
SOURCES OF REVENUE GROWTH

A HISTORY OF STATE TAXES AND FEES IN TEXAS, 1972-2003

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INTRODUCTION

High taxes . . . frequently afford a smaller revenue to government than what might be drawn from more moderate sources.

—Adam Smith

Tax collections accounted for close to half (44.8 percent) of the state's net revenue in fiscal 2003. Federal receipts, which are dedicated for specific programs like medical assistance and highway construction, accounted for 36.0 percent. Licenses, fees, fines, permits, and penalties accounted for 8.2 percent; interest and investment income accounted for 2.7 percent; and lottery proceeds accounted for 2.4 percent. Other revenues, including land income, provided the remainder. Tax collections accounted for 84.9 percent of the state's non-dedicated revenues. Non-dedicated revenues are not allocated by the Constitution, state statute, or federal law for specific purposes.

Since 1972, the Legislature has enacted on the order of 137 bills directly affecting tax and fee revenue. These include rate and base changes, due-date speed-ups, new levies, and repeals. Through time, the collective effect has been to obscure the underlying "core" or base growth in tax and fee collections. An understanding of how past legislation and other events (e.g., economic expansion or contraction, population changes, and inflation) have shaped revenue growth should provide helpful insights for policy makers. This report supplies a detailed history of state tax and fee legislation from fiscal 1972 through fiscal 2004. (Unless otherwise noted, all annual data refer to state fiscal years, which run from September 1 through August 31.)

This informational report is intended to provide summary descriptions of the state's major taxes, fees, and associated legislation. These descriptions should be used as guidelines only; actual taxability and official tax policy are determined by the Tax Code and administrative rules.

The report is divided into four sections. To maintain consistency with previous editions, the introduction focuses on tax revenues and discusses the methodology and terms employed; it also provides a brief overview of Texas taxes, tax collections, and sources of growth. (At the end of the introduction, Table 1 identifies all major taxes collected by the State of Texas, and Table 2 lists the major tax and related revenue bills enacted since 1972.) The second section identifies and reviews each of the major taxes and fees collected in Texas, and the third identifies and tracks legislative and

other changes affecting state tax and fee revenues from 1972 through 2004. The fourth section presents individual profiles of the state's major taxes and fees. Each profile provides details concerning statutory authority, enactment, and administration, plus a history of collections and rate changes.

The report concludes with ten appendices. Appendix A describes how the tax revenues are allocated among the state's various funds. Appendix B provides a year-by-year history of state tax rates for major taxes from 1930 to the present. Appendix C provides a history of the legislative changes involving the state's principal revenue source, the Sales tax, from its inception in 1961 to the present. Appendices D-1 through D-3 provide interstate comparisons of tax rates and relative state rankings for major state taxes. Appendices E-1 and E-2 list the state's various professional fees and provide details relating to year of enactment, legal citation, administration, and rates. Appendix F provides a history of Insurance Premium tax rate changes. Finally, Appendix G provides graphic depictions of average annual growth rates for major tax categories during four periods in the state's recent tax history: 1972-83, an era of vigorous economic growth, when virtually no tax legislation was necessary; 1983-1992, an era of economic turmoil and numerous tax increases; 1992-2001, an era of sustained economic growth with an emphasis on tax relief; and 2001-2003, an era of economic transition.

The Base Year

Tracking any growth requires a starting point, or "base year." Ideally, the base year should reflect economic and revenue stability and remain relatively unaffected by tax code changes. Since 1961, when Texas adopted its last major tax, two years—1972 and 1982—have proved particularly stable. From 1984 up to 1994, the state's revenue growth studies incorporated 1982 as a base. In an effort to provide deeper historical perspective, the 1994 *Sources of Revenue Growth* adopted 1972 as the base year and covered the period 1972-1995. Use of the 1972 base year continues with this update.

Sources of Revenue Growth

The Sources of Tax Revenue Growth

Once the base year is identified, the factors driving revenue growth can be considered. The first step is to calculate the revenue growth that would occur assuming no changes in the 1972 base year tax code. The second step is to identify the legislation and other factors responsible for the difference between total annual collections for each tax and those collections that are solely attributable to 1972 base growth.

The two broad categories of revenue growth, “1972 base growth,” and “legislative and other growth,” may be viewed from two alternate perspectives. Revenue collections can be measured in nominal (current) dollars, making no adjustment for inflation; or, they can be measured in constant (“real”) dollars, deflating the nominal values to their corresponding values in 1972.

To facilitate comparison with other growth components, this study uses nominal (current) dollars when describing the sources of growth for individual taxes. The aggregate tax collection data, however, identify the components of growth in real as well as nominal dollars. In the former case, inflation is identified as a separate component.

1972 Base Growth

The “1972 base growth” represents the increase attributable to population and economic changes, including inflation. By necessity, it also encompasses tax administration improvements (e.g., more vigorous enforcement or auditing) and exogenous tax legislation (e.g., federal cigarette tax hikes) because it is virtually impossible to account for such factors separately. Note that “1972 base growth” should not be confused with legislative additions to (or exemptions from) the items subject to tax (the “tax base”).

Legislative Changes and Other Factors

Legislative changes to the state’s tax system include new taxes, rate hikes, base expansions, due-date speed-ups, and miscellaneous accounting and technical changes. Generally, the first three factors involve ongoing, year-after-year revenue growth; the latter two, one-time gains. Occasionally, certain other factors may affect year-to-year revenue statistics. Chief among these are changes in revenue processing procedures, whereby taxes remitted near the end of one fiscal year may not show up on state accounts until the next fiscal year. Relatively uncommon, such changes can produce an illusion

of depressed revenue growth in one year followed by inflated growth for the next.

Total Tax Revenue Growth

Total tax growth equals the sum of all component growth factors. In nominal dollar terms, Texas taxpayers paid \$2.3 billion in 1972. By 2003, the amount had grown to \$26.1 billion—an 8.1 percent average annual increase. (See Table 3 and Figure 1.) Economic and population growth accounted for 59.7 percent of the increase, and net legislative changes (tax increases less tax relief) accounted for the remainder—40.3 percent.

The picture changes considerably after adjusting for inflation, which by itself accounted for 78.7 percent of the increase in the state’s tax revenue growth over 1972-2003. In constant (“real”) 1972 dollar terms, 2003 tax collections totaled \$7.4 billion—yielding a comparatively “modest” 3.8 percent average annual growth rate. (See Table 4 and Figure 2.) Viewed from this perspective, population increases and economic growth accounted for 46.3 percent of the inflation-adjusted increase in the state’s tax revenue growth over 1972-2003; and net legislative changes generated 53.7 percent.

Several factors have worked to limit the growth in inflation-adjusted tax collections. (See the “Total” column in Table 4.) The shrinking energy sector accounts for most of the pressure. In the 1970s and early 1980s, the energy sector in Texas enjoyed a veritable “golden age.” From 1972 to 1982, taxable oil prices increased almost tenfold—from \$3.48 per barrel to \$32.73 per barrel (on a fiscal year basis); and the state’s inflation-adjusted tax collections followed suit, registering a 5.9 percent average annual increase—from \$2.3 billion to \$4.1 billion (in 1972 dollars).

In 1983, the tide turned: energy conservation efforts and declining demand caused the first contraction in oil prices in ten years. As a proportion of total price, the magnitude of the initial drop (from \$32.73 to \$30.28 per barrel) proved relatively insignificant; nevertheless, it presented a direct and unmistakable contradiction of the popular notion that oil prices were preordained to ratchet ever upward. Well drilling and related activities plummeted. The state’s struggling energy sector, in tandem with a severe national recession, forced the Texas economy into its first recession since 1970. As a result, tax collections in real dollar terms dropped by 5.5 percent to \$3.9 billion in 1983.

In 1984 and 1985, oil prices continued to fall but began to show signs of stabilizing. This—combined with new tax legislation and a high-tech/real estate boom along the Dallas-Austin-San Antonio corridor—allowed real tax collections to rebound to \$4.6 billion, well past the 1982 oil-boom level. At the end of 1985, however, ominous signs began to

emerge from the state's energy industry as well as from the state's increasingly over-built real estate markets. In early 1986, OPEC solidarity cracked. Oil prices subsequently plunged and reached a low point in July, when taxable oil prices threatened to fall below \$11 per barrel. By the time the situation had stabilized, oil prices had fallen from an average of \$27.44 per barrel in 1985 to \$15.50 per barrel in 1987.

