



Overview of Local Taxes in Texas

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Texans pay a multitude of different taxes to different layers of government, ranging from the federal income tax to the state gasoline tax to local sales taxes. The purpose of this report is to provide an overview of taxes imposed by local governmental jurisdictions in Texas.

Local taxing jurisdictions in Texas consist of 254 counties, 1,034 school districts, 1,193 incorporated cities, and over 1,200 special-purpose districts.¹ The two main taxes imposed by local jurisdictions are the property tax (often referred to as an ad valorem tax in state law) and the local sales tax. Cities and counties may also impose a hotel occupancy tax. The number of jurisdictions that impose each of these taxes is shown in Table 1.

The taxing authority of all local governments is spelled out in the Texas Constitution and state law. Home-rule municipalities may impose other taxes not prohibited by other law. The statutory authority for local jurisdictions to impose taxes is shown in Table 2.

In 1998-1999, the most recent year for which comprehensive data are available, taxes constituted about 39 percent of total revenue of local governments in Texas. Property taxes represented about 80 percent of total local government tax revenue, while sales taxes represented about 17 percent.²

Local Taxes

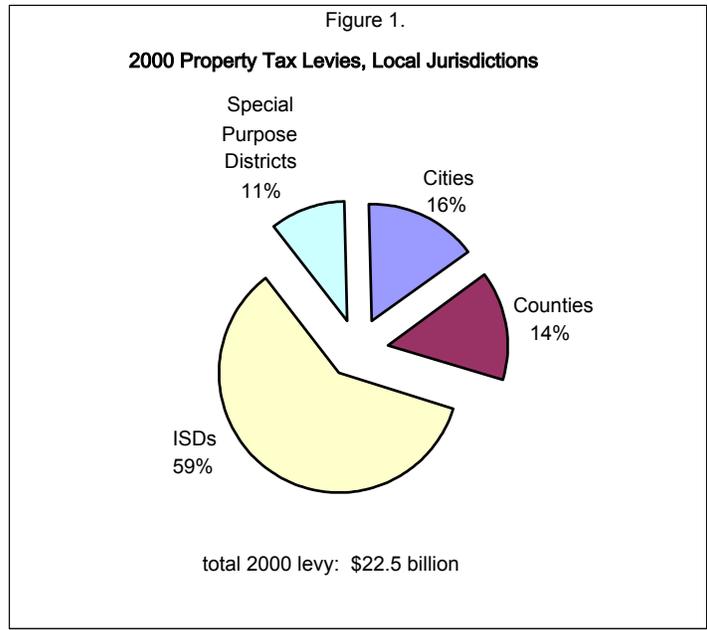
Table 3 shows sales tax and hotel occupancy tax collections for local jurisdictions for 2001 and property tax levies for 2000. The property tax and the sales tax are the main sources of tax revenue for local governments.

Property Tax

The legislature does not have the constitutional authority to levy a state property tax.³ The only allowable property taxes are property taxes levied by local jurisdictions.

All privately owned property in Texas, whether located in a big city or a sparsely populated rural area, is subject to property taxation by the county and school district in which it is located, unless specifically exempted by the Texas Constitution. However, most private property owners in the state pay property taxes to additional local jurisdictions. For example, in addition to county and school district property taxes, private property in a large city might be subject to city property taxes, hospital district property taxes, and junior college district property taxes.

Property tax revenues are the major tax revenue source for cities, counties, school districts, and many special districts.⁴ In 2000, total property tax levies by local jurisdictions amounted to \$22.5 billion. As shown in Figure 1 below, 59 percent of this amount—\$13.4 billion—was levied by school districts. Per capita levies ranged from \$642 in school districts to \$154 in counties.



Exemptions from property taxes are governed by the constitution and state law, and local jurisdictions do not have the authority to grant or deny an exemption unless permitted to do so by the constitution or by law.

The property tax cycle in Texas is an annual cycle that begins on January 1 each year. County appraisal districts determine the value of properties, and local jurisdictions set the tax rates. Each appraisal district sets property values as of January 1 and sends those values to each local jurisdiction that levies taxes on property appraised by the appraisal district. The governing body of each local jurisdiction sets the tax rates for that jurisdiction that, when applied to property values, will generate the needed property tax revenues. The annual property tax levy in any jurisdiction is derived by multiplying the total taxable value in the jurisdiction by the total tax rate. The total tax rate may include a rate for debt service payments—often called the “I&S rate” or interest and sinking fund rate—and a rate for day-to-day maintenance and operations—the “M&O rate.” Districts that do not have outstanding debt do not levy a debt service tax. Some special districts with other revenue sources do not levy a maintenance and operations tax.

Each taxing jurisdiction sends a property tax bill to each nonexempt property owner in the jurisdiction in the fall. A local taxing jurisdiction may collect its own taxes or may contract with another governmental jurisdiction or, for delinquent taxes, with a private entity to collect its taxes. Property tax collection operations tend to be consolidated in appraisal district offices and county tax offices.⁵

