Tax as a Percent of Total Income
Decile 1:	less than \$12,820	\$ 210.1	2.7%	3.7%
Decile 2:	\$12,820 to \$21,797	249.1	3.2	1.7%
Decile 3:	\$21,797 to \$30,397	319.1	4.1	1.5%
Decile 4:	\$30,397 to \$39,743	381.4	4.9	1.3%
Decile 5:	\$39,743 to \$49,661	467.0	6.0	1.3%
Decile 6:	\$49,661 to \$61,734	505.9	6.5	1.1%
Decile 7:	\$61,734 to \$76,037	575.9	7.4	1.0%
Decile 8:	\$76,037 to \$96,693	669.3	8.6	0.9%
Decile 9:	\$96,693 to \$135,599	770.5	9.9	0.8%
Decile 10:	\$135,599 and over	<u>1,004.0</u>	<u>12.9</u>	0.5%
Residents		\$5,152.3	66.2%	
Exported		<u>\$2,630.6</u>	<u>33.8%</u>	
<b>TOTAL</b>		<b><u>\$7,782.9</u></b>	<b><u>100.0%</u></b>	

**Table 3  
Incidence Analysis  
Limited Sales and Use Tax  
Exemption for Sales to Governmental Entities  
(Tax Code 151.309)**

INITIAL DISTRIBUTION OF EXEMPTION—  
BY INDUSTRY, FISCAL 2006  
(dollar amounts in millions)

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		
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	254.7	100.0
Personal Consumption	<u>0.0</u>	<u>0.0</u>
<b>TOTAL</b>	<b><u>\$254.7</u></b>	<b><u>100.0%</u></b>

Totals may not add due to rounding.

FINAL DISTRIBUTION OF EXEMPTION—  
BY HOUSEHOLD INCOME DECILE, FISCAL 2006  
(dollar amounts in millions)

Decile	Family Income	Amount (\$millions)	Percent of Tax Paid	Tax as a Percent of Total Income
Decile 1:	less than \$12,820	\$ 7.6	3.0%	0.1%
Decile 2:	\$12,820 to \$21,797	9.4	3.7	0.1%
Decile 3:	\$21,797 to \$30,397	12.0	4.7	0.1%
Decile 4:	\$30,397 to \$39,743	13.0	5.1	0.0%
Decile 5:	\$39,743 to \$49,661	15.5	6.1	0.0%
Decile 6:	\$49,661 to \$61,734	17.6	6.9	0.0%
Decile 7:	\$61,734 to \$76,037	21.4	8.4	0.0%
Decile 8:	\$76,037 to \$96,693	25.2	9.9	0.0%
Decile 9:	\$96,693 to \$135,599	30.6	12.0	0.0%
Decile 10:	\$135,599 and over	<u>51.2</u>	<u>20.1</u>	0.0%
Residents		\$203.5	79.9%	
Exported		<u>\$ 51.2</u>	<u>20.1%</u>	
<b>TOTAL</b>		<b><u>\$254.7</u></b>	<b><u>100.0%</u></b>	



**Table 4**  
**Incidence Analysis**  
**Limited Sales and Use Tax**  
**Exemption for Health Care Supplies**  
**(Tax Code 151.313)**

INITIAL DISTRIBUTION OF EXEMPTION—  
 BY INDUSTRY, FISCAL 2006  
 (dollar amounts in millions)

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	0.0	0.0
Other Services	33.0	7.6
Government	0.0	0.0
Personal Consumption	<u>400.8</u>	<u>92.4</u>
<b>TOTAL</b>	<b>\$433.8</b>	<b>100.0%</b>

Totals may not add due to rounding.

FINAL DISTRIBUTION OF EXEMPTION—  
 BY HOUSEHOLD INCOME DECILE, FISCAL 2006  
 (dollar amounts in millions)

Decile	Family Income	Amount (\$millions)	Percent of Tax Paid	Tax as a Percent of Total Income
Decile 1:	less than \$12,820	\$ 21.3	4.9%	0.4%
Decile 2:	\$12,820 to \$21,797	37.7	8.7	0.3%
Decile 3:	\$21,797 to \$30,397	44.2	10.2	0.2%
Decile 4:	\$30,397 to \$39,743	48.2	11.1	0.2%
Decile 5:	\$39,743 to \$49,661	42.1	9.7	0.1%
Decile 6:	\$49,661 to \$61,734	43.8	10.1	0.1%
Decile 7:	\$61,734 to \$76,037	39.9	9.2	0.1%
Decile 8:	\$76,037 to \$96,693	41.2	9.5	0.1%
Decile 9:	\$96,693 to \$135,599	42.9	9.9	0.0%
Decile 10:	\$135,599 and over	<u>49.9</u>	<u>11.5</u>	0.0%
Residents		\$411.2	94.8%	
Exported		<u>\$ 22.6</u>	<u>5.2%</u>	
<b>TOTAL</b>		<b><u>\$433.8</u></b>	<b><u>100.0%</u></b>	

**Table 5**  
**Incidence Analysis**  
**Limited Sales and Use Tax**  
**Exemption for Food for Home Consumption**  
**(Tax Code 151.314)**

INITIAL DISTRIBUTION OF EXEMPTION—  
 BY INDUSTRY, FISCAL 2006  
 (dollar amounts in millions)

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	0.0	0.0
Other Services	0.0	0.0
Government	0.0	0.0
Personal Consumption	<u>1,340.0</u>	<u>100.0</u>
<b>TOTAL</b>	<b><u>\$1,340.0</u></b>	<b><u>100.0%</u></b>

Totals may not add due to rounding.

FINAL DISTRIBUTION OF EXEMPTION—  
 BY HOUSEHOLD INCOME DECILE, FISCAL 2006  
 (dollar amounts in millions)

Decile	Family Income	Amount (\$millions)	Percent of Tax Paid	Tax as a Percent of Total Income
Decile 1:	less than \$12,820	\$ 67.0	5.0%	1.2%
Decile 2:	\$12,820 to \$21,797	76.4	5.7	0.5%
Decile 3:	\$21,797 to \$30,397	92.5	6.9	0.4%
Decile 4:	\$30,397 to \$39,743	99.2	7.4	0.3%
Decile 5:	\$39,743 to \$49,661	111.2	8.3	0.3%
Decile 6:	\$49,661 to \$61,734	120.6	9.0	0.3%
Decile 7:	\$61,734 to \$76,037	134.0	10.0	0.2%
Decile 8:	\$76,037 to \$96,693	148.7	11.1	0.2%
Decile 9:	\$96,693 to \$135,599	162.1	12.1	0.2%
Decile 10:	\$135,599 and over	<u>214.4</u>	<u>16.0</u>	0.1%
Residents		\$1,226.1	91.5%	
Exported		<u>\$ 113.9</u>	<u>8.5%</u>	
<b>TOTAL</b>		<b><u>\$1,340.0</u></b>	<b><u>100.0%</u></b>	

**Table 6  
Incidence Analysis  
Limited Sales and Use Tax  
Exemption for Water  
(Tax Code 151.315)**

INITIAL DISTRIBUTION OF EXEMPTION—  
BY INDUSTRY, FISCAL 2006  
(dollar amounts in millions)

Industry	Amount	Percent
Agriculture	\$ 0.8	0.3%
Mining	1.8	0.7
Utilities & Transportation	2.1	0.8
Construction	2.4	0.9
Manufacturing	10.3	3.9
Trade (Wholesale and Retail)	4.5	1.7
Information	0.3	0.1
Finance, Insurance, and Real Estate	12.6	4.8
Other Services	8.7	3.3
Government	0.0	0.0
Personal Consumption	<u>219.5</u>	<u>83.5</u>
<b>TOTAL</b>	<u>\$262.9</u>	<u>100.0%</u>

Totals may not add due to rounding.

FINAL DISTRIBUTION OF EXEMPTION—  
BY HOUSEHOLD INCOME DECILE, FISCAL 2006  
(dollar amounts in millions)

Decile	Family Income	Amount (\$millions)	Percent of Tax Paid	Tax as a Percent of Total Income
Decile 1:	less than \$12,820	\$ 13.4	5.1%	0.2%
Decile 2:	\$12,820 to \$21,797	13.9	5.3	0.1%
Decile 3:	\$21,797 to \$30,397	18.1	6.9	0.1%
Decile 4:	\$30,397 to \$39,743	18.9	7.2	0.1%
Decile 5:	\$39,743 to \$49,661	21.3	8.1	0.1%
Decile 6:	\$49,661 to \$61,734	23.9	9.1	0.1%
Decile 7:	\$61,734 to \$76,037	26.0	9.9	0.0%
Decile 8:	\$76,037 to \$96,693	30.0	11.4	0.0%
Decile 9:	\$96,693 to \$135,599	33.7	12.8	0.0%
Decile 10:	\$135,599 and over	<u>43.4</u>	<u>16.5</u>	0.0%
Residents		\$242.7	92.3%	
Exported		<u>\$ 20.2</u>	<u>7.7%</u>	
<b>TOTAL</b>		<u>\$262.9</u>	<u>100.0%</u>	

**Table 7  
Incidence Analysis  
Limited Sales and Use Tax  
Exemption for Agricultural Items  
(Tax Code 151.316)**

INITIAL DISTRIBUTION OF EXEMPTION—  
BY INDUSTRY, FISCAL 2006  
(dollar amounts in millions)

Industry	Amount	Percent
Agriculture	\$324.2	100.0%
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	0.0	0.0
Other Services	0.0	0.0
Government	0.0	0.0
Personal Consumption	<u>0.0</u>	<u>0.0</u>
<b>TOTAL</b>	<u>\$324.2</u>	<u>100.0%</u>

Totals may not add due to rounding.

FINAL DISTRIBUTION OF EXEMPTION—  
BY HOUSEHOLD INCOME DECILE, FISCAL 2006  
(dollar amounts in millions)

Decile	Family Income	Amount (\$millions)	Percent of Tax Paid	Tax as a Percent of Total Income
Decile 1:	less than \$12,820	\$ 8.1	2.5%	0.1%
Decile 2:	\$12,820 to \$21,797	9.7	3.0	0.1%
Decile 3:	\$21,797 to \$30,397	12.3	3.8	0.1%
Decile 4:	\$30,397 to \$39,743	13.6	4.2	0.0%
Decile 5:	\$39,743 to \$49,661	15.9	4.9	0.0%
Decile 6:	\$49,661 to \$61,734	16.9	5.2	0.0%
Decile 7:	\$61,734 to \$76,037	19.1	5.9	0.0%
Decile 8:	\$76,037 to \$96,693	21.7	6.7	0.0%
Decile 9:	\$96,693 to \$135,599	24.0	7.4	0.0%
Decile 10:	\$135,599 and over	<u>33.1</u>	<u>10.2</u>	0.0%
Residents		\$174.4	53.8%	
Exported		<u>\$149.8</u>	<u>46.2%</u>	
<b>TOTAL</b>		<u>\$324.2</u>	<u>100.0%</u>	

**Table 8**  
**Incidence Analysis**  
**Limited Sales and Use Tax**  
**Exemption for Gas and Electricity**  
**(Tax Code 151.317)**

INITIAL DISTRIBUTION OF EXEMPTION—  
 BY INDUSTRY, FISCAL 2006  
 (dollar amounts in millions)

Industry	Amount	Percent
Agriculture	\$ 18.4	1.6%
Mining	33.4	2.9
Utilities & Transportation	42.6	3.7
Construction	17.3	1.5
Manufacturing	387.8	33.7
Trade (Wholesale and Retail)	0.0	0.0
Information	0.0	0.0
Finance, Insurance, and Real Estate	0.0	0.0
Other Services	0.0	0.0
Government	0.0	0.0
Personal Consumption	<u>651.2</u>	<u>56.6</u>
<b>TOTAL</b>	<b><u>\$1,150.6</u></b>	<b><u>100.0%</u></b>

Totals may not add due to rounding.