Unfortunately, this was not the end of the story. Falling oil prices not only hurt the energy sector, they helped to pull the rug out from under what had become an increasingly speculative real estate market. Construction and real estate activity collapsed. The combination of low oil prices and evaporating real estate markets pushed the state into its worst recession in modern times. The ensuing shrinkage in the energy sector significantly altered that industry's role in the Texas economy.

Between 1985 and 1987, real tax collections dropped by 9.1 percent—to the point where 1987 real-dollar revenues were only a little more than the amount collected in 1982. The need to diversify the state's tax base became clear, and the Legislature reacted by passing the largest tax increase in Texas history. As a result, tax collections jumped by 16.5 percent in 1988 in real-dollar terms and by 20.4 percent in nominal-dollar terms.

By 1990, the Texas economy began to show signs of recovery. The energy and construction sectors had reached bottom, and the declining value of the dollar led to a sharp increase in U.S. and Texas exports. This increase in exports revitalized the manufacturing sector, and the state's shift to a service-based economy started to accelerate, as reflected by rapid employment growth in health and business services.

Increasing economic diversification—in tandem with the relative attractiveness of the state to new residents and businesses—immunized Texas against the 1991 national recession and allowed the state's economy and tax base to expand steadily into the new millennium. The advent of the national economic downturn in March, 2001, combined with an earlier collapse in the state's high-tech sector, however, has slowed Texas economic growth considerably. As a consequence, tax collections actually fell in nine of 13 major categories over 2001-2003, registering an overall average annual growth rate of -2.0 percent. While the economy began to show signs of a turnaround in late 2003 and early 2004, the relative strength and sustainability of the upturn remain to be determined. ❖

Sources of Revenue Growth

Table 1
Tax Rates and Bases for Texas State Taxes
Fiscal 2004

<u>Tax</u>	<u>Rate and Base</u>
Airline/Passenger Train Beverage Tax	\$0.05 per serving of an alcoholic beverage
Attorney Occupation Tax	\$200 per year on each attorney
Bedding Stamp	Rate not to exceed \$15.00 per 500 stamps, as set by the Texas Department of Health; one stamp must be affixed to the tag on each piece of bedding manufactured, renovated, sold, or leased in the state
Beer Tax	\$6.00 per 31-gallon barrel
Bingo Rental Tax	3 percent of the gross rental of premises for the conduct of bingo games by a licensed, authorized commercial lessor or licensee
Boat and Boat Motor Sales and Use Tax	6.25 percent of the total consideration on every retail sale of a taxable boat or boat motor; \$15 tax for each boat or boat motor brought into the State
Boxing Gross Receipts Tax	3 percent on the gross receipts from boxing admissions
Cement Production Tax	\$0.0275 per 100 pounds on first intrastate distribution, sale, or use of cement
Cigar and Tobacco Products Tax	\$1.00 per 1,000 cigars weighing 3 pounds or less per thousand; \$7.50 per 1,000 cigars weighing more than 3 pounds per thousand with a factory list price of not more than 3.3 cents each; \$11.00 per 1,000 cigars weighing more than 3 pounds per thousand with a factory list price of more than 3.3 cents each and containing no substantial amounts of non-tobacco ingredients; \$15.00 per 1,000 cigars weighing more than 3 pounds per thousand with a factory list price of more than 3.3 cents each and containing substantial amounts of non-tobacco ingredients; 35.213 percent of the manufacturer's list price for chewing, pipe, or smoking tobacco and snuff
Cigarette Tax	\$20.50 per 1,000 weighing 3 pounds or less (41 cents per pack of 20); \$22.60 per 1,000 weighing more than 3 pounds (45.2 cents per pack of 20)
Coin-Operated Machine Tax	\$60 per coin-operated amusement machine per year
Controlled Substance Tax	\$200 for each gram of a controlled substance; \$3.50 for each gram of marihuana; \$2,000 for each 50 dosages of a controlled substance not sold by weight
Diesel Fuel Tax	\$0.20 per gallon (eligible transit companies qualify for a refund of \$0.005 per gallon)
Fireworks Tax	2 percent on the retail sale of fireworks
Franchise Tax	Domestic and foreign corporations, banks, savings & loans, and limited liability companies, unless otherwise provided for, pay: 0.25 percent on taxable capital, plus the amount, if any, by which a tax of 4.5 percent on earned surplus exceeds the tax on capital

Table 1 (continued)
Tax Rates and Bases for Texas State Taxes
Fiscal 2004

<u>Tax</u>	<u>Rate and Base</u>
Gas, Electric & Water Utility Tax	Cities with population over 1,000 to 2,499 — 0.581 percent of gross receipts; Cities with population 2,500 to 9,999 — 1.070 percent of gross receipts; Cities with population over 9,999 — 1.997 percent of gross receipts
Gas Utility Pipeline Tax	One half of 1 percent of gross income (gross receipts less the cost of gas sold) of gas utilities
Gasoline Tax	\$0.20 per gallon (eligible transit companies qualify for a refund of \$0.01 per gallon)
Hotel Occupancy Tax	6 percent of the room rate paid by occupant
Inheritance Tax	Tax equivalent to 25 percent of the federal state death tax credit for deaths occurring in calendar year 2004; State tax is eliminated for deaths after December 31, 2004
Insurance Maintenance Taxes	Various rates set annually by the Texas Department of Insurance and the Texas Worker's Compensation Commission, not to exceed legislative caps, on correctly reported gross premiums or HMO certificates for the preceding calendar year
Insurance Premium Tax (Accident and Health Insurance)	1.75 percent of gross premiums
Insurance Premium Tax (Life Insurance and Health Maintenance Organizations)	0.875 percent of the first \$450,000 in gross life premiums or HMO gross receipts, and 1.75 percent of gross life premiums or HMO receipts in excess of \$450,000
Insurance Premium Tax (Property and Casualty Insurance)	1.6 percent of gross premiums
Insurance Premium Tax (Title Insurance)	1.35 percent of gross premiums
Insurance Premium Tax (Unauthorized, Independently Procured, and Surplus Lines)	4.85 percent of gross premiums
Liquefied Gas Tax	\$0.15 cents per gallon
Liquor Tax	\$2.40 per gallon
Malt Liquor (Ale) Tax	\$0.198 cents per gallon
Manufactured Housing Sales and Use Tax	5 percent of 65 percent of the manufacturer's selling price
Mixed Beverage Tax	14 percent of the gross receipts
Motor Vehicle Rental Tax	10 percent of the gross receipts on rentals of 30 days or less; 6.25 percent on rentals of 31 to 180 days

Sources of Revenue Growth

Table 1 (continued)
Tax Rates and Bases for Texas State Taxes
Fiscal 2004

<u>Tax</u>	<u>Rate and Base</u>
Motor Vehicle Sales and Use Tax	6.25 percent of vehicle sales price, less the value of the trade-in
Motor Vehicle Sales and Use Tax— Seller-Financed Motor Vehicles	6.25 percent of seller's receipts
Natural Gas Tax	7.5 percent of value of natural gas and casinghead gas produced and saved in the state; condensate is taxed at crude oil rate of 4.6 percent and included in natural gas tax revenues
Oil Production Tax	4.6 percent of the market value of oil produced in the state
Oil Regulation Tax	3/16 of one cent per barrel of crude oil produced in the state
Oil Well Service Tax	2.42 percent of the gross receipts for specific services to oil and gas wells
Public Utility Gross Receipts Assessment	One-sixth of 1 percent of gross receipts
Sales and Use Tax	6.25 percent of purchase price on taxable tangible personal property and certain services
Sulphur Production Tax	\$1.03 per long ton or fractional part
Wine Tax	\$0.204 per gallon for alcoholic volume not over 14 percent; \$0.408 per gallon for alcoholic volume over 14 percent; \$0.516 per gallon for sparkling wine

Taxes Repealed or Abolished Since 1972

<u>Tax</u>	<u>Year Repealed</u>
Express Company Tax	1976
State Ad Valorem Tax	1982
Occupation Tax on Pistol Dealers	1983
Occupation Tax on Billiard Table Owners or Operators	1983
Occupation Tax on Quotation Services	1983
Occupation Tax on Ship Brokers	1983
Occupation Tax on Brokers and Factors	1983
Car Company Tax	1985
Telegraph Tax	1985
Telephone Company Tax	1988
Bingo Tax—State	1993
Interstate Motor Carrier Sales and Use Tax	1997

Source: Carole Keeton Strayhorn, Texas Comptroller.