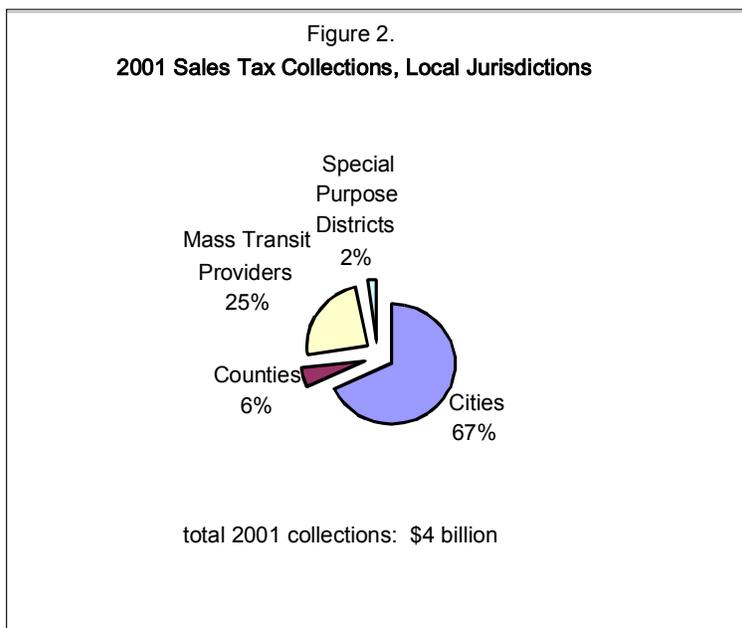
Sales and Use Tax

The sales and use tax (referred to herein as “sales tax”) imposed on most taxable goods and services consists of a state sales and use tax and a local sales and use tax. The state sales tax rate is 6.25 percent of the sales price of taxable goods and services, and this rate is uniformly applied to taxable retail transactions throughout the state. Local jurisdictions, including cities, counties, and some special districts, may also impose a local sales tax after voter approval, but the sum of all local sales taxes may not exceed two percent anywhere in the state. The maximum sales tax paid on a taxable item anywhere in Texas is 8.25 percent.

The imposition of a local sales tax must be approved by the voters residing in the jurisdiction in which the sales tax is to be imposed. Local sales tax revenues can be used for a variety of purposes, including general fund purposes, property tax relief, health care for the indigent, crime control, economic development, support of public libraries, emergency services, street maintenance, and support of public transit. Because of the variety in local sales tax options, not all Texans pay an 8.25 percent sales tax. Some might pay only a 6.75 percent rate; others might pay a 7.75 or 8.0 percent sales tax rate, depending on where they purchase a taxable item. This variation reflects the different kinds of services and levels of services approved by the voters to be funded by local sales taxes.

Cities may levy a local sales tax of up to two percent; counties, up to two percent; transit authorities, up to one percent; and special districts, up to two percent. State law governs the order in which these taxes take effect, so as not to exceed the two percent cap on the sum of all local sales taxes at any location in the state.

In 2001, local jurisdictions collected \$4 billion in sales taxes. City sales taxes accounted for almost two-thirds of this amount. The relative shares of cities and other local jurisdictions are shown in Figure 2.



Local jurisdictions' authority to impose a sales tax is governed by state law. In general, items that are subject to the state sales tax are also subject to the local sales tax, and items that are exempt from the state sales tax are also exempt from the local sales tax. The taxation of a few items, such as electricity, natural gas, and telecommunications, may be subject to local option.

All sales taxes, both state and local, are collected by the retailer or other entity providing the taxable good or service and remitted to the comptroller, either monthly, quarterly, or annually, depending on the volume of transactions. The comptroller then remits to each local jurisdiction its share of sales tax collections for the period.

Hotel Occupancy Tax

The state hotel occupancy tax is six percent of the price of a hotel room costing at least \$2 per day. “Hotel” is defined as a building that offers sleeping accommodations to the general public and includes hotels, motels, tourist homes, lodging houses, rooming houses, and bed and breakfasts.⁶ Stays of at least 30 consecutive days are exempt from the tax.

All cities and some counties are eligible to adopt a hotel occupancy tax. Adoption of a hotel occupancy tax by a city or county requires a majority vote to adopt by the governing body, but it does not require voter approval. Hotel occupancy tax revenues must be used to directly promote tourism and the convention and hotel industry. Specifically, revenues should be used for a convention center, tourism advertising and promotion, programs to enhance the arts, and historic preservation projects that promote tourism. Tax revenues may not be used for general revenue purposes or activities not directly related to promoting tourism.⁷

In addition to the general hotel occupancy tax, cities, counties, and sports and community venue districts may impose a separate hotel occupancy tax to finance sports and community venue projects. Adoption of this tax requires voter approval. Finally, counties that have created county development districts may impose a hotel occupancy tax in the district and use the proceeds for district purposes. An election is not required to impose this tax.

Hotel occupancy taxes are collected by the hotels and remitted to the state and, if applicable, directly to cities and counties imposing a local tax.

Local Taxing Jurisdictions: Counties

Counties may levy a property tax and a sales tax. Some may impose a hotel occupancy tax. In 2001, all 254 counties levied a property tax, 121 imposed a sales tax, and 20 imposed a hotel occupancy tax.⁸

County Property Taxes. As shown in Table 3, the main source of tax revenue for counties is the property tax. For the tax year 2000, the state’s 254 counties collectively levied \$3.2 billion in property taxes, an average of \$154 per person.

County Sales Taxes. Counties that are not located in a transit authority may impose a sales tax for property tax relief with voter approval. The county sales tax rate for property tax relief is one-half percent; the rate is one percent in a county with no territory in a city. In 2001, 121 counties imposed a sales tax for property tax reduction. The 2001 sales tax revenues for these 121 counties totaled \$221.9 million, or \$38 per capita.

Counties that meet one of various sets of population criteria may also impose a sales tax to support specific services. Certain small counties may impose a sales tax to support a health services district, a county development district, a landfill, or a criminal detention center. Large counties and most cities may impose a sales tax to support the operations of a crime control and prevention district. Some of these districts are discussed below under Local Taxing Jurisdictions.

County Hotel Occupancy Taxes. The conditions governing county eligibility to adopt the general hotel occupancy tax are more restrictive than those for cities. By law, counties must meet certain geographical or population criteria before they are eligible to adopt a hotel occupancy tax. The geographical criteria pertain to counties bordering Mexico, the Gulf of Mexico, and the Edwards Aquifer Authority. Population criteria range from county population to size of city located in a county bordering Mexico to absence of a municipality in the county. The Texas Department of Economic Development has estimated that only 48 counties are eligible to adopt a general hotel occupancy tax.⁹

As noted above, 20 counties imposed a hotel occupancy tax in 2001. County tax rates ranged from one percent (Webb County) to eight percent (unincorporated parts of Harris County). Total tax revenues amounted to \$21.4 million. Harris County hotel tax revenues accounted for \$17.3 million, 80 percent of the total.

Local Taxing Jurisdictions: Cities

Cities by statute may impose a property tax, a sales tax, a hotel occupancy tax, and a few other taxes. Home-rule cities may impose any other tax consistent with their charters if not prohibited by state law.