FINAL DISTRIBUTION OF EXEMPTION—  
 BY HOUSEHOLD INCOME DECILE, FISCAL 2006  
 (dollar amounts in millions)

Decile	Family Income	Amount (\$millions)	Percent of Tax Paid	Tax as a Percent of Total Income
Decile 1:	less than \$12,820	\$ 41.4	3.6%	0.7%
Decile 2:	\$12,820 to \$21,797	50.6	4.4	0.4%
Decile 3:	\$21,797 to \$30,397	61.0	5.3	0.3%
Decile 4:	\$30,397 to \$39,743	66.7	5.8	0.2%
Decile 5:	\$39,743 to \$49,661	72.5	6.3	0.2%
Decile 6:	\$49,661 to \$61,734	81.7	7.1	0.2%
Decile 7:	\$61,734 to \$76,037	89.7	7.8	0.2%
Decile 8:	\$76,037 to \$96,693	103.6	9.0	0.1%
Decile 9:	\$96,693 to \$135,599	112.8	9.8	0.1%
Decile 10:	\$135,599 and over	<u>156.5</u>	<u>13.6</u>	<u>0.1%</u>
Residents		\$ 836.5	72.7%	
Exported		\$ <u>314.1</u>	<u>27.3%</u>	
<b>TOTAL</b>		<b><u>\$1,150.6</u></b>	<b><u>100.0%</u></b>	

**Table 9**  
**Incidence Analysis**  
**Limited Sales and Use Tax**  
**Exemption for Manufacturing**  
**(Tax Code 151.318)**

INITIAL DISTRIBUTION OF EXEMPTION—  
 BY INDUSTRY, FISCAL 2006  
 (dollar amounts in millions)

Industry	Amount	Percent
Agriculture	\$ 0.0	0.0%
Mining	0.0	0.0
Utilities & Transportation	213.2	2.6
Construction	0.0	0.0
Manufacturing	7,798.5	95.1
Trade (Wholesale and Retail)	0.0	0.0
Information	8.2	0.1
Finance, Insurance, and Real Estate	0.0	0.0
Other Services	180.4	2.2
Government	0.0	0.0
Personal Consumption	<u>0.0</u>	<u>0.0</u>
<b>TOTAL</b>	<b><u>\$8,200.3</u></b>	<b><u>100.0%</u></b>

Totals may not add due to rounding.

FINAL DISTRIBUTION OF EXEMPTION—  
 BY HOUSEHOLD INCOME DECILE, FISCAL 2006  
 (dollar amounts in millions)

Decile	Family Income	Amount (\$millions)	Percent of Tax Paid	Tax as a Percent of Total Income
Decile 1:	less than \$12,820	\$ 114.8	1.4%	2.0%
Decile 2:	\$12,820 to \$21,797	147.6	1.8	1.0%
Decile 3:	\$21,797 to \$30,397	188.6	2.3	0.9%
Decile 4:	\$30,397 to \$39,743	205.0	2.5	0.7%
Decile 5:	\$39,743 to \$49,661	254.2	3.1	0.7%
Decile 6:	\$49,661 to \$61,734	295.2	3.6	0.6%
Decile 7:	\$61,734 to \$76,037	352.6	4.3	0.6%
Decile 8:	\$76,037 to \$96,693	426.4	5.2	0.6%
Decile 9:	\$96,693 to \$135,599	508.4	6.2	0.5%
Decile 10:	\$135,599 and over	<u>828.2</u>	<u>10.1</u>	<u>0.4%</u>
Residents		\$3,321.1	40.5%	
Exported		\$4,879.2	59.5%	
<b>TOTAL</b>		<b><u>\$8,200.3</u></b>	<b><u>100.0%</u></b>	

**Table 10  
Incidence Analysis  
Limited Sales and Use Tax  
Exclusion for New Nonresidential Construction Labor**

INITIAL DISTRIBUTION OF EXEMPTION—  
BY INDUSTRY, FISCAL 2006  
(dollar amounts in millions)

Industry	Amount	Percent
Agriculture	\$0.8	0.4%
Mining	12.6	6.8
Utilities & Transportation	48.7	26.2
Construction	0.8	0.4
Manufacturing	22.5	12.1
Trade (Wholesale and Retail)	33.3	17.9
Information	19.7	10.6
Finance, Insurance, and Real Estate	10.0	5.4
Other Services	37.1	20.0
Government	0.0	0.0
Personal Consumption	<u>0.0</u>	<u>0.0</u>
<b>TOTAL</b>	<u>\$185.5</u>	<u>100.0%</u>

Totals may not add due to rounding.

FINAL DISTRIBUTION OF EXEMPTION—  
BY HOUSEHOLD INCOME DECILE, FISCAL 2006  
(dollar amounts in millions)

Decile	Family Income	Amount (\$millions)	Percent of Tax Paid	Tax as a Percent of Total Income
Decile 1:	less than \$12,820	\$ 4.8	2.6%	0.1%
Decile 2:	\$12,820 to \$21,797	6.7	3.6	0.0%
Decile 3:	\$21,797 to \$30,397	8.3	4.5	0.0%
Decile 4:	\$30,397 to \$39,743	9.1	4.9	0.0%
Decile 5:	\$39,743 to \$49,661	11.3	6.1	0.0%
Decile 6:	\$49,661 to \$61,734	12.6	6.8	0.0%
Decile 7:	\$61,734 to \$76,037	16.1	8.7	0.0%
Decile 8:	\$76,037 to \$96,693	18.7	10.1	0.0%
Decile 9:	\$96,693 to \$135,599	23.7	12.8	0.0%
Decile 10:	\$135,599 and over	<u>39.7</u>	<u>21.4</u>	0.0%
Residents		\$151.2	81.5%	
Exported		\$ <u>34.3</u>	<u>18.5%</u>	
<b>TOTAL</b>		<u>\$185.5</u>	<u>100.0%</u>	

**Table 11  
Incidence Analysis  
Limited Sales and Use Tax  
Exclusion for Residential Construction Labor**

INITIAL DISTRIBUTION OF EXEMPTION—  
BY INDUSTRY, FISCAL 2006  
(dollar amounts in millions)

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	38.9	13.7
Other Services	0.0	0.0
Government	0.0	0.0
Personal Consumption	<u>245.4</u>	<u>86.3</u>
<b>TOTAL</b>	<u>\$284.3</u>	<u>100.0%</u>

Totals may not add due to rounding.

FINAL DISTRIBUTION OF EXEMPTION—  
BY HOUSEHOLD INCOME DECILE, FISCAL 2006  
(dollar amounts in millions)

Decile	Family Income	Amount (\$millions)	Percent of Tax Paid	Tax as a Percent of Total Income
Decile 1:	less than \$12,820	\$ 9.1	3.2%	0.2%
Decile 2:	\$12,820 to \$21,797	7.4	2.6	0.1%
Decile 3:	\$21,797 to \$30,397	7.4	2.6	0.0%
Decile 4:	\$30,397 to \$39,743	11.9	4.2	0.0%
Decile 5:	\$39,743 to \$49,661	14.5	5.1	0.0%
Decile 6:	\$49,661 to \$61,734	17.1	6.0	0.0%
Decile 7:	\$61,734 to \$76,037	19.0	6.7	0.0%
Decile 8:	\$76,037 to \$96,693	30.4	10.7	0.0%
Decile 9:	\$96,693 to \$135,599	38.7	13.6	0.0%
Decile 10:	\$135,599 and over	<u>76.2</u>	<u>26.8</u>	0.0%
Residents		\$231.7	81.5%	
Exported		\$ <u>52.6</u>	<u>18.5%</u>	
<b>TOTAL</b>		<u>\$284.3</u>	<u>100.0%</u>	

**Table 12**  
**Incidence Analysis**  
**Limited Sales and Use Tax**  
**Exclusion for Child Day Care**

INITIAL DISTRIBUTION OF EXEMPTION—  
 BY INDUSTRY, FISCAL 2006  
 (dollar amounts in millions)

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	0.0	0.0
Other Services	0.0	0.0
Government	0.0	0.0
Personal Consumption	<u>167.9</u>	<u>100.0</u>
<b>TOTAL</b>	<u>\$167.9</u>	<u>100.0%</u>

Totals may not add due to rounding.

FINAL DISTRIBUTION OF EXEMPTION—  
 BY HOUSEHOLD INCOME DECILE, FISCAL 2006  
 (dollar amounts in millions)

Decile	Family Income	Amount (\$millions)	Percent of Tax Paid	Tax as a Percent of Total Income
Decile 1:	less than \$12,820	\$ 2.5	1.5%	0.0%
Decile 2:	\$12,820 to \$21,797	3.4	2.0	0.0%
Decile 3:	\$21,797 to \$30,397	4.2	2.5	0.0%
Decile 4:	\$30,397 to \$39,743	8.7	5.2	0.0%
Decile 5:	\$39,743 to \$49,661	9.6	5.7	0.0%
Decile 6:	\$49,661 to \$61,734	10.1	6.0	0.0%
Decile 7:	\$61,734 to \$76,037	20.5	12.2	0.0%
Decile 8:	\$76,037 to \$96,693	23.3	13.9	0.0%
Decile 9:	\$96,693 to \$135,599	31.9	19.0	0.0%
Decile 10:	\$135,599 and over	<u>53.7</u>	<u>32.0</u>	0.0%
Residents		\$167.9	100.0%	
Exported		<u>0.0</u>	<u>0.0%</u>	
<b>TOTAL</b>		<u>\$167.9</u>	<u>100.0%</u>	

**Table 13**  
**Incidence Analysis**  
**Limited Sales and Use Tax**  
**Exemption for Health Care Services**  
**(Physicians, Dental and Other Health Care Services)**

INITIAL DISTRIBUTION OF EXEMPTION—  
 BY INDUSTRY, FISCAL 2006  
 (dollar amounts in millions)

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	0.0	0.0
Other Services	0.0	0.0
Government	0.0	0.0
Personal Consumption	<u>1,351.4</u>	<u>100.0</u>
<b>TOTAL</b>	<u>\$1,351.4</u>	<u>100.0%</u>

Totals may not add due to rounding.

FINAL DISTRIBUTION OF EXEMPTION—  
 BY HOUSEHOLD INCOME DECILE, FISCAL 2006  
 (dollar amounts in millions)

Decile	Family Income	Amount (\$millions)	Percent of Tax Paid	Tax as a Percent of Total Income
Decile 1:	less than \$12,820	\$ 55.4	4.1%	1.0%
Decile 2:	\$12,820 to \$21,797	63.5	4.7	0.4%
Decile 3:	\$21,797 to \$30,397	114.9	8.5	0.5%
Decile 4:	\$30,397 to \$39,743	121.6	9.0	0.4%
Decile 5:	\$39,743 to \$49,661	113.5	8.4	0.3%
Decile 6:	\$49,661 to \$61,734	158.1	11.7	0.3%
Decile 7:	\$61,734 to \$76,037	152.7	11.3	0.3%
Decile 8:	\$76,037 to \$96,693	160.8	11.9	0.2%
Decile 9:	\$96,693 to \$135,599	152.7	11.3	0.2%
Decile 10:	\$135,599 and over	<u>214.9</u>	<u>15.9</u>	0.1%
Residents		\$1,308.2	96.8%	
Exported		<u>43.2</u>	<u>3.2%</u>	
<b>TOTAL</b>		<u>\$1,351.4</u>	<u>100.0%</u>	

**Table 14  
Incidence Analysis  
Limited Sales and Use Tax  
Exclusion for Legal Services**

INITIAL DISTRIBUTION OF EXEMPTION—  
BY INDUSTRY, FISCAL 2006  
(dollar amounts in millions)

Industry	Amount	Percent
Agriculture	\$ 0.4	0.1%
Mining	6.9	1.9
Utilities & Transportation	19.7	5.4
Construction	6.6	1.8
Manufacturing	41.9	11.5
Trade (Wholesale and Retail)	13.1	3.6
Information	5.8	1.6
Finance, Insurance, and Real Estate	41.5	11.4
Other Services	83.8	23.0
Government	0.0	0.0
Personal Consumption	<u>144.6</u>	<u>39.7</u>
<b>TOTAL</b>	<u>\$364.3</u>	<u>100.0%</u>

Totals may not add due to rounding.