Table 2
Legislative Sessions and Associated
Major Tax, Fee, and Revenue-Related Bills, 1971-2004

Year	Session/Bill Number	Effect	Session Dates
1971	62nd Legislature, Regular Session		Jan. 12—May 31, 1971
	62nd Legislature, 1st Called Session		June 1—June 4, 1971
1972	62nd Legislature, 2nd Called Session		Mar. 28—Mar. 30, 1972
	62nd Legislature, 3rd Called Session		June 14—July 7, 1972
	62nd Legislature, 4th Called Session		Sep. 18—Oct. 17, 1972
1973	63rd Legislature, Regular Session		Jan. 9—May 28, 1973
	63rd Legislature, 1st Called Session		Dec. 18—Dec. 20, 1973
1975	64th Legislature, Regular Session		Jan. 14—June 2, 1975
	HB 546	Express Company tax abolished; Cigar tax reduced; Franchise tax base reduced and surtax eliminated	
	HB 819	Public Utility Gross Receipts assessment enacted	
	SB 28	Insurance Maintenance tax (Prepaid Legal Services) enacted	
	SB 180	Insurance Maintenance tax (HMOs) enacted	
1977	65th Legislature, Regular Session		Jan. 11—May 30, 1977
	HB 1484	Cigar tax reduced	
	HB 1537	Motor Vehicle Certificate of Title fees increased	
	SB 1302	Motor Vehicle Inspection fee increased	
	65th Legislature, 1st Called Session		July 11—July 21, 1977
1978	65th Legislature, 2nd Called Session		July 10—Aug. 8, 1978
	HB 1	Sales and Use and Inheritance tax relief	
	HJR 1	State Property tax relief	
1979	66th Legislature, Regular Session		Jan. 9—May 28, 1979
	HB 726	Air Pollution Control fees enacted	
	HB 1297	Insurance Maintenance tax (Aircraft) enacted	
	SB 43	Motor Vehicle Inspection fee increased	
	SB 747	Insurance Maintenance tax (HMOs) removed	
1981	67th Legislature, Regular Session		Jan. 13—June 1, 1981
	HB 325	Inheritance tax relief	
	HB 903	Manufactured Housing Sales and Use tax separated from Motor Vehicle Sales and Use tax	
	HB 917	Interstate Motor Carrier tax separated from Motor Vehicle Sales and Use tax	
	HB 1708	Diesel Fuel and Gasoline tax rate reduction for certain transit companies	
	HB 2014	Insurance Premium tax simplification	

Sources of Revenue Growth

Table 2 (continued)
Legislative Sessions and Associated
Major Tax, Fee, and Revenue-Related Bills, 1971-2004

Year	Session/Bill Number	Effect	Session Dates
	67th Legislature, 1st Called Session		July 13—Aug. 11, 1981
1982	67th Legislature, 2nd Called Session		May 24—May 28, 1982
	HJR 1	State Property tax abolished	
	67th Legislature, 3rd Called Session		Sep. 7—Sep. 9, 1982
1983	68th Legislature, Regular Session		Jan. 11—May 30, 1983
	HB 1122	Occupation taxes on Pistol Dealers, Quotation Services, Billiard Table Owners or Operators, Ship Brokers, and Brokers & Factors abolished	
	HB 2108	Cigarette tax speed-up	
	SB 288	Motor Vehicle Certificate of Title and Driver License fees increased	
	SB 444	Motor Vehicle Inspection fee increased	
	SB 713	Motor Vehicle Sales and Use tax speed-up	
	SB 985	Sales and Use tax speed-up	
	SB 986	Public Utility Gross Receipts assessment speed-up	
	SB 987	Insurance Premium tax speed-up	
	SB 988	Oil Production, Natural Gas, and Motor Fuels tax speed-up	
	68th Legislature, 1st Called Session		June 22—June 25, 1983
1984	68th Legislature, 2nd Called Session		June 4—July 3, 1984
	HB 122	Omnibus tax bill: Sales and Use, Motor Vehicle Sales and Use, Motor Fuels, Hotel Occupancy, Cigarette and Tobacco, Alcoholic Beverage, and Franchise taxes increased; Sales and Use tax base broadened; Insurance Premium tax prepayment schedule adopted; Motor Vehicle Registration fees increased; Higher Education tuition fees increased for non-resident and foreign students; other measures	
1985	69th Legislature, Regular Session		Jan. 8—May 27, 1985
	HB 1132	Airline Beverage tax extended to passenger trains	
	HB 1593	Omnibus tuition and fee bill: Higher Education tuition fees and other fees increased	
	HB 1949	Sales and Use tax expanded to include telephone communication services (from Telephone Company tax); Telegraph tax repealed	
	HB 2359	Waste Disposal Facilities, Generators & Transporters fees enacted	
	SB 237	Car Company tax repealed	
	69th Legislature, 1st Called Session		May 28—May 30, 1985
1986	69th Legislature, 2nd Called Session		Aug. 6—Sep. 4, 1986
	69th Legislature, 3rd Called Session		Sep. 8—Sep. 30, 1986
	HB 79	Sales and Use and Motor Fuels taxes increased (temporary)	
1987	70th Legislature, Regular Session		Jan. 13—June 1, 1987
	HB 1123	Airline/Passenger Train Beverage tax extended to limousines	
	HB 1610	Motor Vehicle Inspection fee increased	

Table 2 (continued)
Legislative Sessions and Associated
Major Tax, Fee, and Revenue-Related Bills, 1971-2004

Year	Session/Bill Number	Effect	Session Dates
	HB 2022	Insurance Maintenance tax (Life, Accident & Health) enacted; Insurance Maintenance tax (HMOs) reenacted	
	SB 229	Public Utility Gross Receipts assessment base expanded	
	SB 873	Insurance Premium tax (title) separated from Insurance Premium tax (property & casualty)	
	70th Legislature, 1st Called Session		June 2—June 3, 1987
	SB 2	Office of Public Insurance Counsel (OPIC) assessment enacted	
	70th Legislature, 2nd Called Session		June 22—July 20, 1987
	HB 61	Omnibus tax bill: Sales and Use, Motor Vehicle Sales and Use, Hotel Occupancy, and Cigarette and Tobacco taxes increased; Sales and Use tax base broadened; Insurance Premium tax (Administrative Services) enacted; Franchise and Insurance Premium surtaxes enacted (temporary); Professional fees increased (temporary); Attorney Licensure tax (temporary) enacted; Telephone Company tax repealed; other measures	
	HB 62	Motor Fuels tax increase (temporary) made permanent	
	HB 170	Insurance Maintenance tax (Third Party Administrators) enacted	
1989	71st Legislature, Regular Session		Jan. 10—May 29, 1989
	HB 24	Controlled Substance tax enacted	
	HB 112	Sales and Use tax exemption for machinery and equipment speed-up	
	HB 174	Public Utility Gross Receipts assessment base expanded	
	HB 428	Oil Production tax cut for certain Enhanced Oil Recovery (EOR) production	
	HB 1306	Franchise tax fix	
	HB 1421	Insurance Premium tax (Property & Casualty) fix	
	HB 1494	Motor Vehicle Inspection fee increased	
	HB 1935	Motor Vehicle Driver License fee increased	
	HB 1954	Insurance Premium tax (Life, Accident & Health) fix	
	HB 2619	Cigarette tax speed-up	
	HB 2954	Gas Utility Pipeline tax fix	
	SB 963	Natural Gas tax exemption for high-cost gas	
	SB 1573	Taxes paid under protest deposited into General Revenue	
	71st Legislature, 1st Called Session		June 20—July 19, 1989
	HB 40	Oil Production tax cut for EOR projects accelerated	
	71st Legislature, 2nd Called Session		Nov. 14—Dec. 12, 1989
	SB 1	Insurance Maintenance tax (Research and Oversight Council on Workers' Compensation) enacted	
1990	71st Legislature, 3rd Called Session		Feb. 27—Mar. 28, 1990
	71st Legislature, 4th Called Session		Apr. 2—May 1, 1990
	71st Legislature, 5th Called Session		May 2—May 30, 1990