City Property Taxes. In 2000, 1,012 Texas cities collected approximately \$3.5 billion in property taxes, which amounted to \$227 per capita. Property tax rates ranged from \$1.50 per \$100 valuation to \$0.019 per \$100 valuation. The average tax rate was \$0.47 per \$100 valuation. The average tax rate in the 24 cities of at least 100,000 population was \$0.59 per \$100 valuation.

City Sales Taxes. As noted above, cities may adopt sales tax rates of up to two percent with necessary voter approvals, as long as the sum of all local sales taxes does not exceed two percent at any location within a city's boundaries. There are five different sales taxes that a city may adopt:

- sales tax for general fund purposes: one percent
- additional sales tax for property tax reduction: up to one-half percent
- sales tax for street maintenance: one-fourth percent (expires in four years unless reauthorized by the voters)
- sales tax for industrial and economic development: up to one-half percent
- sales tax for sports and community venues: up to one-half percent

With voter approval, a city may also pledge up to 25 percent of the revenue received from the one percent general-purpose sales tax and the additional sales tax for property tax reduction to the payment of obligations of sports and community venue projects located in the city. Some cities may also adopt a sales tax for public transit, emergency services, and municipal development. However, they may have to meet certain population criteria before adopting one of those taxes.

As of 2001, 1,117 cities collected \$2.7 billion in sales tax revenues, which averaged \$168 per capita.

City Hotel Occupancy Taxes. Any home-rule or general-law city may implement a general hotel occupancy tax of up to seven percent of the price of a hotel room. Some cities can implement a higher rate. Hotel occupancy taxes can be imposed by action of the governing body of a city without voter approval. In 2001, 383 cities collected \$280 million in hotel occupancy taxes.¹⁰ Tax rates ranged from two percent in a few small cities (Broaddus, Eden, Paducah, Stratford, and Van) to nine percent in large cities (Dallas, Fort Worth, San Antonio, Austin, and Corpus Christi) and 13 percent in one city (Pearland). Most cities imposed a seven percent tax, including the city of Houston.

With one exception, there is no maximum combined rate of the state, city, and county hotel occupancy tax.¹¹ The one exception concerns the extraterritorial jurisdiction (ETJ) of cities under 35,000 population. Cities meeting this criterion may impose a hotel occupancy tax in their ETJ, but the combined state, city, and county rate may not exceed 15 percent in the ETJ.

Local Taxing Jurisdictions: School Districts

The sole local source of tax revenue for school districts is the property tax. In 2000, the statewide school district tax levy amounted to \$13.4 billion, or approximately \$642 per capita.

School district property tax exemptions, abatements, and other limitations on taxes or appraisals have a major impact on the state's general revenue fund through the school funding process. However, local school boards have no control over many of these that are mandated by the Texas Constitution or statute. In 2000, the value of mandatory exemptions, abatements, and other limitations for school district property taxes amounted to \$112.2 billion, or approximately \$28,000 per student.¹² (This figure is the exempt property value per student, not the tax levy loss per student.)

Local Taxing Jurisdictions: Public Transit Providers

Texas has six regional transportation authorities and two city transit departments. Regional transportation authorities may impose a sales tax of up to one percent; city transit departments may impose a sales tax of up to one-half percent. All transit sales taxes must be approved by the voters.

Neither type of transit provider has the authority to levy a property tax.

The regional transportation authorities are located in the Austin, Corpus Christi, Dallas, Fort Worth, Houston, and San Antonio areas. The city transit departments imposing a sales tax are in El Paso and Laredo.

In 2001, sales tax revenues of the eight transit providers totaled nearly \$994 million. Tax revenues of the Houston and Dallas transportation authorities amounted to \$726 million, nearly 75 percent of the total sales tax collections of the eight transit providers.

Local Taxing Jurisdictions: Special-Purpose Districts

Special-purpose districts provide public infrastructure and various public services, ranging from the provision of water and water-related services to health services, libraries, community colleges, economic development, emergency medical services, fire control, and crime control. Since district residents often pay the taxes to support a district's provision of services, voters of a proposed district generally must approve creation of the district, along with the tax to be adopted and the proposed or maximum tax rate. Districts are usually governed by an elected board, such as a city council, commissioners court, or board of trustees, but in a few cases are governed by appointees of a city council or commissioners court.

Property taxes provide the bulk of special districts' tax revenues. In 2000, 1,179 special districts levied nearly \$2.4 billion in property taxes, and in 2001, 75 districts collected approximately \$98 million in sales tax revenue.¹³ Twelve of the districts that imposed a sales tax also levied a property tax. These annual revenues are used to support district operations and to pay off district debt, which is incurred to build district infrastructure. As of 2000, the total outstanding debt (both general obligation and revenue-supported) of special districts was \$20.9 billion. About 75 percent of this debt was incurred by districts providing water and water-related services.

As noted earlier, the only special district that may impose a hotel occupancy tax is a sports and community venue district.

As shown in Figure 3, hospital districts, junior college districts, and water-related districts together accounted for approximately 97 percent of the total 2000 special district property tax levy of \$2.4 billion. Hospital districts levied \$1.1 billion (44 percent of the total levy); water districts levied \$680.5 million (29 percent); and junior college districts levied \$567.2 million (24 percent).