FINAL DISTRIBUTION OF EXEMPTION—  
BY HOUSEHOLD INCOME DECILE, FISCAL 2006  
(dollar amounts in millions)

Decile	Family Income	Amount (\$millions)	Percent of Tax Paid	Tax as a Percent of Total Income
Decile 1:	less than \$12,820	\$ 8.7	2.4%	0.2%
Decile 2:	\$12,820 to \$21,797	9.5	2.6	0.1%
Decile 3:	\$21,797 to \$30,397	16.4	4.5	0.1%
Decile 4:	\$30,397 to \$39,743	23.0	6.3	0.1%
Decile 5:	\$39,743 to \$49,661	20.4	5.6	0.1%
Decile 6:	\$49,661 to \$61,734	29.5	8.1	0.1%
Decile 7:	\$61,734 to \$76,037	31.3	8.6	0.1%
Decile 8:	\$76,037 to \$96,693	29.9	8.2	0.0%
Decile 9:	\$96,693 to \$135,599	31.0	8.5	0.0%
Decile 10:	\$135,599 and over	<u>79.1</u>	<u>21.7</u>	0.0%
Residents		\$278.7	76.5%	
Exported		<u>\$ 85.6</u>	<u>23.5%</u>	
<b>TOTAL</b>		<u>\$364.3</u>	<u>100.0%</u>	

**Table 15  
Incidence Analysis  
Limited Sales and Use Tax  
Exclusion for Accounting and Auditing Services**

INITIAL DISTRIBUTION OF EXEMPTION—  
BY INDUSTRY, FISCAL 2006  
(dollar amounts in millions)

Industry	Amount	Percent
Agriculture	\$0.7	0.4
Mining	1.2	0.7
Utilities & Transportation	10.3	5.9
Construction	4.2	2.4
Manufacturing	14.5	8.3
Trade (Wholesale and Retail)	19.9	11.4
Information	16.2	9.3
Finance, Insurance, and Real Estate	40.8	23.4
Other Services	59.8	34.3
Government	0.0	0.0
Personal Consumption	<u>6.8</u>	<u>3.9</u>
<b>TOTAL</b>	<u>\$174.2</u>	<u>100.0%</u>

Totals may not add due to rounding.

FINAL DISTRIBUTION OF EXEMPTION—  
BY HOUSEHOLD INCOME DECILE, FISCAL 2006  
(dollar amounts in millions)

Decile	Family Income	Amount (\$millions)	Percent of Tax Paid	Tax as a Percent of Total Income
Decile 1:	less than \$12,820	\$ 3.7	2.1%	0.1%
Decile 2:	\$12,820 to \$21,797	4.4	2.5	0.0%
Decile 3:	\$21,797 to \$30,397	5.9	3.4	0.0%
Decile 4:	\$30,397 to \$39,743	7.3	4.2	0.0%
Decile 5:	\$39,743 to \$49,661	9.4	5.4	0.0%
Decile 6:	\$49,661 to \$61,734	10.3	5.9	0.0%
Decile 7:	\$61,734 to \$76,037	12.4	7.1	0.0%
Decile 8:	\$76,037 to \$96,693	15.0	8.6	0.0%
Decile 9:	\$96,693 to \$135,599	19.2	11.0	0.0%
Decile 10:	\$135,599 and over	<u>30.8</u>	<u>17.7</u>	0.0%
Residents		\$118.3	67.9%	
Exported		<u>\$ 55.9</u>	<u>32.1%</u>	
<b>TOTAL</b>		<u>\$174.2</u>	<u>100.0%</u>	



**Table 16**  
**Incidence Analysis**  
**Limited Sales and Use Tax**  
**Exclusion for Architectural and Engineering Services**

INITIAL DISTRIBUTION OF EXEMPTION—  
 BY INDUSTRY, FISCAL 2006  
 (dollar amounts in millions)

Industry	Amount	Percent
Agriculture	\$1.9	0.6%
Mining	8.7	2.8
Utilities & Transportation	15.8	5.1
Construction	138.2	44.6
Manufacturing	49.9	16.1
Trade (Wholesale and Retail)	4.3	1.4
Information	22.9	7.4
Finance, Insurance, and Real Estate	21.4	6.9
Other Services	46.8	15.1
Government	0.0	0.0
Personal Consumption	<u>0.0</u>	<u>0.0</u>
<b>TOTAL</b>	<b><u>\$309.9</u></b>	<b><u>100.0%</u></b>

Totals may not add due to rounding.

FINAL DISTRIBUTION OF EXEMPTION—  
 BY HOUSEHOLD INCOME DECILE, FISCAL 2006  
 (dollar amounts in millions)

Decile	Family Income	Amount (\$millions)	Percent of Tax Paid	Tax as a Percent of Total Income
Decile 1:	less than \$12,820	\$ 7.1	2.3%	0.1%
Decile 2:	\$12,820 to \$21,797	9.0	2.9	0.1%
Decile 3:	\$21,797 to \$30,397	11.5	3.7	0.1%
Decile 4:	\$30,397 to \$39,743	12.7	4.1	0.0%
Decile 5:	\$39,743 to \$49,661	15.5	5.0	0.0%
Decile 6:	\$49,661 to \$61,734	17.4	5.6	0.0%
Decile 7:	\$61,734 to \$76,037	20.8	6.7	0.0%
Decile 8:	\$76,037 to \$96,693	24.5	7.9	0.0%
Decile 9:	\$96,693 to \$135,599	29.4	9.5	0.0%
Decile 10:	\$135,599 and over	<u>48.0</u>	<u>15.5</u>	0.0%
Residents		\$195.9	63.2%	
Exported		<u>\$114.0</u>	<u>36.8%</u>	
<b>TOTAL</b>		<b><u>\$309.9</u></b>	<b><u>100.0%</u></b>	

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

INITIAL DISTRIBUTION OF EXEMPTION—  
 BY INDUSTRY, FISCAL 2006  
 (dollar amounts in millions)

Industry	Amount	Percent
Agriculture	\$ 2.5	1.3%
Mining	0.6	0.3
Utilities & Transportation	4.8	2.5
Construction	1.9	1.0
Manufacturing	3.5	1.8
Trade (Wholesale and Retail)	22.5	11.7
Information	2.5	1.3
Finance, Insurance, and Real Estate	27.9	14.5
Other Services	48.5	25.2
Government	0.0	0.0
Personal Consumption	<u>77.7</u>	<u>40.4</u>
<b>TOTAL</b>	<b><u>\$192.4</u></b>	<b><u>100.0%</u></b>

Totals may not add due to rounding.

FINAL DISTRIBUTION OF EXEMPTION—  
 BY HOUSEHOLD INCOME DECILE, FISCAL 2006  
 (dollar amounts in millions)

Decile	Family Income	Amount (\$millions)	Percent of Tax Paid	Tax as a Percent of Total Income
Decile 1:	less than \$12,820	\$ 9.8	5.1%	0.2%
Decile 2:	\$12,820 to \$21,797	10.4	5.4	0.1%
Decile 3:	\$21,797 to \$30,397	12.9	6.7	0.1%
Decile 4:	\$30,397 to \$39,743	13.7	7.1	0.0%
Decile 5:	\$39,743 to \$49,661	15.4	8.0	0.0%
Decile 6:	\$49,661 to \$61,734	16.4	8.5	0.0%
Decile 7:	\$61,734 to \$76,037	15.6	8.1	0.0%
Decile 8:	\$76,037 to \$96,693	17.1	8.9	0.0%
Decile 9:	\$96,693 to \$135,599	17.7	9.2	0.0%
Decile 10:	\$135,599 and over	<u>25.1</u>	<u>13.1</u>	0.0%
Residents		\$154.1	80.1%	
Exported		<u>\$ 38.3</u>	<u>19.9%</u>	
<b>TOTAL</b>		<b><u>\$192.4</u></b>	<b><u>100.0%</u></b>	

**Table 18  
Incidence Analysis  
Limited Sales and Use Tax  
Exclusion for Freight Hauling**

INITIAL DISTRIBUTION OF EXEMPTION—  
BY INDUSTRY, FISCAL 2006  
(dollar amounts in millions)

Industry	Amount	Percent
Agriculture	\$ 7.2	3.2%
Mining	3.8	1.7
Utilities & Transportation	18.8	8.4
Construction	14.8	6.6
Manufacturing	87.0	38.9
Trade (Wholesale and Retail)	14.3	6.4
Information	2.2	1.0
Finance, Insurance, and Real Estate	3.4	1.5
Other Services	26.6	11.9
Government	0.0	0.0
Personal Consumption	<u>45.6</u>	<u>20.4</u>
<b>TOTAL</b>	<u>\$223.6</u>	<u>100.0%</u>

Totals may not add due to rounding.

FINAL DISTRIBUTION OF EXEMPTION—  
BY HOUSEHOLD INCOME DECILE, FISCAL 2006  
(dollar amounts in millions)

Decile	Family Income	Amount (\$millions)	Percent of Tax Paid	Tax as a Percent of Total Income
Decile 1:	less than \$12,820	\$ 7.6	3.4%	0.1%
Decile 2:	\$12,820 to \$21,797	6.5	2.9	0.0%
Decile 3:	\$21,797 to \$30,397	7.8	3.5	0.0%
Decile 4:	\$30,397 to \$39,743	12.3	5.5	0.0%
Decile 5:	\$39,743 to \$49,661	18.1	8.1	0.0%
Decile 6:	\$49,661 to \$61,734	13.0	5.8	0.0%
Decile 7:	\$61,734 to \$76,037	11.6	5.2	0.0%
Decile 8:	\$76,037 to \$96,693	14.8	6.6	0.0%
Decile 9:	\$96,693 to \$135,599	21.0	9.4	0.0%
Decile 10:	\$135,599 and over	<u>33.5</u>	<u>15.0</u>	0.0%
Residents		\$146.2	65.4%	
Exported		\$ <u>77.4</u>	<u>34.6%</u>	
<b>TOTAL</b>		<u>\$223.6</u>	<u>100.0%</u>	

**Table 19  
Incidence Analysis  
Limited Sales and Use Tax  
Exclusion for Automotive Maintenance and Repairs**

INITIAL DISTRIBUTION OF EXEMPTION—  
BY INDUSTRY, FISCAL 2006  
(dollar amounts in millions)

Industry	Amount	Percent
Agriculture	\$ 0.2	0.1%
Mining	0.2	0.1
Utilities & Transportation	17.7	8.1
Construction	3.7	1.7
Manufacturing	25.0	11.4
Trade (Wholesale and Retail)	3.3	1.5
Information	0.7	0.3
Finance, Insurance, and Real Estate	1.1	0.5
Other Services	11.6	5.3
Government	0.0	0.0
Personal Consumption	<u>155.6</u>	<u>71.0</u>
<b>TOTAL</b>	<u>\$219.1</u>	<u>100.0%</u>

Totals may not add due to rounding.

FINAL DISTRIBUTION OF EXEMPTION—  
BY HOUSEHOLD INCOME DECILE, FISCAL 2006  
(dollar amounts in millions)

Decile	Family Income	Amount (\$millions)	Percent of Tax Paid	Tax as a Percent of Total Income
Decile 1:	less than \$12,820	\$ 7.9	3.6%	0.1%
Decile 2:	\$12,820 to \$21,797	8.3	3.8	0.1%
Decile 3:	\$21,797 to \$30,397	11.0	5.0	0.1%
Decile 4:	\$30,397 to \$39,743	12.9	5.9	0.0%
Decile 5:	\$39,743 to \$49,661	15.3	7.0	0.0%
Decile 6:	\$49,661 to \$61,734	18.0	8.2	0.0%
Decile 7:	\$61,734 to \$76,037	20.6	9.4	0.0%
Decile 8:	\$76,037 to \$96,693	25.2	11.5	0.0%
Decile 9:	\$96,693 to \$135,599	28.7	13.1	0.0%
Decile 10:	\$135,599 and over	<u>39.0</u>	<u>17.8</u>	0.0%
Residents		\$186.9	85.3%	
Exported		\$ <u>32.2</u>	<u>14.7%</u>	
<b>TOTAL</b>		<u>\$219.1</u>	<u>100.0%</u>	

**Table 20**  
**Incidence Analysis of**  
**Total Franchise Tax Revenue**

INITIAL DISTRIBUTION OF TAX—  
 BY INDUSTRY, FISCAL 2006  
 (dollar amounts in millions)

Industry	Amount	Percent
Agriculture	\$ 14.9	0.8%
Mining	212.6	11.4
Utilities & Transportation	223.8	12.0
Construction	85.8	4.6
Manufacturing	376.7	20.2
Trade (Wholesale and Retail)	358.1	19.2
Information	123.1	6.6
Finance, Insurance, and Real Estate	227.5	12.2
Other Services	242.5	13.0
Government	0.0	0.0
Personal Consumption	0.0	0.0
<b>TOTAL</b>	<b>\$1,865.0</b>	<b>100.0%</b>

Totals may not add due to rounding.