Sources of Revenue Growth

Table 2 (continued)
Legislative Sessions and Associated
Major Tax, Fee, and Revenue-Related Bills, 1971-2004

Year	Session/Bill Number	Effect	Session Dates
	71st Legislature, 6th Called Session		June 4—June 7, 1990
	HB 4	Motor Vehicle Driver License fees increased	
	HB 5	Transportation fees increased	
	HB 6	Sales and Use, Cigarette and Tobacco, and Mixed Beverage taxes increased	
1991	72nd Legislature, Regular Session		Jan. 8—May 27, 1991
	HB 2	Insurance Premium tax credits reduced; OPIC assessment expanded to life, accident & health insurance	
	HB 278	Franchise tax expanded to include limited liability companies	
	HB 640	Automobile Theft Prevention Authority fee enacted	
	HB 651	Hotel Occupancy tax exemptions tightened	
	HB 1986	Battery Sales fee enacted	
	SB 14	Coastal Protection fee enacted	
	SB 1105	Oil Production tax rate cut for EOR projects	
	72nd Legislature, 1st Called Session		July 15—Aug. 13, 1991
	HB 11	Omnibus tax bill: Sales and Use tax base broadened; Motor Vehicle Sales and Use and Rental taxes increased; Bingo Gross Receipts tax increased; Franchise tax revamped; Boat and Boat Motor Sales and Use tax separated from Sales and Use tax; Attorney Occupation tax, Bingo Rental tax, and Bingo Prize fee enacted; Professional, Court Cost, General Business Filing, and other fees increased	
	HB 54	State Lottery enacted	
	SB 2	Motor Vehicle Inspection fee increased	
	SB 3	Fiscal Management reform; Motor Vehicle Certificate of Title fee increased	
	72nd Legislature, 2nd Called Session		Aug. 19—Aug. 25, 1991
	HB 62	Insurance Maintenance tax surcharge (Workers' Compensation Insurance Fund) enacted	
1992	72nd Legislature, 3rd Called Session		Jan. 2—Jan. 8, 1992
	72nd Legislature, 4th Called Session		Nov. 10—Dec. 3, 1992
1993	73rd Legislature, Regular Session		Jan. 12—May 31, 1993
	HB 563	Manufactured Housing Sales and Use tax tightened	
	HB 958	Insurance Premium tax (Surplus Lines) rate increased	
	HB 995	Motor Vehicle Sales and Use tax—Seller-Financed	
		Motor Vehicles moved out of Motor Vehicle Sales and Use tax	
	HB 1445	Airline/Passenger Train Beverage tax base narrowed	
	HB 1461	Insurance Premium tax speed-up and transfer of administration	
	HB 1718	Franchise tax credit created for wages paid to certain inmates and former inmates	
	HB 1970	Boat and Boat Motor Sales and Use tax base tightened	
	HB 1974	Oil Production and Natural Gas tax credits for new field discovery wells	
	HB 1975	Oil Production and Natural Gas tax exemptions for three-year inactive wells	
	HB 2723	Oil Production tax cut and Natural Gas tax exemption for co-production high-cost gas projects	
	HB 2771	Bingo Gross Receipts tax abolished; Bingo Prize fee increased	

Table 2 (continued)
Legislative Sessions and Associated
Major Tax, Fee, and Revenue-Related Bills, 1971-2004

Year	Session/Bill Number	Effect	Session Dates
	SB 82	Sales and Use, Franchise, and Hotel Occupancy tax speed-ups; general tax refund for certain wages paid to individuals receiving state assistance	
	SB 83	Public Utility Gross Receipts assessment speed-up	
	SB 466	Oil Production tax cut for certain EOR projects	
	SB 926	Motor Vehicle Inspection fee increased	
1995	74th Legislature, Regular Session		Jan. 10—May 29, 1995
	HB 327	Franchise tax credit for certain wages paid to juveniles committed to the Texas Youth Commission	
	HB 398	Natural Gas tax high-cost gas program extended and modified to provide a rate reduction for high-cost gas	
	HB 462	Sales and Use tax extended to inmate purchases	
	HB 1089	Insurance Maintenance tax (Workers' Compensation Commission) base expanded	
	HB 2065	Sales and Use tax refund for certain equipment or machinery sales related to enterprise zone projects	
	HB 2128	Public Utility Gross receipts assessment speed-up extended; Telecommunications Infrastructure Fund assessment enacted	
	HB 2129	Hotel Occupancy tax base expanded	
	SB 3	Interstate Motor Carrier tax repealed (effective 9/1/97)	
	SB 60	Concealed Handgun fees enacted	
	SB 345	Franchise and Sales and Use tax refunds for school district taxes paid for certain property	
1997	75th Legislature, Regular Session		Jan. 14—June 2, 1997
	HB 4	School District Property tax homestead exemption increased to \$15,000 from \$5,000	
	HB 966	Boat and Boat Motor Sales and Use tax base expanded	
	HB 1200	Motor Vehicle Driver License term extended and fee increased	
	HB 1387	Automobile Theft Prevention Authority fee speed-up	
	HB 1855	Sales and Use tax exemption for manufacturing property clarified	
	SB 126	Oil Production and Natural Gas tax exemption for two-year inactive wells	
	SB 226	Sales and Use tax refunds for certain expenditures related to defense economic readjustment zones	
	SB 249	Telecommunications Infrastructure Fund assessment set at a fixed rate	
	SB 385	OPIC assessment rate increased for Life, Accident & Health insurance	
	SB 582	Oil Production tax EOR exemption application period extended	
	SB 862	Natural Gas tax high-cost exemption certification process eased	
	SB 1440	Oil Production and Natural Gas tax cut for incremental production from improved oil wells; Natural Gas tax exemption for certain vented casinghead gas	
1999	76th Legislature, Regular Session		Jan. 12—May 31, 1999
	HB 1014	Hotel Occupancy tax exemption for institutions of higher education tightened	
	HB 1837	Insurance Premium tax (Property & Casualty; Title) rate schedules changed to flat rates	
	HB 2615	Natural Gas tax two-year inactive well exemption and high-cost gas rate reduction programs extended	
	HB 2816	Petroleum Product Delivery fee rates reduced	
	HB 3159	Diesel Fuel tax exemption for commercial passenger vehicles operating on fixed routes	
	HB 3697	Insurance Maintenance tax surcharge (Workers' Compensation Insurance Fund) and tax credit repealed	

Sources of Revenue Growth

Table 2 (continued)
Legislative Sessions and Associated
Major Tax, Fee, and Revenue-Related Bills, 1971-2004