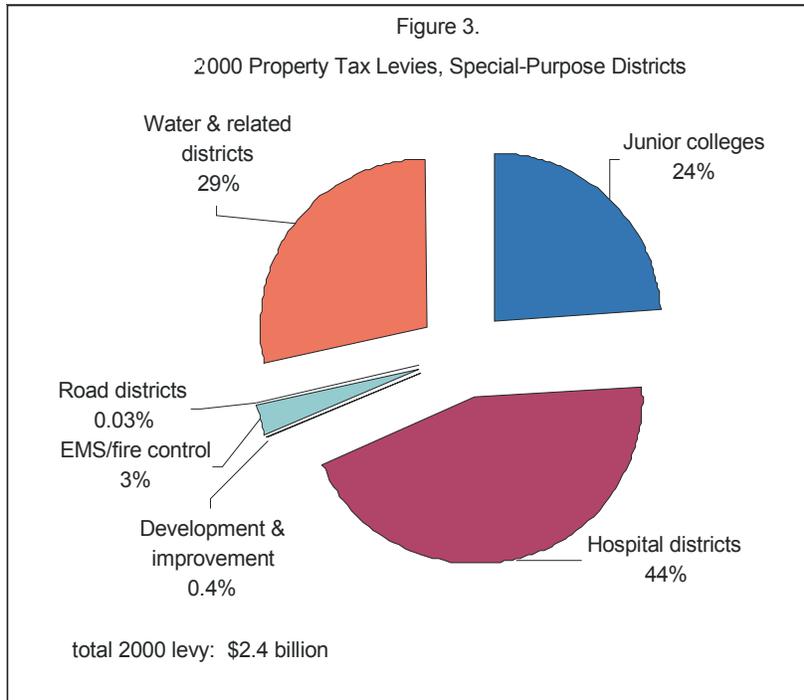
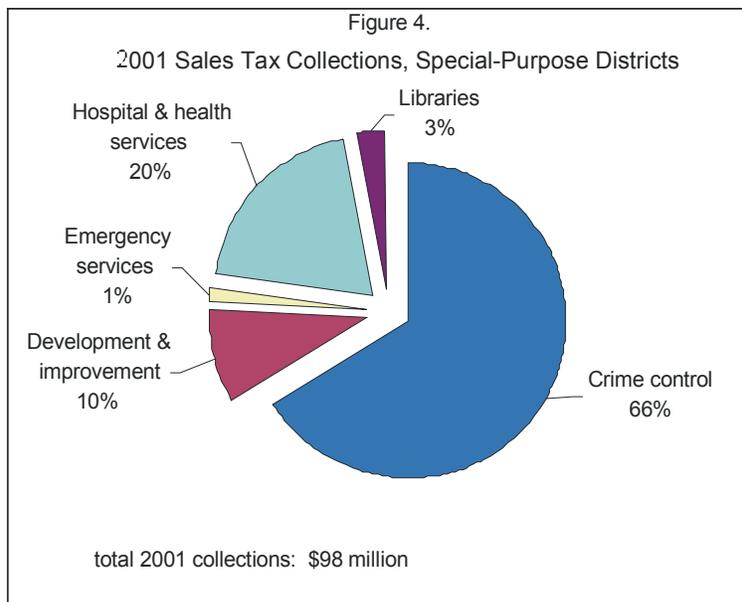


Figure 4 shows the percentage distribution of the 2001 sales tax collections of \$98 million among special districts. Crime control districts collected \$64 million (66 percent) and hospital districts and health services districts collected \$19 million (20 percent).



Special districts are concentrated in metropolitan counties. In 2000, about 70 percent of the special districts that levied a property tax were in metropolitan counties; their combined levy amounted to over 90 percent of the total special district levy. A similar relationship holds for sales tax collections.

Junior College Districts

The creation and taxation authority of junior college districts is governed by Chapter 130, Education Code.

Junior college districts may be created by actions of school boards, county commissioners courts, or other local entities, which, after receipt of a petition and approval by the Texas Higher Education Coordinating Board, may call an election for creation of a junior college district. Taxing authority must also be approved by the voters. In 2001, about 45 percent of the nearly one million students enrolled in college or postsecondary programs in Texas were in junior colleges.¹⁴

Junior college districts are funded by student tuition and fees, property taxes, state general revenue fund appropriations, and federal grants. As of the 2000 tax year, there were 64 junior college districts that collectively levied a total of \$567 million in property taxes. Total tax rates ranged from \$0.0178 per \$100 valuation to \$0.31 per \$100 valuation. The average tax rate was approximately \$0.10 per \$100 valuation. The maximum property tax rate for junior college districts is \$1 per \$100 valuation, but no more than \$0.50 of that rate may be used for debt service on bonds.¹⁵ The election to approve the tax in each district may, and usually does, set a lower maximum tax rate.

As of October 1, 2002, no community college district had legal authority to impose a sales tax.

Local Taxing Jurisdictions Created to Provide Health Care

There are several different types of local entities that provide health care, including care to the indigent. These entities include hospital districts, hospital authorities, county hospitals, municipal hospitals, and joint municipal-county hospitals. They differ in two main respects: the source of local revenues to support their operations and the selection of oversight authorities.

Hospital Districts. Hospital districts are the only type of local health care jurisdiction that may impose taxes if approved by the voters. (Not all hospital districts levy property taxes or sales taxes.) Article IX of the Texas Constitution gives the legislature the power to create hospital districts. Hospital districts are political subdivisions of the state and, depending on the statute under which they are created, may be governed by the county commissioners court or by an elected board of directors.

Districts may impose taxes (if approved by the voters) and may issue both tax-supported and revenue bonds. In 2000, property tax rates in the 127 hospital districts that levied a property tax averaged about \$0.22 per \$100 taxable value, with rates ranging from about \$0.01 to \$0.75 per \$100 taxable value. The total 2000 levy of hospital districts was approximately \$1.1 billion.

In terms of the size of their 2000 property tax levy, the five largest hospital districts in the state were Harris County Hospital District, Dallas County Hospital District, Tarrant County Hospital District, Bexar County Hospital District, and R. E. Thompson General Hospital District in El Paso. Together, these five districts accounted for 85 percent of the total \$1.1 billion hospital district levy in 2000.

Total bonded indebtedness of hospital districts increased from \$399 million in 1999 to \$444 million in 2001. Approximately \$92 million of the \$444 million was tax-supported debt.

As of May 2002, appraisal districts reported a total of 128 active hospital districts.¹⁶

With voter approval, hospital districts may also impose a sales tax of up to two percent for property tax relief. In addition, hospital districts in one or more counties each with a population of 75,000 or less may impose a sales tax for general purposes of up to two percent. As of October 2001, eight hospital districts imposed a local sales tax, with 2001 sales tax collections amounting to about \$16.2 million.

County Health Services Districts. Counties with a population of 50,000 or less may call an election to adopt a sales tax of one-half percent to provide health services in the county. County health services districts are not independent taxing districts per se, since the county imposes the tax.

In 2001, sales tax revenues in 10 county health services districts amounted to \$3.1 million. By law, these tax revenues may be allocated to a hospital authority, a hospital district, or a public health district, but they must be used to provide health services in the county.