FINAL DISTRIBUTION OF EXEMPTION—  
 BY HOUSEHOLD INCOME DECILE, FISCAL 2006  
 (dollar amounts in millions)

Decile	Family Income	Amount (\$millions)	Percent of Tax Paid	Tax as a Percent of Total Income
Decile 1:	less than \$12,820	\$ 42.9	2.3%	0.8%
Decile 2:	\$12,820 to \$21,797	57.8	3.1	0.4%
Decile 3:	\$21,797 to \$30,397	74.6	4.0	0.3%
Decile 4:	\$30,397 to \$39,743	80.2	4.3	0.3%
Decile 5:	\$39,743 to \$49,661	100.7	5.4	0.3%
Decile 6:	\$49,661 to \$61,734	111.9	6.0	0.2%
Decile 7:	\$61,734 to \$76,037	143.6	7.7	0.3%
Decile 8:	\$76,037 to \$96,693	167.9	9.0	0.2%
Decile 9:	\$96,693 to \$135,599	210.7	11.3	0.2%
Decile 10:	\$135,599 and over	352.5	18.9	0.2%
Residents		\$1,342.8	72.0%	
Exported		\$ 522.2	28.0%	
<b>TOTAL</b>		<b>\$1,865.0</b>	<b>100.0%</b>	

ESTIMATED EQUITY OF TAX, FISCAL 2006

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Totals may not add due to rounding.

INITIAL DISTRIBUTION OF TAX --  
 BY INDUSTRY TYPE, FISCAL 2006  
 (dollar amounts in millions)

	Amount	Percent
Corporations	\$1,865.0	100.0%
Partnerships	0.0	0.0
Sole Proprietors	0.0	0.0
Subtotal	\$1,865.0	100.0%
Individual Consumers	0.0	0.0%
<b>TOTAL</b>	<b>\$1,865.0</b>	<b>100.0%</b>

FINAL DISTRIBUTION OF TAX—  
 BY HOMEOWNERS / RENTERS, FISCAL 2006  
 (dollar amounts in millions)

	Amount	Percent
Homeowners	\$ 934.4	50.1%
Renters	397.2	21.3
Subtotal	\$1,331.6	71.4%
Exported	\$ 533.4	28.6%
<b>TOTAL</b>	<b>\$1,865.0</b>	<b>100.0%</b>

**Table 21  
Incidence Analysis  
Franchise Tax  
Exemption for Insurance Companies  
(Tax Code 171.052)**

INITIAL DISTRIBUTION OF EXEMPTION—  
BY INDUSTRY, FISCAL 2006  
(dollar amounts in millions)

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		
Trade (Wholesale and Retail)	0.0	0.0
Information	0.0	0.0
Finance, Insurance, and Real Estate	157.3	100.0
Other Services	0.0	0.0
Government	0.0	0.0
Personal Consumption	<u>0.0</u>	<u>0.0</u>
<b>TOTAL</b>	<b><u>\$157.3</u></b>	<b><u>100.0%</u></b>

Totals may not add due to rounding.

FINAL DISTRIBUTION OF EXEMPTION—  
BY HOUSEHOLD INCOME DECILE, FISCAL 2006  
(dollar amounts in millions)

Decile	Family Income	Amount (\$millions)	Percent of Tax Paid	Tax as a Percent of Total Income
Decile 1:	less than \$12,820	\$ 2.8	1.8%	0.1%
Decile 2:	\$12,820 to \$21,797	3.9	2.5	0.0%
Decile 3:	\$21,797 to \$30,397	5.0	3.2	0.0%
Decile 4:	\$30,397 to \$39,743	5.3	3.4	0.0%
Decile 5:	\$39,743 to \$49,661	6.8	4.3	0.0%
Decile 6:	\$49,661 to \$61,734	7.6	4.8	0.0%
Decile 7:	\$61,734 to \$76,037	9.4	6.0	0.0%
Decile 8:	\$76,037 to \$96,693	11.2	7.1	0.0%
Decile 9:	\$96,693 to \$135,599	14.2	9.0	0.0%
Decile 10:	\$135,599 and over	<u>24.5</u>	<u>15.6</u>	0.0%
Residents		\$ 90.7	57.7%	
Exported		<u>\$ 66.6</u>	<u>42.3%</u>	
<b>TOTAL</b>		<b><u>\$157.3</u></b>	<b><u>100.0%</u></b>	

**Table 22  
Incidence Analysis  
Franchise Tax  
Exemption for Mutual Funds  
(Tax Code 171.055)**

INITIAL DISTRIBUTION OF EXEMPTION—  
BY INDUSTRY, FISCAL 2006  
(dollar amounts in millions)

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		
Trade (Wholesale and Retail)	0.0	0.0
Information	0.0	0.0
Finance, Insurance, and Real Estate	265.7	100.0
Other Services	0.0	0.0
Government	0.0	0.0
Personal Consumption	<u>0.0</u>	<u>0.0</u>
<b>TOTAL</b>	<b><u>\$265.7</u></b>	<b><u>100.0%</u></b>

Totals may not add due to rounding.

FINAL DISTRIBUTION OF EXEMPTION—  
BY HOUSEHOLD INCOME DECILE, FISCAL 2006  
(dollar amounts in millions)

Decile	Family Income	Amount (\$millions)	Percent of Tax Paid	Tax as a Percent of Total Income
Decile 1:	less than \$12,820	\$ 4.8	1.8%	0.1%
Decile 2:	\$12,820 to \$21,797	6.4	2.4	0.0%
Decile 3:	\$21,797 to \$30,397	8.5	3.2	0.0%
Decile 4:	\$30,397 to \$39,743	9.0	3.4	0.0%
Decile 5:	\$39,743 to \$49,661	11.4	4.3	0.0%
Decile 6:	\$49,661 to \$61,734	12.5	4.7	0.0%
Decile 7:	\$61,734 to \$76,037	16.2	6.1	0.0%
Decile 8:	\$76,037 to \$96,693	18.9	7.1	0.0%
Decile 9:	\$96,693 to \$135,599	23.9	9.0	0.0%
Decile 10:	\$135,599 and over	<u>41.7</u>	<u>15.7</u>	0.0%
Residents		\$153.3	57.7%	
Exported		<u>\$112.4</u>	<u>42.3%</u>	
<b>TOTAL</b>		<b><u>\$265.7</u></b>	<b><u>100.0%</u></b>	

**Table 23**  
**Incidence Analysis**  
**Franchise Tax**  
**Exemption for IRS Sec. 501(c)(3)**  
**(Tax Code 171.063)**

INITIAL DISTRIBUTION OF EXEMPTION—  
 BY INDUSTRY, FISCAL 2006  
 (dollar amounts in millions)

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		
Trade (Wholesale and Retail)	0.0	0.0
Information	0.0	0.0
Finance, Insurance, and Real Estate	0.0	0.0
Other Services	299.9	100.0
Government	0.0	0.0
Personal Consumption	0.0	0.0
<b>TOTAL</b>	<b>\$299.9</b>	<b>100.0%</b>

Totals may not add due to rounding.

FINAL DISTRIBUTION OF EXEMPTION—  
 BY HOUSEHOLD INCOME DECILE, FISCAL 2006  
 (dollar amounts in millions)

Decile	Family Income	Amount (\$millions)	Percent of Tax Paid	Tax as a Percent of Total Income
Decile 1:	less than \$12,820	\$ 8.4	2.8%	0.1%
Decile 2:	\$12,820 to \$21,797	11.4	3.8	0.1%
Decile 3:	\$21,797 to \$30,397	14.1	4.7	0.1%
Decile 4:	\$30,397 to \$39,743	14.7	4.9	0.1%
Decile 5:	\$39,743 to \$49,661	18.6	6.2	0.1%
Decile 6:	\$49,661 to \$61,734	20.7	6.9	0.0%
Decile 7:	\$61,734 to \$76,037	26.1	8.7	0.0%
Decile 8:	\$76,037 to \$96,693	30.9	10.3	0.0%
Decile 9:	\$96,693 to \$135,599	38.4	12.8	0.0%
Decile 10:	\$135,599 and over	63.6	21.2	0.0%
Residents		\$246.8	82.3%	
Exported		\$ 53.1	17.7%	
<b>TOTAL</b>		<b>\$299.9</b>	<b>100.0%</b>	

**Table 24**  
**Incidence Analysis**  
**Franchise Tax**  
**Deduction of Business Loss Carryover**  
**(Tax Code 171.110(a)(4))**

INITIAL DISTRIBUTION OF EXEMPTION—  
 BY INDUSTRY, FISCAL 2006  
 (dollar amounts in millions)

Industry	Amount	Percent
Agriculture	\$ 2.8	1.4%
Mining	37.0	18.7
Utilities & Transportation	14.1	7.1
Construction	8.1	4.1
Manufacturing	39.8	20.1
Trade (Wholesale and Retail)	26.5	13.4
Information	12.1	6.1
Finance, Insurance, and Real Estate	25.2	12.7
Other Services	32.5	16.4
Government	0.0	0.0
Personal Consumption	0.0	0.0
<b>TOTAL</b>	<b>\$198.1</b>	<b>100.0%</b>

Totals may not add due to rounding.

FINAL DISTRIBUTION OF EXEMPTION—  
 BY HOUSEHOLD INCOME DECILE, FISCAL 2006  
 (dollar amounts in millions)

Decile	Family Income	Amount (\$millions)	Percent of Tax Paid	Tax as a Percent of Total Income
Decile 1:	less than \$12,820	\$ 4.0	2.0%	0.1%
Decile 2:	\$12,820 to \$21,797	5.5	2.8	0.0%
Decile 3:	\$21,797 to \$30,397	7.1	3.6	0.0%
Decile 4:	\$30,397 to \$39,743	7.9	4.0	0.0%
Decile 5:	\$39,743 to \$49,661	10.1	5.1	0.0%
Decile 6:	\$49,661 to \$61,734	11.3	5.7	0.0%
Decile 7:	\$61,734 to \$76,037	14.3	7.2	0.0%
Decile 8:	\$76,037 to \$96,693	16.8	8.5	0.0%
Decile 9:	\$96,693 to \$135,599	21.4	10.8	0.0%
Decile 10:	\$135,599 and over	35.5	17.9	0.0%
Residents		\$133.9	67.6%	
Exported		\$ 64.2	32.4%	
<b>TOTAL</b>		<b>\$198.1</b>	<b>100.0%</b>	

**Table 25  
Incidence Analysis  
Franchise Tax  
Small Corporation Exclusion from Officer Compensation Add-Back  
(Tax Code 171.110(b))**

INITIAL DISTRIBUTION OF TAX—  
BY INDUSTRY, FISCAL 2006  
(dollar amounts in millions)

Industry	Amount	Percent
Agriculture	\$ 1.3	1.2%
Mining	4.8	4.5
Utilities & Transportation	8.5	7.9
Construction	11.3	10.5
Manufacturing	11.5	10.7
Trade (Wholesale and Retail)	25.6	23.9
Information	7.4	6.9
Finance, Insurance, and Real Estate	8.2	7.6
Other Services	28.8	26.8
Government	0.0	0.0
Personal Consumption	<u>0.0</u>	<u>0.0</u>
<b>TOTAL</b>	<b><u>\$107.3</u></b>	<b><u>100.0%</u></b>

Totals may not add due to rounding.