Year	Session/Bill Number	Effect	Session Dates
	SB 4	School District Property tax relief	
	SB 7	System Benefit Fund fee enacted	
	SB 290	Oil Production and Natural Gas tax exemption (temporary) for certain wells under certain market conditions	
	SB 329	Oil Production, Natural Gas, Diesel Fuel, and Gasoline prepayment/payment speed-up eliminated	
	SB 441	Sales and Use tax clothing holiday and exemptions for over-the-counter drugs and Internet access enacted; Franchise tax exemption for certain small businesses enacted and various credits created	
	SB 530	Insurance Premium tax (Life, Accident & Health) exemption for employee coverage at certain public hospitals	
	SB 977	Sales and Use and Motor Vehicle Sales and Use tax exemption for certain items used in timber production	
2001	77th Legislature, Regular Session		Jan. 9—May 28, 2001
	HB 1200	Local-Option School District Property tax relief for corporations creating new jobs and making certain investments	
	HB 2604	Volunteer Fire Department Assistance Fund assessment enacted	
	HB 2687	Petroleum Product Delivery fee reinstated	
	HB 3667	Fireworks tax enacted	
	SB 2	Omnibus water bill: Sales and Use tax exemptions for certain water-supply and sewer-service corporations and for certain water and waste-water equipment	
	SB 5	Omnibus air quality bill: Special fee for truck trailers and commercial vehicles, commercial motor vehicle inspection fee, surcharge on new or used diesel construction equipment, and special fee on certain vintage on-road diesel motor vehicles enacted; registration fee on vehicles registering in-state for the first time increased; and Diesel Fuel tax exemption for certain components of the final product	
	SB 63	Franchise tax credit for wages paid to persons with certain disabilities	
	SB 601	Insurance Premium tax credit for certain investments in certified capital companies (to be implemented only upon the Comptroller's certification of available revenues)	
	SB 1839	Nursing Home Stabilization Reserve Fund Bond Debt Service Maintenance tax surcharge enacted	
2003	78th Legislature, Regular Session		Jan. 14—June 2, 2003
	HB 1365	Omnibus air quality bill: Off-road heavy-duty diesel Sales and Use tax surcharge increased and broadened; large on-road diesel Motor Vehicle Sales and Use tax surcharge extended; Motor Vehicle Certificate of Title renewal fees increased	
	HB 2292	Insurance Premium and Maintenance tax bases broadened to include Certain CHIPs and Medicaid premiums and revenues	
	HB 2424	Natural Gas tax high-cost gas program made permanent; Oil Production tax EOR program made permanent	
	HB 2425	Natural Gas tax high-cost gas program filing requirements tightened; Insurance Premium tax credit for certain investments in certified capital companies program re-enacted; various Sales and Use tax administration issues clarified	
	HB 3459	Telecommunications Infrastructure Fund assessment extended	

Table 2 (continued)
Legislative Sessions and Associated
Major Tax, Fee, and Revenue-Related Bills, 1971-2004

Year	Session/Bill Number	Effect	Session Dates
2003	78th Legislature, 1st Called Session		June 30—July 28, 2003
2003	78th Legislature, 2nd Called Session		July 28—Aug. 26, 2003
2003	78th Legislature, 3rd Called Session HB 27	Insurance Maintenance tax (Research and Oversight Council on Workers' Compensation) transferred to Texas Department of Insurance	Sep. 15—Oct. 12, 2003
2004	78th Legislature, 4th Called Session		Apr. 20—May 17, 2004
2005	79th Legislature, Regular Session		Jan. 11—May 30, 2005

Source: Carole Keeton Strayhorn, Texas Comptroller.

Sources of Revenue Growth

Table 3
Sources of State Tax Revenue Growth (1972-2003)
 (Amounts in Thousands of Current Dollars)

Fiscal Year	Base	Percent Change	Legislative Sessions										Total	Percent Change	Percent Inflation			
			62nd-67th	68th/69th	70th	71st	72nd	73rd	74th	75th	76th	77th				78th	Other	
1972	\$2,341,202	0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,341,202	-	-
1973	2,595,831	10.9	(12,988)	0	0	0	0	0	0	0	0	0	0	0	0	2,582,833	10.3	5.6
1974	3,056,515	17.7	(29,889)	0	0	0	0	0	0	0	0	0	0	0	0	3,026,626	17.2	9.0
1975	3,423,667	12.0	(56,126)	0	0	0	0	0	0	0	0	0	0	0	0	3,367,541	11.3	9.3
1976	3,959,661	15.7	(45,834)	0	0	0	0	0	0	0	0	0	0	0	0	3,913,827	16.2	5.7
1977	4,483,019	13.2	(63,137)	0	0	0	0	0	0	0	0	0	0	0	0	4,419,882	12.9	6.4
1978	5,097,504	13.7	(65,230)	0	0	0	0	0	0	0	0	0	0	0	0	5,032,274	13.9	7.1
1979	5,576,908	9.4	(186,595)	0	0	0	0	0	0	0	0	0	0	0	0	5,390,313	7.1	8.3
1980	6,580,984	18.0	(237,199)	0	0	0	0	0	0	0	0	0	0	0	0	6,343,785	17.7	9.2
1981	8,047,349	22.3	(305,316)	0	0	0	0	0	0	0	0	0	0	0	0	7,742,033	22.0	9.3
1982	9,010,348	12.0	(360,322)	0	0	0	0	0	0	0	0	0	0	0	0	8,650,026	11.7	6.2
1983	8,871,404	-1.5	(395,318)	21,731	0	0	0	0	0	0	0	0	0	0	0	8,497,817	-1.8	3.9
1984	9,430,284	6.3	(432,208)	304,313	0	0	0	0	0	0	0	0	0	0	3,450	9,305,839	9.5	3.7
1985	9,719,896	3.1	(466,726)	1,350,051	0	0	0	0	0	0	0	0	0	0	117,987	10,721,208	15.2	3.2
1986	9,181,928	-5.5	(438,934)	1,273,763	0	0	0	0	0	0	0	0	0	0	214,913	10,231,670	-4.6	2.2
1987	8,189,821	-10.8	(440,122)	2,134,394	0	0	0	0	0	0	0	0	0	0	382,070	10,266,163	0.3	3.0
1988	8,333,707	1.8	(447,796)	1,320,877	2,890,737	0	0	0	0	0	0	0	0	0	267,094	12,364,619	20.4	3.4
1989	8,500,664	2.0	(459,556)	1,303,445	3,241,620	74,980	0	0	0	0	0	0	0	0	244,788	12,905,941	4.4	3.8
1990	9,021,335	6.1	(472,790)	1,273,748	3,347,122	193,781	0	0	0	0	0	0	0	0	269,444	13,632,640	5.6	3.9
1991	9,611,659	6.5	(486,857)	1,406,698	3,546,626	697,333	3,526	0	0	0	0	0	0	0	143,129	14,922,114	9.5	3.6
1992	9,677,124	0.7	(458,120)	1,439,913	3,636,897	578,453	921,253	0	0	0	0	0	0	0	53,395	15,848,915	6.2	2.4
1993	10,155,353	4.9	(521,458)	1,624,699	3,736,459	617,446	1,318,924	0	0	0	0	0	0	0	79,314	17,010,737	7.3	2.4
1994	10,900,199	7.3	(491,436)	1,535,123	4,209,068	526,414	1,097,567	196,972	0	0	0	0	0	0	132,044	18,105,951	6.4	2.1
1995	11,364,646	4.3	(496,193)	1,685,234	4,347,736	604,840	1,082,974	106,600	0	0	0	0	0	0	162,954	18,858,790	4.2	2.2
1996	11,851,686	4.3	(502,387)	1,744,465	4,615,773	753,894	1,398,900	(11,469)	22,773	0	0	0	0	0	(111,131)	19,762,504	4.8	1.9
1997	12,715,715	7.3	(537,411)	1,885,644	4,834,753	867,399	1,551,998	(35,919)	40,741	0	0	0	0	0	(135,052)	21,187,868	7.2	2.0
1998	13,674,016	7.5	(518,584)	1,956,174	5,374,107	691,999	1,724,279	(26,343)	(84,204)	1,996	0	0	0	0	(159,420)	22,634,020	6.8	1.2
1999	13,896,174	1.6	(491,687)	2,175,531	5,655,935	782,207	1,801,278	9,286	(66,590)	29,065	0	0	0	0	(157,972)	23,614,611	4.3	1.6
2000	15,316,539	10.2	(632,162)	2,307,172	6,321,579	771,632	1,580,992	3,753	(103,090)	(166,061)	0	0	0	0	(9,726)	25,283,769	7.1	1.9
2001	16,814,069	9.8	(451,318)	2,428,447	6,692,064	813,381	1,544,024	1,854	(238,028)	(8,111)	0	0	0	0	(29,817)	27,230,212	7.7	2.4
2002	15,990,376	-4.9	(553,846)	2,006,795	6,593,386	804,360	1,474,273	11,696	25,627	28,943	0	0	0	0	(225,932)	26,279,146	-3.5	1.1
2003	16,539,352	3.4	(536,395)	2,072,169	6,707,913	610,095	1,296,620	9,251	25,330	3,724	13,663	156,014	0	0	(771,061)	26,126,675	-0.6	1.5

Note: Total tax collections for 1972-1979 differ slightly from *Annual Cash Report* totals due to changes in the classification of the Bedding stamp, Insurance Maintenance taxes, Cigarette & Tobacco permit fees, and various Alcoholic Beverage permit fees.