Hospital Authorities. Hospital authorities do not have taxing authority. Their enabling legislation specifically denies taxing authority. They are mentioned here because they may be confused with hospital districts, which usually do have taxing authority if approved by the voters.

Hospital authorities may be created for the purpose of acquiring or operating one or more hospitals by either municipalities or counties under the provisions of Chapters 262 and 264, Health and Safety Code, respectively. An authority is governed by a board of directors whose members are appointed by the governing body of the sponsoring jurisdiction (either a municipality or a county). As of August 31, 2001, there were 39 active hospital authorities in Texas.¹⁷

Although authorities do not have taxing authority, they may issue revenue bonds backed by revenues, fees, and liens on both real and personal property owned by the authority. As of August 31, 2001, hospital authorities reported \$595 million in outstanding debt.¹⁸ Both their operating and debt service revenues come from fee-paying patients, federal and state funds, and funds from the city or county that created them.

Local Taxing Jurisdictions Created to Provide Public Safety Services

Emergency Services Districts. There are three different types of emergency services districts. Section 48-e, Article III, Texas Constitution, gives the legislature the power to create emergency services districts and allow counties to levy a property tax up to \$0.10 per \$100 valuation to support a district if approved by the voters residing in the district. Districts may provide emergency medical and ambulance services, rural fire prevention and control, and other emergency services authorized by the legislature.

Section 48-d, Article III, Texas Constitution, and Chapter 794, Health and Safety Code, govern the procedures for creation of rural fire prevention districts. A county commissioners court may call an election to create a district and approve a property tax at a rate not to exceed \$0.03 per \$100 valuation (\$0.05 for districts wholly or partly within Harris County).

Fire control, prevention, and emergency medical services districts may be created pursuant to Chapter 344, Local Government Code. These districts may be created only by cities that meet certain population criteria. They may impose a sales tax of up to one-half percent with voter approval.

The total 2000 property tax levy for the 192 emergency services districts levying a property tax was \$64.8 million. The 131 districts in metropolitan counties levied \$59.3 million of this amount.

The 2001 sales tax collections of the five emergency services districts that imposed a sales tax were \$2 million.

Crime Control and Prevention Districts. Chapter 363, Local Government Code, governs the creation of crime control and prevention districts. Counties of more than 130,000 population and cities in counties of more than 5,000 population may impose a sales tax of up to one-half percent to support a crime control district. Crime control districts do not have the authority to levy a property tax.

As of October 1, 2002, 28 crime control districts imposed a sales tax. Over half of these were in Tarrant County. Total 2001 sales tax collections of these 28 districts amounted to nearly \$64 million. Sales tax rates ranged from one-eighth percent to one-half percent.¹⁹

Local Taxing Jurisdictions Created to Provide Libraries

Chapter 326, Local Government Code, gives the commissioners court of a county of more than 100,000 population the authority to call an election to create and approve a sales tax rate for a library district proposed for the county. Library districts are governed by an elected board of trustees and may impose a sales tax of up to one-half percent if approved by the voters.

A library district may not include territory in more than one county, and it may not include territory in any municipality that operates a public library. As of October 1, 2002, 10 library districts imposed a sales tax. Sales tax rates in these districts ranged from one-fourth percent to one-half percent, and 2001 collections amounted to about \$3 million.²⁰

Local Taxing Jurisdictions Created to Provide Water and Water-Related Services

Texas has hundreds of local taxing jurisdictions whose main purpose is to provide water-related services to district residents. (Cities and counties may also provide water and water-related services, but this is not their main purpose.) Water districts include water improvement districts, water control and improvement districts, fresh water supply districts, municipal utility districts, municipal water districts/authorities, public utility districts, conservation and reclamation districts, drainage districts, flood control districts, levee improvement districts, and irrigation districts. Some development and improvement districts may also provide water-related services.

Water districts differ according to their constitutional and statutory authorization. All water districts are authorized by either Section 52, Article III, or Section 59, Article XVI, of the Texas Constitution. Section 52, Article III, provides for a limitation on the amount of bonds a district may issue, but does not limit the property tax to pay off the bonds. (The amount of bonds issued may not exceed one-fourth of the assessed value of real property in the district.) Section 59, Article XVI, does not limit the amount of bonds or the tax rate.

Title 4, Water Code, contains the general law applicable to water districts. In addition, there are numerous water districts created by or governed by local laws applicable to individual districts. Table 2 contains statutory references for the various water districts governed by general law.

Many water districts levy property taxes. For the 2000 tax year, 763 water districts located in 155 counties levied \$680 million in property taxes. Harris County, with 305 water districts, had more than any other county in the state. The 2000 property tax levy of these 305 Harris County districts was about \$353 million, slightly over half of the total levy of water districts.

As of October 1, 2002, no water district in the state imposed a sales tax.

Development and Improvement Districts

Texas law allows for the creation of numerous types of development and improvement districts for the general purposes of promoting economic development, improving public infrastructure, and improving the appearance of public areas. The law allows for both county and municipal development districts. Most are governed by the commissioners court or city council of the county or city in which located, or by an appointed board. The legislature gave sales tax authority to some types of districts, and authority to levy a property tax or impose impact fees and assessments to others. However, some development and improvement districts have no authority to levy taxes or impose fees and assessments.

As of October 2002, 13 development and improvement districts imposed sales taxes with rates ranging from one-half percent to one percent. The 2001 sales tax collections of these 13 districts totaled \$9.4 million. (Not all districts were collecting taxes in 2001.) Eleven of the 13 were in metropolitan counties.

Other Local Taxing Jurisdictions

There are other kinds of local taxing jurisdictions in addition to the ones discussed above. In 2000, there were 22 road and road utility districts, 18 navigation districts/port authorities, and 1 solid waste management district. Statutory references for these districts are provided in Table 2.

The total property tax levies for these groups were:

- road and road utility districts: \$871,000
- navigation districts/port authorities: \$54.8 million
- solid waste management district: \$246,000

As of October 1, 2002, none of these districts imposed a sales tax.

¹ Jurisdictional counts are as of 2000.