FINAL DISTRIBUTION OF EXEMPTION—  
BY HOUSEHOLD INCOME DECILE, FISCAL 2006  
(dollar amounts in millions)

Decile	Family Income	Amount (\$millions)	Percent of Tax Paid	Tax as a Percent of Total Income
Decile 1:	less than \$12,820	\$ 2.8	2.6%	0.0%
Decile 2:	\$12,820 to \$21,797	3.8	3.5	0.0%
Decile 3:	\$21,797 to \$30,397	4.8	4.5	0.0%
Decile 4:	\$30,397 to \$39,743	5.0	4.7	0.0%
Decile 5:	\$39,743 to \$49,661	6.3	5.9	0.0%
Decile 6:	\$49,661 to \$61,734	7.0	6.5	0.0%
Decile 7:	\$61,734 to \$76,037	8.9	8.3	0.0%
Decile 8:	\$76,037 to \$96,693	10.5	9.8	0.0%
Decile 9:	\$96,693 to \$135,599	13.0	12.1	0.0%
Decile 10:	\$135,599 and over	<u>21.8</u>	<u>20.3</u>	0.0%
Residents		\$ 83.9	78.2%	
Exported		<u>\$ 23.4</u>	<u>21.8%</u>	
<b>TOTAL</b>		<b><u>\$107.3</u></b>	<b><u>100.0%</u></b>	

**Table 26  
Incidence Analysis  
Franchise Tax  
Deduction of Interest Income from U.S. Obligations  
(Rule 3.555(k))**

INITIAL DISTRIBUTION OF TAX—  
BY INDUSTRY, FISCAL 2006  
(dollar amounts in millions)

Industry	Amount	Percent
Agriculture	\$ 0.0	0.0%
Mining	0.0	0.0
Utilities & Transportation	0.1	0.2
Construction	0.0	0.1
Manufacturing	0.5	1.3
Trade (Wholesale and Retail)	0.1	0.2
Information	0.1	0.2
Finance, Insurance, and Real Estate	21.8	57.7
Other Services	15.2	40.3
Government	0.0	0.0
Personal Consumption	<u>0.0</u>	<u>0.0</u>
<b>TOTAL</b>	<b><u>\$37.8</u></b>	<b><u>100.0%</u></b>

Totals may not add due to rounding.

FINAL DISTRIBUTION OF EXEMPTION—  
BY HOUSEHOLD INCOME DECILE, FISCAL 2006  
(dollar amounts in millions)

Decile	Family Income	Amount (\$millions)	Percent of Tax Paid	Tax as a Percent of Total Income
Decile 1:	less than \$12,820	\$ 0.8	2.2%	0.0%
Decile 2:	\$12,820 to \$21,797	1.1	3.0	0.0%
Decile 3:	\$21,797 to \$30,397	1.4	3.8	0.0%
Decile 4:	\$30,397 to \$39,743	1.5	4.1	0.0%
Decile 5:	\$39,743 to \$49,661	2.0	5.2	0.0%
Decile 6:	\$49,661 to \$61,734	2.1	5.6	0.0%
Decile 7:	\$61,734 to \$76,037	2.7	7.1	0.0%
Decile 8:	\$76,037 to \$96,693	3.2	8.4	0.0%
Decile 9:	\$96,693 to \$135,599	4.0	10.6	0.0%
Decile 10:	\$135,599 and over	<u>6.8</u>	<u>17.9</u>	0.0%
Residents		\$25.7	67.9%	
Exported		<u>\$12.1</u>	<u>32.1%</u>	
<b>TOTAL</b>		<b><u>\$37.8</u></b>	<b><u>100.0%</u></b>	



**Table 27**  
**Incidence Analysis**  
**Franchise Tax**  
**Small Business Exception**  
**(Tax Code 171.002(d))**

INITIAL DISTRIBUTION OF TAX—  
 BY INDUSTRY, FISCAL 2006  
 (dollar amounts in millions)

Industry	Amount	Percent
Agriculture	\$ 2.4	4.9%
Mining	2.1	4.2
Utilities & Transportation	1.4	2.9
Construction	2.5	5.0
Manufacturing	3.1	6.3
Trade (Wholesale and Retail)	6.6	13.3
Information	2.0	4.0
Finance, Insurance, and Real Estate	15.1	30.4
Other Services	14.4	29.0
Government	0.0	0.0
Personal Consumption	<u>0.0</u>	<u>0.0</u>
<b>TOTAL</b>	<b><u>\$49.6</u></b>	<b><u>100.0%</u></b>

Totals may not add due to rounding.

FINAL DISTRIBUTION OF EXEMPTION—  
 BY HOUSEHOLD INCOME DECILE, FISCAL 2006  
 (dollar amounts in millions)

Decile	Family Income	Amount (\$millions)	Percent of Tax Paid	Tax as a Percent of Total Income
Decile 1:	less than \$12,820	\$ 1.2	2.4%	0.0%
Decile 2:	\$12,820 to \$21,797	1.6	3.2	0.0%
Decile 3:	\$21,797 to \$30,397	2.0	4.0	0.0%
Decile 4:	\$30,397 to \$39,743	2.1	4.2	0.0%
Decile 5:	\$39,743 to \$49,661	2.7	5.4	0.0%
Decile 6:	\$49,661 to \$61,734	3.0	6.0	0.0%
Decile 7:	\$61,734 to \$76,037	3.8	7.6	0.0%
Decile 8:	\$76,037 to \$96,693	4.5	9.1	0.0%
Decile 9:	\$96,693 to \$135,599	5.6	11.3	0.0%
Decile 10:	\$135,599 and over	<u>9.4</u>	<u>18.9</u>	0.0%
Residents		\$35.8	72.1%	
Exported		<u>\$13.8</u>	<u>27.9%</u>	
<b>TOTAL</b>		<b><u>\$49.6</u></b>	<b><u>100.0%</u></b>	

**Table 28**  
**Incidence Analysis**  
**Franchise Tax**  
**Research Credit**  
**(Tax Code 171.721-730)**

INITIAL DISTRIBUTION OF TAX—  
 BY INDUSTRY, FISCAL 2006  
 (dollar amounts in millions)

Industry	Amount	Percent
Agriculture	\$ 0.0	0.0%
Mining	1.2	3.0
Utilities & Transportation	0.0	0.0
Construction	0.0	0.0
Manufacturing	25.0	61.9
Trade (Wholesale and Retail)	5.6	13.8
Information	6.6	16.3
Finance, Insurance, and Real Estate	0.0	0.0
Other Services	2.0	5.0
Government	0.0	0.0
Personal Consumption	<u>0.0</u>	<u>0.0</u>
<b>TOTAL</b>	<b><u>\$40.4</u></b>	<b><u>100.0%</u></b>

Totals may not add due to rounding.

FINAL DISTRIBUTION OF EXEMPTION—  
 BY HOUSEHOLD INCOME DECILE, FISCAL 2006  
 (dollar amounts in millions)

Decile	Family Income	Amount (\$millions)	Percent of Tax Paid	Tax as a Percent of Total Income
Decile 1:	less than \$12,820	\$ 0.8	2.0%	0.0%
Decile 2:	\$12,820 to \$21,797	1.3	3.1	0.0%
Decile 3:	\$21,797 to \$30,397	1.5	3.7	0.0%
Decile 4:	\$30,397 to \$39,743	1.7	4.2	0.0%
Decile 5:	\$39,743 to \$49,661	2.2	5.4	0.0%
Decile 6:	\$49,661 to \$61,734	2.5	6.2	0.0%
Decile 7:	\$61,734 to \$76,037	3.1	7.7	0.0%
Decile 8:	\$76,037 to \$96,693	3.7	9.1	0.0%
Decile 9:	\$96,693 to \$135,599	4.7	11.6	0.0%
Decile 10:	\$135,599 and over	<u>7.6</u>	<u>18.8</u>	0.0%
Residents		\$29.0	71.8%	
Exported		<u>\$11.4</u>	<u>28.2%</u>	
<b>TOTAL</b>		<b><u>\$40.4</u></b>	<b><u>100.0%</u></b>	

**Table 29  
Incidence Analysis  
Franchise Tax  
Investment Credit  
(Tax Code 171.801-811)**

INITIAL DISTRIBUTION OF TAX—  
BY INDUSTRY, FISCAL 2006  
(dollar amounts in millions)

Industry	Amount	Percent
Agriculture	\$ 0.0	0.0%
Mining	0.7	1.8
Utilities & Transportation	0.0	0.0
Construction	0.0	0.0
Manufacturing	36.9	89.0
Trade (Wholesale and Retail)	3.2	7.8
Information	0.6	1.4
Finance, Insurance, and Real Estate	0.0	0.0
Other Services	0.0	0.0
Government	0.0	0.0
Personal Consumption	<u>0.0</u>	<u>0.0</u>
<b>TOTAL</b>	<u><b>\$41.5</b></u>	<u><b>100.0%</b></u>

Totals may not add due to rounding.

FINAL DISTRIBUTION OF EXEMPTION—  
BY HOUSEHOLD INCOME DECILE, FISCAL 2006  
(dollar amounts in millions)

Decile	Family Income	Amount (\$millions)	Percent of Tax Paid	Tax as a Percent of Total Income
Decile 1:	less than \$12,820	\$ 0.7	1.7%	0.0%
Decile 2:	\$12,820 to \$21,797	1.0	2.4	0.0%
Decile 3:	\$21,797 to \$30,397	1.4	3.4	0.0%
Decile 4:	\$30,397 to \$39,743	1.7	4.1	0.0%
Decile 5:	\$39,743 to \$49,661	2.1	5.0	0.0%
Decile 6:	\$49,661 to \$61,734	2.4	5.8	0.0%
Decile 7:	\$61,734 to \$76,037	3.1	7.5	0.0%
Decile 8:	\$76,037 to \$96,693	3.7	8.9	0.0%
Decile 9:	\$96,693 to \$135,599	4.6	11.0	0.0%
Decile 10:	\$135,599 and over	<u>7.5</u>	<u>18.0</u>	0.0%
Residents		\$28.1	67.8%	
Exported		<u>\$13.4</u>	<u>32.2%</u>	
<b>TOTAL</b>		<u><b>\$41.5</b></u>	<u><b>100.0%</b></u>	

**Table 30**  
**Initial Distribution and Final Incidence of**  
**Total Gasoline Tax Revenue**

INITIAL DISTRIBUTION OF TAX—  
BY INDUSTRY, FISCAL 2006  
(dollar amounts in millions)

Industry	Amount	Percent
Agriculture	\$ 19.0	0.8%
Mining	11.9	0.5
Utilities & Transportation	121.1	5.1
Construction	114.0	4.8
Manufacturing	152.0	6.4
Trade (Wholesale and Retail)	4.7	0.2
Information	4.7	0.2
Finance, Insurance, and Real Estate	2.4	0.1
Other Services	11.9	0.5
Government	0.0	0.0
Personal Consumption	<u>1,932.9</u>	<u>81.4</u>
<b>TOTAL</b>	<b><u>\$2,374.6</u></b>	<b><u>100.0%</u></b>

Totals may not add due to rounding.

FINAL DISTRIBUTION OF EXEMPTION—  
BY HOUSEHOLD INCOME DECILE, FISCAL 2006  
(dollar amounts in millions)

Decile	Family Income	Amount (\$millions)	Percent of Tax Paid	Tax as a Percent of Total Income
Decile 1:	less than \$12,820	\$ 97.4	4.1%	1.7%
Decile 2:	\$12,820 to \$21,797	114.0	4.8	0.8%
Decile 3:	\$21,797 to \$30,397	144.9	6.1	0.7%
Decile 4:	\$30,397 to \$39,743	171.0	7.2	0.6%
Decile 5:	\$39,743 to \$49,661	204.2	8.6	0.6%
Decile 6:	\$49,661 to \$61,734	225.6	9.5	0.5%
Decile 7:	\$61,734 to \$76,037	251.7	10.6	0.4%
Decile 8:	\$76,037 to \$96,693	287.3	12.1	0.4%
Decile 9:	\$96,693 to \$135,599	322.9	13.6	0.3%
Decile 10:	\$135,599 and over	<u>375.2</u>	<u>15.8</u>	0.2%
Residents		\$2,194.1	92.4%	
Exported		\$ <u>180.5</u>	<u>7.6%</u>	
<b>TOTAL</b>		<b><u>\$2,374.6</u></b>	<b><u>100.0%</u></b>	

ESTIMATED EQUITY OF TAX, FISCAL 2006

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Totals may not add due to rounding.