Source: Carole Keeton Strayhorn, Texas Comptroller.

Table 4
Sources of State Tax Revenue Growth (1972-2003)
(Amounts in Thousands of 1972 Dollars)

Fiscal Year	Base	Percent Change	Legislative Sessions										Other	Total	Percent Change	Texas Pop. Growth(%)		
			62nd-67th	68th/69th	70th	71st	72nd	73rd	74th	75th	76th	77th					78th	
1972	\$2,341,202		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,341,202	-	-
1973	2,457,541	5.0	(12,306)	0	0	0	0	0	0	0	0	0	0	0	0	2,445,236	4.4	2.2
1974	2,655,770	8.1	(25,970)	0	0	0	0	0	0	0	0	0	0	0	0	2,629,800	7.5	2.1
1975	2,720,631	2.4	(44,601)	0	0	0	0	0	0	0	0	0	0	0	0	2,676,030	1.8	2.4
1976	2,977,703	9.4	(34,468)	0	0	0	0	0	0	0	0	0	0	0	0	2,943,235	10.0	2.6
1977	3,167,589	6.4	(44,611)	0	0	0	0	0	0	0	0	0	0	0	0	3,122,977	6.1	2.3
1978	3,362,049	6.1	(43,022)	0	0	0	0	0	0	0	0	0	0	0	0	3,319,026	6.3	2.3
1979	3,395,893	1.0	(113,621)	0	0	0	0	0	0	0	0	0	0	0	0	3,282,271	-1.1	2.8
1980	3,669,432	8.1	(132,258)	0	0	0	0	0	0	0	0	0	0	0	0	3,537,174	7.8	3.2
1981	4,104,316	11.9	(155,718)	0	0	0	0	0	0	0	0	0	0	0	0	3,948,598	11.6	3.0
1982	4,325,674	5.4	(172,983)	0	0	0	0	0	0	0	0	0	0	0	0	4,152,691	5.2	3.7
1983	4,097,566	-5.3	(182,591)	10,037	0	0	0	0	0	0	0	0	0	0	0	3,925,012	-5.5	2.9
1984	4,199,011	2.5	(192,449)	135,501	0	0	0	0	0	0	0	0	0	0	1,536	4,143,599	5.6	1.8
1985	4,195,250	-0.1	(201,446)	582,702	0	0	0	0	0	0	0	0	0	0	50,925	4,627,430	11.7	1.7
1986	3,877,816	-7.6	(185,376)	537,950	0	0	0	0	0	0	0	0	0	0	90,765	4,321,155	-6.6	1.7
1987	3,358,492	-13.4	(180,486)	875,275	0	0	0	0	0	0	0	0	0	0	156,680	4,209,961	-2.6	0.6
1988	3,304,603	-1.6	(177,567)	523,773	1,146,277	0	0	0	0	0	0	0	0	0	105,912	4,902,998	16.5	0.3
1989	3,247,341	-1.7	(175,555)	497,929	1,238,332	28,643	0	0	0	0	0	0	0	0	93,512	4,930,203	0.6	0.8
1990	3,316,407	2.1	(173,806)	468,253	1,230,463	71,237	0	0	0	0	0	0	0	0	99,053	5,011,606	1.7	1.4
1991	3,410,070	2.8	(172,729)	499,075	1,258,289	247,403	1,251	0	0	0	0	0	0	0	50,780	5,294,138	5.6	1.9
1992	3,351,435	-1.7	(158,659)	498,679	1,259,550	200,333	319,053	0	0	0	0	0	0	0	18,492	5,488,884	3.7	2.1
1993	3,434,788	2.5	(176,370)	549,513	1,263,761	208,835	446,092	65,261	0	0	0	0	0	0	26,826	5,753,445	4.8	2.2
1994	3,611,450	5.1	(162,822)	508,616	1,394,547	1,394,547	363,646	196,126	351,166	0	0	0	0	0	43,749	5,998,857	4.3	2.2
1995	3,685,111	2.0	(160,896)	546,456	1,409,801	1,409,801	345,666	196,126	351,166	34,566	0	0	0	0	52,840	6,115,169	1.9	2.1
1996	3,770,021	2.3	(159,809)	554,914	1,468,277	1,468,277	444,990	239,814	444,990	(3,648)	7,244	0	0	0	(35,351)	6,286,453	2.8	2.0
1997	3,967,503	5.2	(167,681)	588,351	1,508,519	1,508,519	484,248	270,642	484,248	(11,207)	12,712	0	0	0	(42,138)	6,610,947	5.2	2.1
1998	4,214,830	6.2	(159,846)	602,964	1,656,496	1,656,496	531,486	213,299	531,486	(8,120)	(25,955)	615	0	0	(49,139)	6,976,630	5.5	2.1
1999	4,214,294	0.0	(149,114)	659,773	1,715,276	1,715,276	546,274	237,220	546,274	2,816	(20,195)	8,815	(5,646)	0	(47,908)	7,161,605	2.7	2.0
2000	4,558,136	8.2	(188,129)	686,604	1,881,274	1,881,274	470,496	229,634	470,496	1,117	(30,679)	(49,419)	(31,801)	0	(2,894)	7,524,340	5.1	1.9
2001	4,888,097	7.2	(131,205)	705,985	1,945,481	1,945,481	448,870	236,462	448,870	539	(69,198)	(2,358)	(97,783)	0	(8,668)	7,916,222	5.2	2.0
2002	4,596,547	-6.0	(159,207)	576,867	1,895,315	1,895,315	423,790	231,219	423,790	3,362	7,367	8,320	(1,536)	37,028	(64,946)	7,554,126	-4.6	1.9
2003	4,682,421	1.9	(151,858)	586,647	1,899,063	1,899,063	367,083	172,723	367,083	2,619	7,171	1,054	3,868	44,169	(218,293)	7,396,667	-2.1	1.9

Source: Carole Keeton Strayhorn, Texas Comptroller.

Sources of Revenue Growth

Figure 1
Sources of State Tax Revenue Growth
(1972-2003)