² U.S. Census Bureau, *Federal, State, and Local Governments, State and Local Government Finances: 1998-99*. Available at <http://www.census.gov/govs/www/estimate99.html>. Other major components of local governments' revenues in that year were intergovernmental transfers and fee revenues.

³ Section 1-e, Article VIII, Texas Constitution.

⁴ Although some special districts only have sales tax authority, property taxes are the primary tax revenue source for special districts taken as a whole. Over 60 special districts impose a sales tax only.

⁵ Consolidated property tax collection information is available in Texas Comptroller of Public Accounts, *Texas Property Tax Annual Property Tax Report, Tax Year 2000*, Appendix G.

⁶ § 156.001, Tax Code.

⁷ Texas Attorney General, *Handbook on Economic Development Laws for Texas Cities, 1999 Edition*, Chapter IV, "Economic Development Through Tourism, The Local Hotel Occupancy Tax." Available at http://www.oag.state.tx.us/AG_Publications/txts/econ_dev1.htm.

⁸ Since there is no central repository of locally imposed hotel occupancy taxes, the figure for the number of counties imposing occupancy taxes is an estimate of the Texas Department of Economic Development. See Texas Department of Economic Development, Market Texas Tourism and Department of Recreation, Park and Tourism Sciences, Texas A&M University, *Texas Local Hotel Tax Report 2001*, October 2001, available at <http://www.travel.state.tx.us/tourism/hotelmot/ExeSumTaxRep.pdf>.

⁹ See Texas Department of Economic Development, Market Texas Tourism and Department of Recreation, Park and Tourism Sciences, Texas A&M University, *Texas Local Hotel Tax Report 2001*, October 2001, available at <http://www.travel.state.tx.us/tourism/hotelmot/ExeSumTaxRep.pdf>.

¹⁰ Texas Department of Economic Development, Market Texas Tourism and Department of Recreation, Park and Tourism Sciences, Texas A&M University, *Texas Local Hotel Tax Report 2001*, October 2001, available at <http://www.travel.state.tx.us/tourism/hotelmot/ExeSumTaxRep.pdf>.

¹¹ Texas Attorney General, *Handbook on Economic Development Laws for Texas Cities, 1999 Edition*, Chapter IV, “Economic Development Through Tourism, The Local Hotel Occupancy Tax.” Available at http://www.oag.state.tx.us/AG_Publications/txts/econ_dev1.htm.

¹² Calculated from property tax data in Texas Comptroller of Public Accounts, *Annual Property Tax Report, Tax Year 2001*, November 2001, p. B-104, and enrollment data in Texas Education Agency, *Snapshot 2000*, Winter 2001, p. 388. The \$28,000 figure includes charter students and does not reflect property value losses from productivity valuation.

¹³ The property tax data are from Texas Comptroller of Public Accounts, *Annual Property Tax Report, Tax Year 2001*, November 2001, p. 1. The sales tax data are available on the comptroller’s website at <http://ecpa.cpa.state.tx.us/allocation/AllocHist.jsp>.

¹⁴ Percentage compiled from data in *Texas Almanac 2002-2003*, Dallas, Dallas Morning News, p. 525.

¹⁵ § 130.122(a), Education Code.

¹⁶ This information was reported to the comptroller’s property tax division by Texas’ 253 appraisal districts. Texas Comptroller of Public Accounts, *Texas Property Tax Appraisal District Directory, 2002 Edition*. This number may have changed since May 2002 due to district dissolution, creation, or consolidation.

¹⁷ Number compiled from data available on the website of the Texas Bond Review Board at <http://www.brb.state.tx.us/brbpages/db/db.html>; select “Texas Health & Hospital Districts—FY 2001 data.”

¹⁸ Number compiled from data available on the website of the Texas Bond Review Board at <http://www.brb.state.tx.us/brbpages/db/db.html>; select “Texas Health & Hospital Districts—FY 2001 data.”

¹⁹ Information compiled from the comptroller’s website at <http://www.cpa.state.tx.us/taxinfo/local/spd.html>.

²⁰ Data compiled from information available on the comptroller’s website at <http://www.cpa.state.tx.us/taxinfo/sales/index.html>.

TABLE 1. LOCAL TAXING JURISDICTIONS IN TEXAS

Type of Jurisdiction	Total Jurisdictions	Number of Active Jurisdictions With		
		Property Tax (2000)	Sales Tax (2001)	Hotel Occupancy Tax (2001)
Counties	254	254	121	20
Cities¹	1,193	1,012	1,117	392
School Districts	1,034	1,034	-	-
Transit Providers	8	-	8	-
Special Districts, Total²	1,245	1,179	75	5
Type of Special District:				
Community College Districts	64	64	-	-
Crime Control Districts	28	-	28	-
Development/Improvement Districts	25	12	13	-
Emergency Services Districts	67	67	5	-
Fire Control Districts	125	125	-	-
Hospital Districts ³	127	127	8	-
Health Services Districts	10	-	10	-
Library Districts	10	1	10	-
Water-related and Conservation-Related Districts	763	763	-	-
Other	26	20	1	5

¹ Number of cities from 2000 Census. Not all cities levied a property tax or a sales tax.

² Special district counts include only active taxing districts that imposed either a sales tax or a property tax for the specified year.

³ Does not include hospital authorities created under sections 262 and 264, Health and Safety Code.

These do not have taxing authority.