INITIAL DISTRIBUTION OF TAX—  
BY BUSINESS TYPE, FISCAL 2006  
(dollar amounts in millions)

	Amount	Percent
Corporations	\$ 349.1	14.7%
Partnerships	92.6	3.9
Sole Proprietors	<u>0.3</u>	<u>0.0</u>
Subtotal	\$ 441.7	18.6%
Individual Consumers	\$ <u>1,932.9</u>	<u>81.4%</u>
<b>TOTAL</b>	<b><u>\$2,374.6</u></b>	<b><u>100.0%</u></b>

FINAL DISTRIBUTION OF TAX—  
BY HOMEOWNERS / RENTERS, FISCAL 2006  
(dollar amounts in millions)

	Amount	Percent
Homeowners	\$1,408.1	59.3%
Renters	<u>786.0</u>	<u>33.1</u>
Subtotal	\$2,194.1	92.4%
Exported	\$ <u>180.5</u>	<u>7.6%</u>
<b>TOTAL</b>	<b><u>\$2,374.6</u></b>	<b><u>100.0%</u></b>

**Table 31  
Incidence Analysis  
Gasoline Tax  
Exemption for Two Percent Distributor Discount  
(Tax Code 162.112 and 162.116)**

INITIAL DISTRIBUTION OF TAX—  
BY INDUSTRY, FISCAL 2006  
(dollar amounts in millions)

FINAL DISTRIBUTION OF EXEMPTION—  
BY HOUSEHOLD INCOME DECILE, FISCAL 2006  
(dollar amounts in millions)

Industry	Amount Percent		Decile	Family Income	Amount (\$millions)	Percent of Tax Paid	Tax as a Percent of Total Income
	Amount	Percent					
Agriculture	\$ 0.0	0.0%	Decile 1:	less than \$12,820	\$ 1.6	3.4%	0.0%
Mining	0.0	0.0	Decile 2:	\$12,820 to \$21,797	2.2	4.5	0.0%
Utilities & Transportation	0.0	0.0	Decile 3:	\$21,797 to \$30,397	2.4	5.1	0.0%
Construction	0.0	0.0	Decile 4:	\$30,397 to \$39,743	2.5	5.3	0.0%
Manufacturing			Decile 5:	\$39,743 to \$49,661	3.1	6.4	0.0%
Trade (Wholesale and Retail)	47.8	100.0	Decile 6:	\$49,661 to \$61,734	3.5	7.3	0.0%
Information	0.0	0.0	Decile 7:	\$61,734 to \$76,037	4.4	9.2	0.0%
Finance, Insurance, and Real Estate	0.0	0.0	Decile 8:	\$76,037 to \$96,693	5.1	10.7	0.0%
Other Services	0.0	0.0	Decile 9:	\$96,693 to \$135,599	6.3	13.2	0.0%
Government	0.0	0.0	Decile 10:	\$135,599 and over	<u>10.6</u>	<u>22.1</u>	0.0%
Personal Consumption	<u>0.0</u>	<u>0.0</u>					
<b>TOTAL</b>	<u>\$47.8</u>	<u>100.0%</u>					
Totals may not add due to rounding.			Residents		\$41.7	87.2%	
			Exported		\$ 6.1	12.8%	
			<b>TOTAL</b>		<u>\$47.8</u>	<u>100.0%</u>	

**Table 32**  
**Initial Distribution and Final Incidence of**  
**Total Motor Vehicle Sales and Use Tax Revenue**

INITIAL DISTRIBUTION OF TAX—  
 BY INDUSTRY, FISCAL 2006  
 (dollar amounts in millions)

Industry	Amount	Percent
Agriculture	\$35.2	1.4%
Mining	22.6	0.9
Utilities and Transportation	113.0	4.5
Construction	138.1	5.5
Manufacturing	45.2	1.8
Trade (Wholesale and Retail)	92.9	3.7
Information	30.1	1.2
Finance, Insurance and Real Estate	57.8	2.3
Other services	329.0	13.1
Government	0.0	0.0
Personal Consumption	<u>1,647.3</u>	<u>65.6</u>
<b>TOTAL</b>	<b><u>\$2,511.2</u></b>	<b><u>100.0%</u></b>

Totals may not add due to rounding.

INITIAL DISTRIBUTION OF TAX—  
 BY BUSINESS TYPE, FISCAL 2006  
 (dollar amounts in millions)

	Amount	Percent
Corporations	\$ 713.2	28.4%
Partnerships	95.4	3.8
Sole Proprietors	<u>55.2</u>	<u>2.2</u>
Subtotal	\$ 863.9	34.4%
Individual Consumers	<u>\$1,647.3</u>	<u>65.6%</u>
<b>TOTAL</b>	<b><u>\$2,511.2</u></b>	<b><u>100.0%</u></b>

FINAL DISTRIBUTION OF TAX—  
 BY HOMEOWNERS / RENTERS, FISCAL 2006  
 (dollar amounts in millions)

	Amount	Percent
Homeowners	\$1,524.3	60.7%
Renters	<u>698.1</u>	<u>27.8</u>
Subtotal	\$2,222.4	88.5%
Exported	<u>\$ 288.8</u>	<u>11.5%</u>
<b>TOTAL</b>	<b><u>\$2,511.2</u></b>	<b><u>100.0%</u></b>

FINAL DISTRIBUTION OF EXEMPTION—  
 BY HOUSEHOLD INCOME DECILE, FISCAL 2006  
 (dollar amounts in millions)

Decile	Family Income	Amount (\$millions)	Percent of Tax Paid	Tax as a Percent of Total Income
Decile 1:	less than \$12,820	\$ 65.3	2.6%	1.2%
Decile 2:	\$12,820 to \$21,797	87.9	3.5	0.6%
Decile 3:	\$21,797 to \$30,397	123.0	4.9	0.6%
Decile 4:	\$30,397 to \$39,743	110.5	4.4	0.4%
Decile 5:	\$39,743 to \$49,661	173.3	6.9	0.5%
Decile 6:	\$49,661 to \$61,734	221.0	8.8	0.5%
Decile 7:	\$61,734 to \$76,037	271.2	10.8	0.5%
Decile 8:	\$76,037 to \$96,693	288.8	11.5	0.4%
Decile 9:	\$96,693 to \$135,599	361.6	14.4	0.4%
Decile 10:	\$135,599 and over	<u>519.8</u>	<u>20.7</u>	0.3%
Residents		\$2,222.4	88.5%	
Exported		<u>\$ 288.8</u>	<u>11.5%</u>	
<b>TOTAL</b>		<b><u>\$2,511.2</u></b>	<b><u>100.0%</u></b>	

ESTIMATED EQUITY OF TAX, FISCAL 2006

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Totals may not add due to rounding.

**Table 33  
Incidence Analysis  
Motor Vehicle Sales and Use Tax  
Exemption for Sales to a Public Agency  
(Tax Code 152.082)**

INITIAL DISTRIBUTION OF TAX—  
BY INDUSTRY, FISCAL 2006  
(dollar amounts in millions)

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		
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	39.2	100.0
Personal Consumption	<u>0.0</u>	<u>0.0</u>
<b>TOTAL</b>	<u>\$39.2</u>	<u>100.0%</u>

Totals may not add due to rounding.

FINAL DISTRIBUTION OF EXEMPTION—  
BY HOUSEHOLD INCOME DECILE, FISCAL 2006  
(dollar amounts in millions)

Decile	Family Income	Amount (\$millions)	Percent of Tax Paid	Tax as a Percent of Total Income
Decile 1:	less than \$11,172	\$ 1.2	3.0%	0.0%
Decile 2:	\$11,172 to 19,484	1.5	3.7	0.0%
Decile 3:	\$19,484 to 27,309	1.8	4.7	0.0%
Decile 4:	\$27,309 to 35,197	2.0	5.1	0.0%
Decile 5:	\$35,197 to 44,068	2.4	6.1	0.0%
Decile 6:	\$44,068 to 55,518	2.7	6.9	0.0%
Decile 7:	\$55,518 to 70,248	3.3	8.4	0.0%
Decile 8:	\$70,248 to 90,149	3.9	9.9	0.0%
Decile 9:	\$90,149 to 124,699	4.7	12.0	0.0%
Decile 10:	\$124,699 and over	<u>7.9</u>	<u>20.1</u>	0.0%
Residents		\$31.3	79.9%	
Exported		<u>\$ 7.9</u>	<u>20.1%</u>	
<b>TOTAL</b>		<u>\$39.2</u>	<u>100.0%</u>	

**Table 34  
Incidence Analysis  
Motor Vehicle Sales and Use Tax  
Exemption for Sales of Exempt Vehicles  
(Tax Code 152.089)**

INITIAL DISTRIBUTION OF TAX—  
BY INDUSTRY, FISCAL 2006  
(dollar amounts in millions)

Industry	Amount	Percent
Agriculture	\$ 4.8	6.7%
Mining	4.1	5.7
Utilities and Transportation	47.8	65.9
Construction	2.2	3.1
Manufacturing	2.7	3.8
Trade (Wholesale and Retail)	6.6	9.1
Information	2.2	3.0
Finance, Insurance and Real Estate	0.0	0.0
Other services	2.0	2.8
Government	0.0	0.0
Personal Consumption	<u>0.0</u>	<u>0.0</u>
<b>TOTAL</b>	<u>\$72.5</u>	<u>100.0%</u>

Totals may not add due to rounding.

FINAL DISTRIBUTION OF EXEMPTION—  
BY HOUSEHOLD INCOME DECILE, FISCAL 2006  
(dollar amounts in millions)

Decile	Family Income	Amount (\$millions)	Percent of Tax Paid	Tax as a Percent of Total Income
Decile 1:	less than \$11,172	\$ 1.8	2.5%	0.0%
Decile 2:	\$11,172 to 19,484	2.2	3.0	0.0%
Decile 3:	\$19,484 to 27,309	2.8	3.9	0.0%
Decile 4:	\$27,309 to 35,197	3.1	4.3	0.0%
Decile 5:	\$35,197 to 44,068	3.9	5.4	0.0%
Decile 6:	\$44,068 to 55,518	4.4	6.1	0.0%
Decile 7:	\$55,518 to 70,248	5.5	7.6	0.0%
Decile 8:	\$70,248 to 90,149	6.5	9.0	0.0%
Decile 9:	\$90,149 to 124,699	8.2	11.3	0.0%
Decile 10:	\$124,699 and over	<u>13.7</u>	<u>18.9</u>	0.0%
Residents		\$52.2	72.0%	
Exported		<u>\$20.3</u>	<u>28.0%</u>	
<b>TOTAL</b>		<u>\$72.5</u>	<u>100.0%</u>	



**Table 35**  
**Incidence Analysis**  
**Motor Vehicle Sales and Use Tax**  
**Exemption for Farm Use**  
**(Tax Code 152.091)**

INITIAL DISTRIBUTION OF TAX—  
 BY INDUSTRY, FISCAL 2006  
 (dollar amounts in millions)

Industry	Amount	Percent
Agriculture	\$37.4	100.0%
Mining	0.0	0.0
Utilities and Transportation	0.0	0.0
Construction	0.0	0.0
Manufacturing		
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
Personal Consumption	<u>0.0</u>	<u>0.0</u>
<b>TOTAL</b>	<u>\$37.4</u>	<u>100.0%</u>

Totals may not add due to rounding.

FINAL DISTRIBUTION OF EXEMPTION—  
 BY HOUSEHOLD INCOME DECILE, FISCAL 2006  
 (dollar amounts in millions)

Decile	Family Income	Amount (\$millions)	Percent of Tax Paid	Tax as a Percent of Total Income
Decile 1:	less than \$12,820	\$ 1.3	3.5%	0.0%
Decile 2:	\$12,820 to \$21,797	1.6	4.2	0.0%
Decile 3:	\$21,797 to \$30,397	2.2	6.0	0.0%
Decile 4:	\$30,397 to \$39,743	2.6	7.1	0.0%
Decile 5:	\$39,743 to \$49,661	3.2	8.5	0.0%
Decile 6:	\$49,661 to \$61,734	3.4	9.2	0.0%
Decile 7:	\$61,734 to \$76,037	4.0	10.6	0.0%
Decile 8:	\$76,037 to \$96,693	4.6	12.4	0.0%
Decile 9:	\$96,693 to \$135,599	5.3	14.1	0.0%
Decile 10:	\$135,599 and over	<u>7.3</u>	<u>19.4</u>	0.0%
Residents		\$35.5	95.0%	
Exported		\$ 1.9	5.0%	
<b>TOTAL</b>		<u>\$37.4</u>	<u>100.0%</u>	

**Table 36**  
**Initial Distribution and Final Incidence of**  
**Total School Property Tax Revenue**

INITIAL DISTRIBUTION OF TAX—  
 BY INDUSTRY, TAX YEAR 2006  
 (dollar amounts in millions)

Industry	Amount	Percent
Agriculture	\$ 288.3	1.4%
Mining	704.8	3.5
Utilities & Transportation	1,433.7	7.1
Construction	107.4	0.5
Manufacturing	1,824.6	9.1
Trade (Wholesale and Retail)	1,003.3	5.0
Information	997.3	5.0
Finance, Insurance, and Real Estate	3,424.7	17.1
Other Services	916.6	4.6
Government	0.0	0.0
Personal Consumption	<u>9,372.5</u>	<u>46.7</u>
<b>TOTAL</b>	<b><u>\$20,073.0</u></b>	<b><u>100.0%</u></b>

Totals may not add due to rounding.