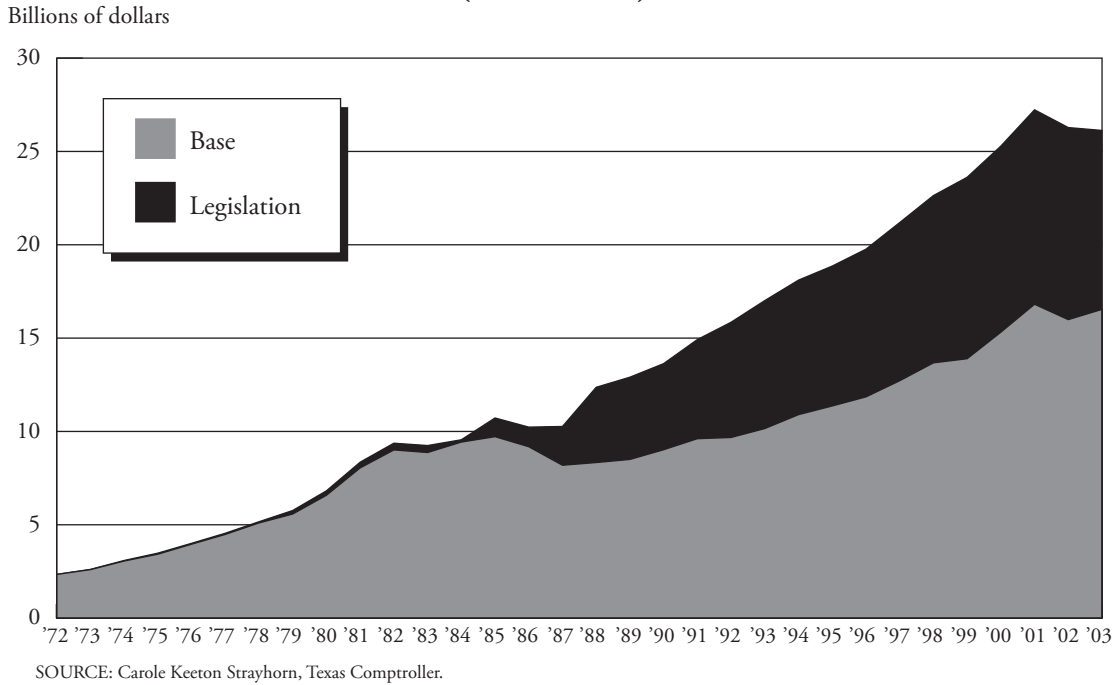
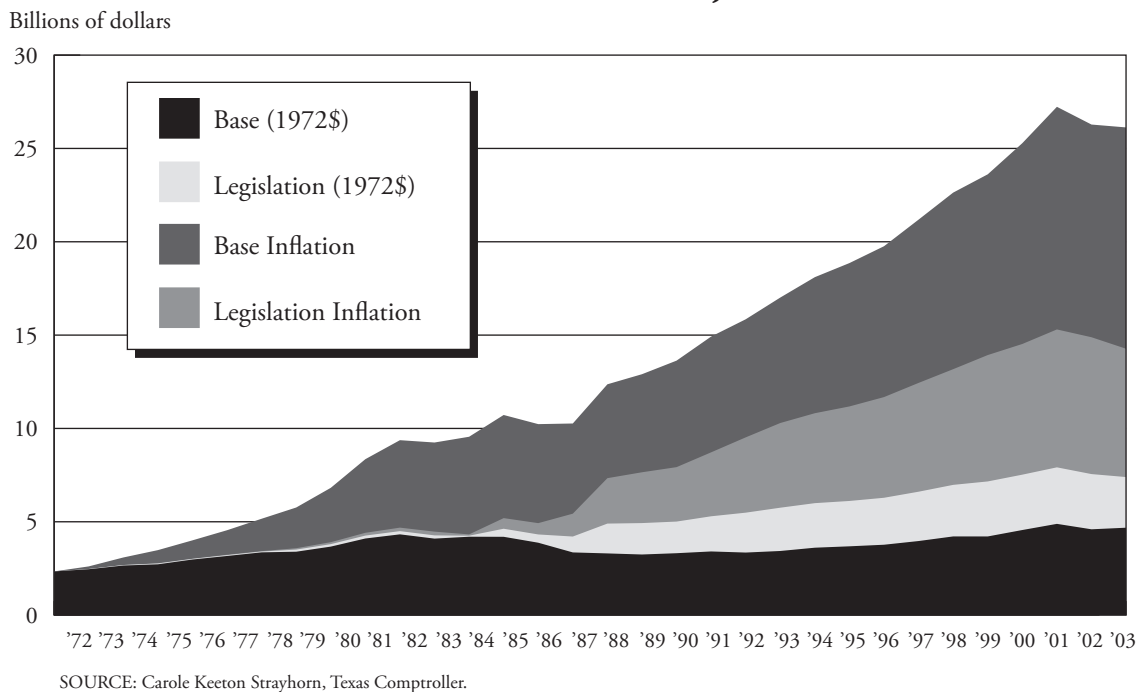


Figure 2
Sources of State Tax Revenue Growth
(1972-2003 Inflation Adjusted)



TEXAS TAXES AND FEES

Texas Taxes

This section discusses the major state taxes currently collected in Texas. A few relatively minor taxes, i.e., the Bedding stamp and the Boxing Gross Receipts tax, are excluded, as are the Administrative Services tax and the Controlled Substances tax, which the courts have held to be in conflict with federal law (the former) or to constitute “double jeopardy” (the latter).

As discussed in the previous section, the universe of goods or services subject to a tax is referred to as its “tax base.” This term should not be confused with the “underlying base,” which refers to the revenues that would have been collected under the tax rate and tax base as they existed under the 1972 Tax Code.

Sales and Use Taxes

Since 1967, the Sales and Use tax has reigned as the state’s single largest source of tax revenue. In 1972, it accounted for 35 percent of total tax collections; for 2004 its share exceeded 54 percent. (See Figures 3 and 4.) In 1972, Texas’ Sales and Use tax rate equaled 4 percent, the same as that of 15 other states and the ninth highest rate in the nation. Between 1972 and 2003, the Legislature increased the rate four times (once temporarily, three times permanently) to the point where it now stands at 6.25 percent. (The Boat and Boat Motor Sales and Use tax, which is included in this group, is also 6.25 percent.) Since 1972, the Legislature expanded the Sales and Use tax base three times to cover a much wider range of taxable goods and services. (See Appendix C.) In January 2004, 45 states levied a sales and use tax. Among these, only six states imposed a rate higher than the Texas rate. (See Appendix D-2.)

Sales and Use tax collections totaled \$824 million in 1972; by 2001 they reached \$14.7 billion, a 10.4 percent average annual growth rate for the 29-year period. However, in the wake of the September 11 tragedy, collections fell 1.0 percent to \$14.5 billion in fiscal 2002. A continued economic slowdown caused collections to drop another 1.6

percent to \$14.3 billion in fiscal 2003. The 2002 decline was the first annual decrease in sales tax collections since 1983, when collections fell by 4.5 percent. Despite these declines, the average annual growth rate from 1972 to 2003 was 9.6 percent. The corresponding growth rate for the underlying base—before adjusting for legislative changes—was 7.7 percent.

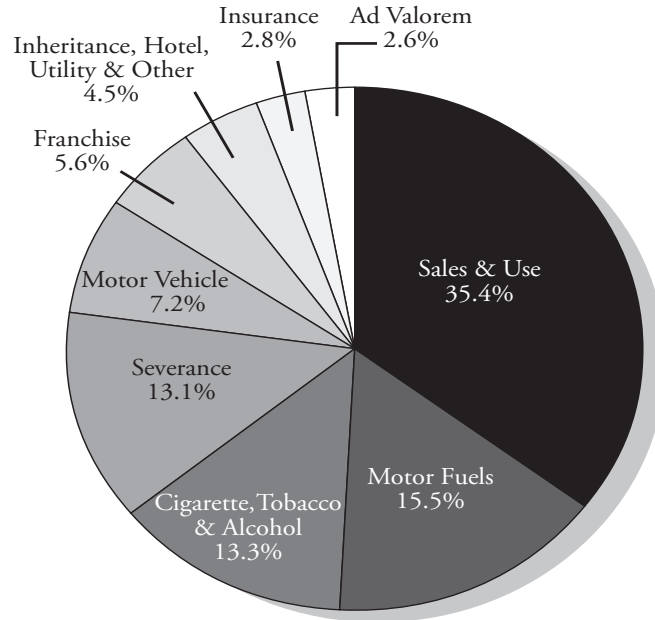
Over the 1972-2003 period, the nominal growth rate has varied considerably. Between 1972 and 1983, when the tax rate remained constant at 4.0 percent, the average annual growth rate exceeded 13 percent. During 1983-92, the average annual percentage increase fell to 11.1 percent, despite the aforementioned base broadening and rate increases; for 1992-2001, the average annual growth rate fell to 6.2 percent, dropping to a negative growth rate of -1.3 percent over 2001-03. One major reason for the declining growth rates is the long-term decline in inflation, which played a major role in driving the increases during the late 1970s. Other reasons would include the growth of non-taxed catalogue and Internet sales, and a changing mix in consumer purchases, shifting from taxable tangible goods (e.g., electronics and clothing), many of which may have shown little change in price, to largely non-taxable services (e.g., health and education), many of which may have shown dramatic price increases, thereby accounting for a larger portion of consumers’ budgets. (See Table 5 and Appendix G.)