**TABLE 2 . CONSTITUTIONAL/STATUTORY AUTHORITY AND ALLOWABLE TAX RATES FOR MAJOR TAXES
IMPOSED BY LOCAL JURISDICTIONS IN TEXAS**

TAXING JURISDICTION NAME OF TAX	TAX RATE	TAXING AUTHORITY	COMMENTS
CITIES			
City Sales and Use Taxes			
Sales tax for general revenue	1%	§321.101, 103 Tax Code	
Sales tax for economic development	up to 0.5%	Art. 5190.6, §4A, §4B VTCS	
Sales tax to reduce property taxes	up to 0.5%	§321.101, 103 Tax Code	
Sales tax for street maintenance	0.25%	§327.003-004 Tax Code	Must be reauthorized by voters after 4 years
Sales tax for venue project	up to 0.5%	§334.081, 083 Local Govt Code	
Sales tax for mass transit	up to 0.5%	§453.401 Transportation Code	
City Property Taxes			
Property tax, general law cities (<=5,000 pop when created)	up to \$1.50/\$100 valuation	Art. XI §4, Tx.Constitution	Some have more restrictive tax rate limits by statute
Property tax, home rule cities (> 5,000 pop)	up to \$2.50/\$100 valuation	Art. XI §5, Tx.Constitution	Only for cities/counties along Gulf Coast
Property tax—seawalls	none specified in Constitution	Art. XI §7, Tx.Constitution	Only for cities along Gulf Coast
Property tax—operation of port	up to \$0.10/\$100 valuation—M&O	§54.004 Transportation Code	Only for cities along Gulf Coast > 5,000 population
City Hotel Occupancy Taxes			
Hotel occupancy tax	up to 7%	§351.002, 0025, 003 Tax code	Rate may be 9% for certain cities to fund convention facilities
Hotel occupancy tax for venue project	up to 2%	§334.252, 254 Local Govt Code	
City Miscellaneous Taxes			
Admissions tax on tickets sold at venue project	up to 10%	§334.151-152 Local Govt Code	
Facility use tax on members of sports teams	up to \$5,000 per player per game	§334.302-303 Local Govt Code	
Motor vehicle rental tax for venue project	up to 5%	§334.102-103 Local Govt Code	
Parking tax on event parking at venue facility	up to \$3 per vehicle	§334.201-202 Local Govt Code	
Coin-operated machine occupation tax	up to \$15 per machine per year	§2153.451 Occupations Code	Tax may not exceed 1/4 of state rate which is \$60 per year
COUNTIES			
County Sales and Use Tax			
Sales tax to reduce property tax—city present	0.5%	§323.101, 103 Tax Code	Only if county is not in territory of transit provider.
Sales tax to reduce property tax—no city present	1%	§323.101, 103 Tax Code	Only if county is not in territory of transit provider.
Sales tax for hospital/health services district	0.5%	§324.021-022 Tax Code	Only in counties <=50,000 population
Sales tax for crime control and prevention district	up to 0.5%	§323.105 Tax Code; §363.055 Local Govt Code	Only in counties > 130,000 population and in cities in counties > 5,000 population
Sales tax for landfill and criminal detention center	0.5%	§325.021-022 Tax Code	Only in counties <=48,000 population with cities > 22,000 bordering Rio Grande
Sales tax for venue projects	up to 0.5%	§334.081, 083 Local Govt Code	

TAXING				
JURISDICTION	NAME OF TAX	TAX RATE	TAXING AUTHORITY	COMMENTS
County Property Taxes				
	Property tax—general fund (and other special levies)	up to \$0.80/\$100 valuation	Art. VIII §9, Tx.Constitution	
	Property tax—farm-to-market roads/flood control	up to \$0.30/\$100 valuation	Art. VIII §1-a, Tx.Constitution §256.051, 054 Transportation Code	
	Property tax—special road and bridge tax	up to \$0.15/\$100 valuation	Art. VIII §9, Tx.Constitution; §256.052 Transportation Code	Also applies to road district or to portion of county specified by commissioners court
	Property tax—seawalls	no limit specified	Art. XI §7, Tx.Constitution	Only for cities/counties along Gulf coast
County Hotel Occupancy Taxes				
	Hotel occupancy tax for certain counties	2%-8%, depending on county	§352.002-003 Tax Code	Numerous conditions apply
	Hotel occupancy tax for venue project	up to 2%	§334.252, 254 Local Govt Code	
County Miscellaneous Taxes				
	Admissions tax on tickets sold at venue project	up to 10%	§334.151-152 Local Govt Code	
	Facility use tax on members of sports teams	up to \$5,000 per player per game	§334.302-303 Local Govt Code	
	Motor vehicle rental tax for venue project	up to 5%	§334.102-103 Local Govt Code	
	Parking tax on event parking at venue facility	up to \$3 per vehicle	§334.201-202 Local Govt Code	
	Coin-operated machine occupation tax	up to \$15 per machine per year	§2153.451 Occupations Code	Tax may not exceed 1/4 of state rate which is \$60 per year
SCHOOL DISTRICTS				
School District Taxes				
	Property tax	up to \$1.50/\$100 valuation for M&O; attorney general will not approve bonds if district's total debt rate will exceed \$0.50/\$100 valuation	§45.001-0031 Education Code	Voters may approve a higher M&O rate in certain districts
SPECIAL PURPOSE DISTRICTS				
County Development Districts				
	Hotel occupancy tax (outside municipality)	up to 7%	§352.107 Tax Code	Only for counties < 600,000 population
	Sales tax	up to 0.5%	§383.101 Local Govt Code	Only for counties < 400,000 population
Emergency Services Districts				
	Emergency Services Districts: Property tax	up to \$0.10/\$100 valuation	Art. III §48-e, Tx.Constitution; §775.074, §776.075 Health & Safety Code	
	Property tax	up to \$0.03/\$100 valuation	§775.0741 Health & Safety Code	Only for counties > 2.4 million population
	Property tax	up to \$0.06/\$100 valuation	§775.0741 Health & Safety Code	Applies to a district converted from a rural fire prevention district in a county > 2.4 million population
	Emergency Services Districts: Sales tax	up to 2%	§775.0751, §776.0751 Health & Safety Code	