FINAL DISTRIBUTION OF EXEMPTION—  
 BY HOUSEHOLD INCOME DECILE, TAX YEAR 2006  
 (dollar amounts in millions)

Decile	Family Income	Amount (\$millions)	Percent of Tax Paid	Tax as a Percent of Total Income
Decile 1:	less than \$12,820	\$ 547.5	2.7%	9.3%
Decile 2:	\$12,820 to \$21,797	647.7	3.2	4.3%
Decile 3:	\$21,797 to \$30,397	811.1	4.0	3.5%
Decile 4:	\$30,397 to \$39,743	916.0	4.6	3.0%
Decile 5:	\$39,743 to \$49,661	1,102.7	5.5	2.8%
Decile 6:	\$49,661 to \$61,734	1,291.6	6.4	2.7%
Decile 7:	\$61,734 to \$76,037	1,608.0	8.0	2.7%
Decile 8:	\$76,037 to \$96,693	2,008.5	10.0	2.7%
Decile 9:	\$96,693 to \$135,599	2,709.6	13.5	2.7%
Decile 10:	\$135,599 and over	<u>4,690.1</u>	<u>23.4</u>	2.3%
Residents		\$16,332.8	81.4%	
Exported		\$ <u>3,740.2</u>	<u>18.6%</u>	
<b>TOTAL</b>		<b><u>\$20,073.0</u></b>	<b><u>100.0%</u></b>	

ESTIMATED EQUITY OF TAX, FISCAL 2006

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Totals may not add due to rounding.

INITIAL DISTRIBUTION OF TAX—  
 BY BUSINESS TYPE, TAX YEAR 2006  
 (dollar amounts in millions)

	Amount	Percent
Corporations	\$ 8,972.6	44.7%
Partnerships	1,144.2	5.7
Sole Proprietors	<u>582.1</u>	<u>2.9</u>
Subtotal	\$10,698.9	53.3%
Individual Consumers	\$ <u>9,372.5</u>	<u>46.7%</u>
<b>TOTAL</b>	<b><u>\$20,073.0</u></b>	<b><u>100.0%</u></b>

FINAL DISTRIBUTION OF TAX—  
 BY HOMEOWNERS / RENTERS, TAX YEAR 2006  
 (dollar amounts in millions)

	Amount	Percent
Homeowners	\$12,485.4	62.2%
Renters	<u>3,854.0</u>	<u>19.2</u>
Subtotal	\$16,332.8	81.4%
Exported	\$ <u>3,740.2</u>	<u>18.6%</u>
<b>TOTAL</b>	<b><u>\$20,073.0</u></b>	<b><u>100.0%</u></b>

**Table 37**  
**Incidence Analysis**  
**School Property Tax**  
**General Homestead Exemption of \$15,000**  
**(Tax Code 11.13(b))**

INITIAL DISTRIBUTION OF TAX—  
 BY INDUSTRY, TAX YEAR 2006  
 (dollar amounts in millions)

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		
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%
Personal Consumption	<u>1,241.0</u>	<u>100.0%</u>
<b>TOTAL</b>	<u>\$1,241.0</u>	<u>100.0%</u>

Totals may not add due to rounding.

FINAL DISTRIBUTION OF EXEMPTION—  
 BY HOUSEHOLD INCOME DECILE, TAX YEAR 2006  
 (dollar amounts in millions)

Decile	Family Income	Amount (\$millions)	Percent of Tax Paid	Tax as a Percent of Total Income
Decile 1:	less than \$12,820	\$ 47.3	3.8%	0.8%
Decile 2:	\$12,820 to \$21,797	53.6	4.3	0.4%
Decile 3:	\$21,797 to \$30,397	63.3	5.1	0.3%
Decile 4:	\$30,397 to \$39,743	70.7	5.7	0.2%
Decile 5:	\$39,743 to \$49,661	79.6	6.4	0.2%
Decile 6:	\$49,661 to \$61,734	91.1	7.3	0.2%
Decile 7:	\$61,734 to \$76,037	115.5	9.3	0.2%
Decile 8:	\$76,037 to \$96,693	136.5	11.0	0.2%
Decile 9:	\$96,693 to \$135,599	167.0	13.5	0.2%
Decile 10:	\$135,599 and over	<u>165.6</u>	<u>13.3</u>	0.1%
Residents		\$ 990.3	79.8%	
Exported		\$ <u>250.7</u>	<u>20.2%</u>	
<b>TOTAL</b>		<u>\$1,241.0</u>	<u>100.0%</u>	

**Table 38**  
**Incidence Analysis**  
**School Property Tax**  
**Exemption for 65 and Over or Disabled**  
**(Tax Code 11.13(c))**

INITIAL DISTRIBUTION OF TAX—  
 BY INDUSTRY, TAX YEAR 2006  
 (dollar amounts in millions)

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		
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
Personal Consumption	<u>213.6</u>	<u>100.0</u>
<b>TOTAL</b>	<u>\$213.6</u>	<u>100.0%</u>

Totals may not add due to rounding.

FINAL DISTRIBUTION OF EXEMPTION—  
 BY HOUSEHOLD INCOME DECILE, TAX YEAR 2006  
 (dollar amounts in millions)

Decile	Family Income	Amount (\$millions)	Percent of Tax Paid	Tax as a Percent of Total Income
Decile 1:	less than \$12,820	\$ 16.2	7.6%	0.3%
Decile 2:	\$12,820 to \$21,797	21.4	10.0	0.1%
Decile 3:	\$21,797 to \$30,397	21.2	9.9	0.1%
Decile 4:	\$30,397 to \$39,743	20.1	9.4	0.1%
Decile 5:	\$39,743 to \$49,661	19.0	8.9	0.1%
Decile 6:	\$49,661 to \$61,734	18.0	8.4	0.0%
Decile 7:	\$61,734 to \$76,037	17.5	8.2	0.0%
Decile 8:	\$76,037 to \$96,693	16.8	7.9	0.0%
Decile 9:	\$96,693 to \$135,599	15.9	7.4	0.0%
Decile 10:	\$135,599 and over	<u>13.3</u>	<u>6.2</u>	0.0%
Residents		\$179.2	83.9%	
Exported		\$ <u>34.4</u>	<u>16.1%</u>	
<b>TOTAL</b>		<u>\$213.6</u>	<u>100.0%</u>	

**Table 39  
Incidence Analysis  
School Property Tax  
Optional Percentage Homestead Exemption  
(Tax Code 11.13(n))**

INITIAL DISTRIBUTION OF TAX—  
BY INDUSTRY, TAX YEAR 2006  
(dollar amounts in millions)

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	0.0	0.0
Other Services	0.0	0.0
Government	0.0	0.0
Personal Consumption	<u>512.3</u>	<u>100.0</u>
<b>TOTAL</b>	<u>\$512.3</u>	<u>100.0%</u>

Totals may not add due to rounding.

FINAL DISTRIBUTION OF EXEMPTION—  
BY HOUSEHOLD INCOME DECILE, TAX YEAR 2006  
(dollar amounts in millions)

Decile	Family Income	Amount (\$millions)	Percent of Tax Paid	Tax as a Percent of Total Income
Decile 1:	less than \$12,820	\$ 11.6	2.3%	0.2%
Decile 2:	\$12,820 to \$21,797	11.5	2.2	0.1%
Decile 3:	\$21,797 to \$30,397	13.4	2.6	0.1%
Decile 4:	\$30,397 to \$39,743	16.0	3.1	0.1%
Decile 5:	\$39,743 to \$49,661	19.0	3.7	0.1%
Decile 6:	\$49,661 to \$61,734	24.8	4.8	0.1%
Decile 7:	\$61,734 to \$76,037	32.2	6.3	0.1%
Decile 8:	\$76,037 to \$96,693	43.1	8.4	0.1%
Decile 9:	\$96,693 to \$135,599	66.4	13.0	0.1%
Decile 10:	\$135,599 and over	<u>161.2</u>	<u>31.5</u>	0.1%
Residents		\$399.1	77.9%	
Exported		<u>\$113.2</u>	<u>22.1%</u>	
<b>TOTAL</b>		<u>\$512.3</u>	<u>100.0%</u>	

**Table 40  
Incidence Analysis  
School Property Tax  
Freeport Property  
(Tax Code 11.251)**

INITIAL DISTRIBUTION OF TAX—  
BY INDUSTRY, TAX YEAR 2006  
(dollar amounts in millions)

Industry	Amount	Percent
Agriculture	\$ 8.9	3.9%
Mining	0.7	0.3
Utilities & Transportation	39.7	17.4
Construction	3.9	1.7
Manufacturing	98.4	43.1
Trade (Wholesale and Retail)	24.4	10.7
Information	0.0	0.0
Finance, Insurance, and Real Estate	31.0	13.6
Other Services	21.1	9.3
Government	0.0	0.0
Personal Consumption	<u>0.0</u>	<u>0.0</u>
<b>TOTAL</b>	<u>\$228.2</u>	<u>100.0%</u>

Totals may not add due to rounding.

FINAL DISTRIBUTION OF EXEMPTION—  
BY HOUSEHOLD INCOME DECILE, TAX YEAR 2006  
(dollar amounts in millions)

Decile	Family Income	Amount (\$millions)	Percent of Tax Paid	Tax as a Percent of Total Income
Decile 1:	less than \$12,820	\$ 4.8	2.1%	0.1%
Decile 2:	\$12,820 to \$21,797	6.8	3.0	0.0%
Decile 3:	\$21,797 to \$30,397	9.1	4.0	0.0%
Decile 4:	\$30,397 to \$39,743	10.0	4.4	0.0%
Decile 5:	\$39,743 to \$49,661	12.8	5.6	0.0%
Decile 6:	\$49,661 to \$61,734	14.4	6.3	0.0%
Decile 7:	\$61,734 to \$76,037	18.0	7.9	0.0%
Decile 8:	\$76,037 to \$96,693	21.7	9.5	0.0%
Decile 9:	\$96,693 to \$135,599	27.2	11.9	0.0%
Decile 10:	\$135,599 and over	<u>45.9</u>	<u>20.1</u>	0.0%
Residents		\$170.7	74.8%	
Exported		<u>\$ 57.5</u>	<u>25.2%</u>	
<b>TOTAL</b>		<u>\$228.2</u>	<u>100.0%</u>	

**Table 41**  
**Incidence Analysis**  
**School Property Tax**  
**65 and Over Tax Freeze**  
**(Tax Code 11.26)**

INITIAL DISTRIBUTION OF TAX—  
 BY INDUSTRY, TAX YEAR 2006  
 (dollar amounts in millions)

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	0.0	0.0
Other Services	0.0	0.0
Government	0.0	0.0
Personal Consumption	<u>575.6</u>	<u>100.0</u>
<b>TOTAL</b>	<b><u>\$575.6</u></b>	<b><u>100.0%</u></b>

Totals may not add due to rounding.

FINAL DISTRIBUTION OF EXEMPTION—  
 BY HOUSEHOLD INCOME DECILE, TAX YEAR 2006  
 (dollar amounts in millions)

Decile	Family Income	Amount (\$millions)	Percent of Tax Paid	Tax as a Percent of Total Income
Decile 1:	less than \$12,820	\$ 29.5	5.1%	0.5%
Decile 2:	\$12,820 to \$21,797	41.2	7.2	0.3%
Decile 3:	\$21,797 to \$30,397	39.3	6.8	0.2%
Decile 4:	\$30,397 to \$39,743	39.0	6.8	0.1%
Decile 5:	\$39,743 to \$49,661	39.6	6.9	0.1%
Decile 6:	\$49,661 to \$61,734	41.1	7.1	0.1%
Decile 7:	\$61,734 to \$76,037	46.6	8.1	0.1%
Decile 8:	\$76,037 to \$96,693	45.0	7.8	0.1%
Decile 9:	\$96,693 to \$135,599	56.2	9.8	0.1%
Decile 10:	\$135,599 and over	<u>91.5</u>	<u>15.9</u>	0.0%
Residents		\$469.1	81.5%	
Exported		<u>\$106.5</u>	<u>18.5%</u>	
<b>TOTAL</b>		<b><u>\$575.6</u></b>	<b><u>100.0%</u></b>	

**Table 42**  
**Incidence Analysis**  
**School Property Tax**  
**Limitation on Appraised Value of Homestead**  
**(Tax Code 23.23)**

INITIAL DISTRIBUTION OF TAX—  
 BY INDUSTRY, TAX YEAR 2006  
 (dollar amounts in millions)

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	0.0	0.0
Other Services	0.0	0.0
Government	0.0	0.0
Personal Consumption	<u>132.9</u>	<u>100.0</u>
<b>TOTAL</b>	<b><u>\$132.9</u></b>	<b><u>100.0%</u></b>

Totals may not add due to rounding.