TAXING				
JURISDICTION	NAME OF TAX	TAX RATE	TAXING AUTHORITY	COMMENTS
	Emergency Services Districts (continued)			
	Fire Control, Prevention, & Emergency Medical Services Districts: Sales tax	up to 0.5%	§344.055 Local Govt Code	Only for cities with a population of 25,000-550,000 or a city >=1.9 million population; applies only to districts created by cities
	Rural Fire Prevention Districts: Property tax	up to \$0.03/\$100 valuation	Art. III §48-d, Tx.Constitution; §794.031 Health & Safety Code	Up to \$0.05/\$100 in Harris County
	Hospital Districts			
	Property tax	up to \$0.75/\$100 valuation	Art. IX §9-11, Tx. Constitution; §2861.121, §286.161 Health & Safety Code	
	Sales tax for property tax relief	up to 2%	§285.061 Health & Safety Code	
	Sales tax for general revenue	up to 2%	§285.161 Health & Safety Code	Only in counties < 75,000 population
	Jail Districts			
	Property tax	no limit specified	§351.158 Local Govt Code	
	Junior College Districts			
	Property tax	up to \$0.50/\$100-debt service; up to \$1.00/\$100 valuation total tax rate	§130.122 Education Code	Voters of each district set maximum tax rate not to exceed statutory limits
	Library Districts			
	Sales tax	up to 0.5%	§326.021, 093 Local Govt Code	Only in counties > 100,000 population; may not include city if city operates a public library; not allowed in certain transit authorities
	Mosquito Control Districts			
	Property tax	up to \$0.25/\$100 valuation	§344.001 Health & Safety Code	
	Municipal Development Districts			
	Sales tax	up to 0.5%	§377.021, 103 Local Govt Code	Only in cities located in two or more counties
	Municipal Management Districts			
	Property tax	not specified	§375.091 Local Govt Code	District has same taxing powers as water districts, road districts, road district toll roads, and road utility districts
	Navigation Districts (sometimes called Port Authorities)			
	Property tax	up to \$0.10/\$100 valuation-M&O	Chapter 61 Water Code	Governed by Art. III, §52 Tx. Constitution
	Property tax	up to \$0.10/\$100 valuation-M&O	Chapter 62 Water Code	Governed by Art. XVI §59, Tx. Constitution
	Property tax	up to \$0.20/\$100 valuation-M&O	Chapter 63 Water Code	Self-liquidating

TAXING JURISDICTION	NAME OF TAX	TAX RATE	TAXING AUTHORITY	COMMENTS
	Public Improvement Districts in Cities and Counties			
	Property tax	no limit specified	§372.021, Local Govt Code	Tax imposed by municipality or county rather than district
	Road Districts			
	Property tax	no limit specified	§257.112, §365.037 Transportation Code	§ 365.037 only in counties > 175,000 population
	Road Utility Districts			
	Property tax	unlimited debt rate; up to \$0.25/\$100 valuation-M&O	§441.191-192 Transportation Code	
	Solid Waste Management Districts			
	Property tax	\$0.03/\$100 valuation	Art. 4477-7k V.T.C.S.	Only one exists; it is a local law district
	Sports and Community Venue Districts			
	Admissions tax on tickets sold at venue project	up to 10%	§335.071 Local Govt Code, states that a district may impose the same taxes as a city or county for a venue project under Chapter 334, Local Govt Code	
	Facility use tax on members of sports teams	up to \$5,000 per player		
	Hotel occupancy tax	up to 2%		
	Motor vehicle rental tax	up to 5%		
	Parking tax on event parking at venue facility	up to \$3 per vehicle		
	Sales tax	up to 0.5%		
	Transit and Transportation Authorities			
	Sales tax	up to 1%; 0.5% in certain areas	§451.404, §452.401, §457.301, §460.551 Transportation Code	§457.301 limits tax to 0.5% in certain counties with cities > 500,000 population
	Water Districts and Water-related and Conservation-related Districts			
	Drainage Districts—Property tax	unlimited rate	Chapters 49 and 56, Water Code	Some such districts created by local law have their own property tax authority Numerous sections apply Tax may not exceed 0.5% of total assessed value in districts operating under Art. III, §52 Tx. Constitution
	Fresh Water Supply Districts—Property tax	unlimited rate	§53.188 Water Code	Numerous sections apply
	Groundwater Conservation Districts—Property tax	\$0.50/\$100 valuation-M&O	Chapter 36, Water Code	
	Irrigation Districts—Property tax	unlimited rate	Chapters 49 and 58 Water Code	Numerous sections apply
	Levee Improvement Districts—Property tax	unlimited rate	§57.251, 57.258 Water Code	Numerous sections apply
	Municipal Utility Districts—Property tax	unlimited rate	Chapters 49 and 54 Water Code	
	Water Control and Improvement Districts—Property tax	unlimited rate	Chapters 49 and 51 Water Code	Numerous sections apply
	Water Import Authorities—Property tax	\$0.50/\$100 valuation	Chapters 49 and 64 Water Code	This is a local law district; district may not currently exist
	Water Improvement Districts—Property tax	unlimited rate	Chapters 49 and 55 Water Code	Numerous sections apply

**TABLE 3. LOCAL TAXING JURISDICTIONS IN TEXAS
MAJOR TAX REVENUES**

Type of Jurisdiction	Tax Revenues (million \$)			Per Capita Taxes		
	Property Taxes (2000)	Sales Taxes (2001)	Hotel Occupancy Taxes (2001)	Property Tax (2000)	Sales Tax (2001)	Hotel Occupancy Taxes (2001)
Counties	\$3,200.9	\$221.9	\$21.4	\$154	\$38	cbe
Cities	\$3,530.9	\$2,693.7	\$279.8	\$227	\$168	cbe
Independent School Districts	\$13,392.3	-	-	\$642	-	-
Transit Providers	-	\$993.7	-	-	cbe	-
Special Districts, Total	\$2,387.6	\$97.8	na	cbe	cbe	na
Type of Special District:						
Community College Districts	\$567.2	-	-	cbe	-	-
Crime Control Districts	-	\$63.8	-	cbe	cbe	-
Emergency Services Districts	\$44.7	\$1.1	-	cbe	cbe	-
Fire Control Districts	\$20.1	-	-	cbe	-	-
Hospital Districts	\$1,063.3	\$16.2	-	cbe	cbe	-
Health Services Districts	-	\$3.1	-	cbe	cbe	-
Development/Improvement Districts	\$10.5	\$9.4	-	-	cbe	-
Library Districts	\$0.2	\$3.0	-	cbe	cbe	-
Water-related and Conservation-related Districts	\$680.5	-	-	cbe	-	-
Other	\$1.1	\$1.2	na	cbe	cbe	na

na: Not readily available.

cbe: Cannot be estimated. Population estimates for special districts are not available.