FINAL DISTRIBUTION OF EXEMPTION—  
 BY HOUSEHOLD INCOME DECILE, TAX YEAR 2006  
 (dollar amounts in millions)

Decile	Family Income	Amount (\$millions)	Percent of Tax Paid	Tax as a Percent of Total Income
Decile 1:	less than \$12,820	\$ 3.2	2.4%	0.1%
Decile 2:	\$12,820 to \$21,797	2.9	2.2	0.0%
Decile 3:	\$21,797 to \$30,397	4.0	3.0	0.0%
Decile 4:	\$30,397 to \$39,743	4.7	3.5	0.0%
Decile 5:	\$39,743 to \$49,661	5.9	4.4	0.0%
Decile 6:	\$49,661 to \$61,734	7.4	5.5	0.0%
Decile 7:	\$61,734 to \$76,037	9.0	6.7	0.0%
Decile 8:	\$76,037 to \$96,693	12.0	9.1	0.0%
Decile 9:	\$96,693 to \$135,599	19.0	14.3	0.0%
Decile 10:	\$135,599 and over	<u>36.1</u>	<u>27.2</u>	0.0%
Residents		\$104.2	78.4%	
Exported		<u>\$ 28.7</u>	<u>21.6%</u>	
<b>TOTAL</b>		<b><u>\$132.9</u></b>	<b><u>100.0%</u></b>	

**Table 43  
Incidence Analysis  
School Property Tax  
Agriculture Productivity Value Loss  
(Tax Code 23.41, 23.52, 23.73, and 23.9803)**

INITIAL DISTRIBUTION OF TAX—  
BY INDUSTRY, TAX YEAR 2006  
(dollar amounts in millions)

Industry	Amount	Percent
Agriculture	\$1,734.5	100.0%
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	0.0	0.0
Other Services	0.0	0.0
Government	0.0	0.0
Personal Consumption	<u>0.0</u>	<u>0.0</u>
<b>TOTAL</b>	<u>\$1,734.5</u>	<u>100.0</u>

Totals may not add due to rounding.

FINAL DISTRIBUTION OF EXEMPTION—  
BY HOUSEHOLD INCOME DECILE, TAX YEAR 2006  
(dollar amounts in millions)

Decile	Family Income	Amount (\$millions)	Percent of Tax Paid	Tax as a Percent of Total Income
Decile 1:	less than \$12,820	\$ 36.6	2.1%	0.6%
Decile 2:	\$12,820 to \$21,797	52.7	3.0	0.4%
Decile 3:	\$21,797 to \$30,397	68.5	4.0	0.3%
Decile 4:	\$30,397 to \$39,743	76.5	4.4	0.3%
Decile 5:	\$39,743 to \$49,661	96.6	5.6	0.3%
Decile 6:	\$49,661 to \$61,734	109.4	6.3	0.2%
Decile 7:	\$61,734 to \$76,037	138.3	8.0	0.2%
Decile 8:	\$76,037 to \$96,693	164.6	9.5	0.2%
Decile 9:	\$96,693 to \$135,599	205.8	11.9	0.2%
Decile 10:	\$135,599 and over	<u>349.0</u>	<u>20.1</u>	0.2%
Residents		\$1,297.4	74.8%	
Exported		\$ 437.1	25.2%	
<b>TOTAL</b>		<u>\$1,734.5</u>	<u>100.0%</u>	



**Table 44**  
**Initial Distribution and Final Incidence of**  
**Natural Gas Tax**

INITIAL DISTRIBUTION OF TAX—  
 BY INDUSTRY, TAX YEAR 2006  
 (dollar amounts in millions)

Industry	Amount	Percent
Agriculture	\$ 0.0	0.0%
Mining	1,199.4	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
Personal Consumption	0.0	0.0
<b>TOTAL</b>	<b><u>\$1,199.4</u></b>	<b><u>100.0%</u></b>

Totals may not add due to rounding.

FINAL DISTRIBUTION OF EXEMPTION—  
 BY HOUSEHOLD INCOME DECILE, TAX YEAR 2006  
 (dollar amounts in millions)

Decile	Family Income	Amount (\$millions)	Percent of Tax Paid	Tax as a Percent of Total Income
Decile 1:	less than \$12,820	\$ 4.3	0.4%	0.4%
Decile 2:	\$12,820 to \$21,797	13.0	1.1	0.2%
Decile 3:	\$21,797 to \$30,397	23.5	2.0	0.1%
Decile 4:	\$30,397 to \$39,743	33.4	2.8	0.1%
Decile 5:	\$39,743 to \$49,661	43.9	3.7	0.1%
Decile 6:	\$49,661 to \$61,734	52.5	4.4	0.1%
Decile 7:	\$61,734 to \$76,037	65.5	5.5	0.1%
Decile 8:	\$76,037 to \$96,693	81.5	6.8	0.1%
Decile 9:	\$96,693 to \$135,599	103.8	8.7	0.0%
Decile 10:	\$135,599 and over	196.4	16.4	0.0%
Residents		\$ 617.7	51.5%	
Exported		\$ 581.7	48.5%	
<b>TOTAL</b>		<b><u>\$1,199.4</u></b>	<b><u>100.0%</u></b>	

ESTIMATED EQUITY OF TAX, FISCAL 2006

Suits Index -0.03

Totals may not add due to rounding.

INITIAL DISTRIBUTION OF TAX—  
 BY BUSINESS TYPE, TAX YEAR 2006  
 (dollar amounts in millions)

	Amount	Percent
Corporations	\$ 626.1	52.2%
Partnerships	301.0	25.1
Sole Proprietors	272.3	22.7
Subtotal	\$1,199.4	100.0%
Individual Consumers	0.0	0.0%
<b>TOTAL</b>	<b><u>\$1,199.4</u></b>	<b><u>100.0%</u></b>

FINAL DISTRIBUTION OF TAX—  
 BY HOMEOWNERS / RENTERS, TAX YEAR 2006  
 (dollar amounts in millions)

	Amount	Percent
Homeowners	\$ 451.0	37.6%
Renters	166.7	13.9
Subtotal	\$ 617.7	51.5%
Exported	\$ 581.7	48.5%
<b>TOTAL</b>	<b><u>\$1,199.4</u></b>	<b><u>100.0%</u></b>

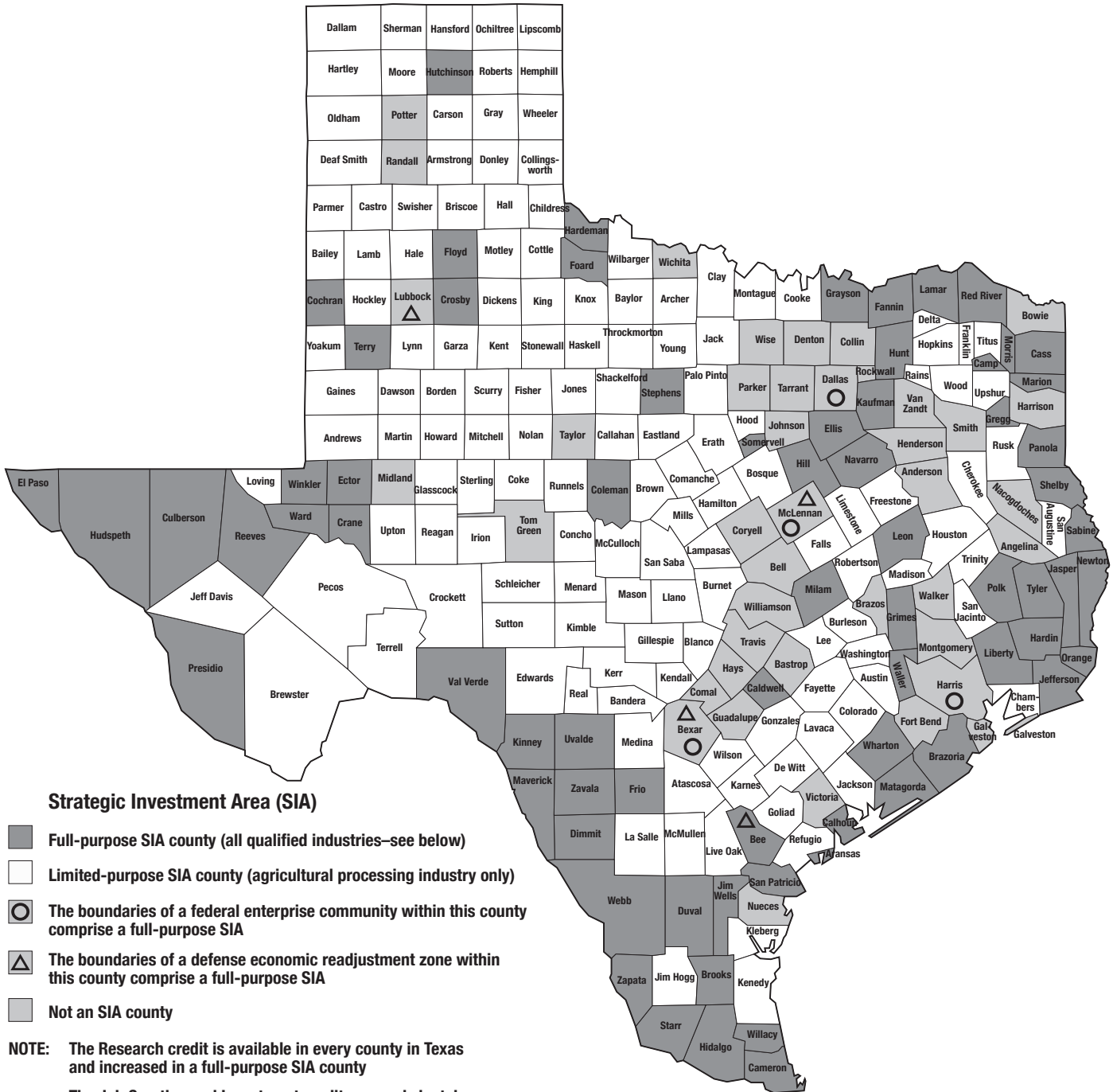


# APPENDIX



# STRATEGIC INVESTMENT AREA FOR CALENDAR 2005

## Franchise Tax Credits for Research, Jobs Creation, and Investment



### Strategic Investment Area (SIA)

- Full-purpose SIA county (all qualified industries—see below)
- Limited-purpose SIA county (agricultural processing industry only)
- The boundaries of a federal enterprise community within this county comprise a full-purpose SIA
- The boundaries of a defense economic readjustment zone within this county comprise a full-purpose SIA
- Not an SIA county

**NOTE:** The Research credit is available in every county in Texas and increased in a full-purpose SIA county  
 The Job Creation and Investment credits can only be taken by a corporation engaged in one of the following:

- Qualified Industries:**  
 Manufacturing (SIC 2011-3999)  
 Agricultural Processing (SIC 2011-2099, 2211, 2231, 2824, 2833, 2835, 2836, 2841, 3111-3199, 3262, 3952, in product classes 28692 or 28698 of category 2869, or in product classes 28992 or 28994 of category 2899)  
 Warehousing (SIC 4221-4226)  
 Wholesale Distribution (SIC 5012-5199)  
 Data Processing (SIC 7371-7379)  
 Research Laboratories (SIC 8731)

This map valid only January 1, 2005 through December 31, 2005

**CAROLE KEETON STRAYHORN**  
**TEXAS COMPTROLLER**