Franchise Tax

The Franchise tax is the state’s major business tax. Levied at an effective rate of \$4.25 per \$1,000 of taxable capital in 1972, it produced \$129 million in tax revenues that year. Between 1987 and 1993, Franchise tax revenues suffered losses associated with court decisions and other legal challenges. In an attempt to stabilize the base and spread the tax burden more equitably, the Legislature rewrote the Franchise tax in 1991 and added a new base component—“earned surplus,” defined roughly as federal taxable income plus officer and director compensation. The revamped tax imposed a 4.5 percent tax on earned surplus and reduced the

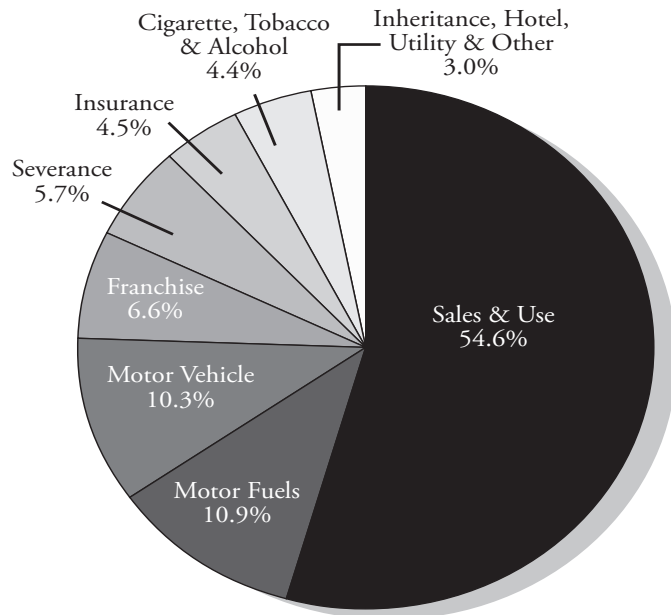
Sources of Revenue Growth

Figure 3
Fiscal 1972 Total State Tax Revenue by Source
\$2.341 Billion



SOURCE: Carole Keeton Strayhorn, Texas Comptroller.

Figure 4
Fiscal 2003 Total State Tax Revenue by Source
\$26.127 Billion



SOURCE: Carole Keeton Strayhorn, Texas Comptroller.

Table 5
State Tax Collections
Average Annual Growth Rates for Selected Periods, Fiscal 1972-2003

Tax	Fiscal 1972 through Fiscal 1983	Fiscal 1983 through Fiscal 1992	Fiscal 1992 through Fiscal 2001	Fiscal 2001 through Fiscal 2003	Fiscal 1972 through Fiscal 2003
Sales Taxes	13.5%	11.1%	6.2 %	(1.3)%	9.6%
Oil Production Taxes	18.0	-8.9	(1.6)	(2.2)	2.6
Natural Gas Tax	22.4	-8.1	13.8	(18.1)	7.5
Motor Fuels Taxes	3.0	16.6	3.9	1.3	6.9
Motor Vehicle Taxes	12.1	8.5	10.1	(3.7)	9.4
Franchise Tax	14.2	7.8	6.7	(6.4)	8.7
Cigarette and Tobacco Taxes	4.0	5.7	0.0	(0.2)	3.0
Alcoholic Beverage Taxes	10.8	4.0	3.8	2.4	6.2
Insurance Taxes	11.1	9.8	5.3	19.4	9.5
Utility Taxes	22.5	-0.3	5.1	(1.6)	8.8
Inheritance Tax	7.6	5.3	9.6	(23.9)	5.2
Hotel Occupancy Tax	15.2	13.6	7.7	(3.9)	11.2
Other Taxes	1.0	-7.9	(2.3)	2.5	-2.5
Total	12.4%	7.2%	6.2 %	(2.0)%	8.1%

Source: Carole Keeton Strayhorn, Texas Comptroller.

basic tax rate to \$2.50 per \$1,000 of taxable capital, down from \$5.25. Taxpayers pay the higher of the tax on each of the two base components. Franchise tax revenues came in at just over \$1.7 billion in 2003, yielding an 8.7 percent average annual increase for the period 1972-2003.

The 1991 legislative overhaul was responsible for some but not all of this growth. During the period 1972-83 (that is, before the tax began to suffer substantial revenue losses because of court-ordered refunds), Franchise tax revenues were growing at a 14.2 percent average annual rate. These gains were subsequently erased in later years; between 1986 and 1991, for example, net revenues declined at an average annual rate of 7.9 percent. Pursuant to the 1991 legislative overhaul, the 1992-2001 period registered an average annual growth rate of 6.7 percent, followed by a negative growth rate of -6.4 percent over 2001-03. (See Table 5 and Appendix G.)

Severance Taxes

Texas imposes two taxes on the production of oil: the Oil Regulation tax, levied at three-sixteenths

of one cent per barrel, and the much larger Oil Production tax, levied at 4.6 percent of the market value. The Oil Production tax has been levied at its current rate since 1951; no other major state tax rate has remained unchanged for so long. Despite the long-term rate stability, tax receipts have exhibited large swings in response to the rise and fall of world oil prices. In 1972 (when the average taxable price was \$3.48 per barrel), Texas collected \$191 million in Oil Production and Oil Regulation taxes. Revenues peaked at \$1.3 billion in 1982, when taxable prices averaged \$32.73 per barrel. Ever since, the story has been one of gradual revenue attrition. In late 1985, increased worldwide production and decreased consumption created an oil glut; by July 1986, taxable prices fell to \$11.36 per barrel.

From 1972 to 1999, Texas production fell by 67 percent; and in 1999, Oil Production and Oil Regulation tax collections totaled only \$211 million—yielding an 11.9 percent average annual decline since 1992. In the spring of 1999, however, prices started climbing again. Production jumped, and tax revenues almost doubled within a year, reaching \$443 million in fiscal 2001. However, as the economy faltered in the wake of 9/11, the price of oil dropped to \$17 by November 2001. Although the price recovered to \$24 by April 2002

Sources of Revenue Growth

in light of geopolitical conflicts in the Middle East and restrained production by OPEC and other major producers, fiscal 2002 tax revenues dropped to \$339 million.

Tax revenues climbed to \$424 million in fiscal 2003 as oil price advanced and surpassed \$34 in February 2003 in anticipation of potential supply disruption as war broke out in Iraq. As a consequence of the up-and-down nature of the market, Oil Production and Oil Regulation tax collections through 2003 have shown only a modest 2.6 percent average annual growth rate since 1972. (See Table 5 and Appendix G.)

The state taxes natural gas production at 7.5 percent of market value, a rate that has remained unchanged since 1969. In 1972, this source generated \$114 million in tax collections. Natural Gas tax revenues have generally followed the trend set by Oil Production tax revenues, albeit with a slight lag. Before 2001, 1985 was the top year for Natural Gas tax collections—\$1.1 billion. These revenues reached their 1980s peak later than Oil Production tax revenues because of the lingering effects of federal price regulation.

As with oil, production declines led to generally declining Natural Gas tax revenues since 1985, but rapidly rising prices in 2000 and 2001 reversed the trend; and, as with oil, the ensuing production increases drove tax collections much higher. In 2001, Natural Gas tax collections approached \$1.6 billion, a 227 percent increase over 1999 collections and 42 percent more than the previous peak. Although revenues fell 61 percent in 2002 due to a 48 percent drop in taxable prices, tax collections rebounded in 2003 to \$1.1 billion, largely propelled by a 71 percent price increase over 2002. In contrast to the relatively flat long-term average annual increase in oil tax revenues, the average annual rate increase for Natural Gas tax collections over 1972-2003 was 7.5 percent—once again, the consequence of the dramatic price increase in 2003. (See Table 5 and Appendix G.)

Motor Fuels Taxes

Motor Fuels taxes consist of the state's consumption taxes on Gasoline, Diesel Fuel, and Liquefied Gas. Since 1972, the Legislature has increased the Gasoline and Diesel Fuel tax rates once temporarily and three times permanently—from 5 cents per gallon (gasoline) and 6.5 cents per gallon (diesel fuel)

to the current rate of 20 cents per gallon (both). Liquefied Gas receives a lower tax rate—15 cents per gallon. In 1972, Texas collected \$356 million in Motor Fuels taxes. In 2003, these revenues reached \$2.8 billion, yielding a 6.9 percent average annual growth rate. Legislative rate increases are responsible for most of the growth: during the period 1983-92, collections rose at an average annual rate of 16.6 percent, compared to the 3.9 percent rate for the period 1992-2001 and 1.3 percent rate for 2001-03. (See Table 5 and Appendix G.) Since 1972, the underlying base has grown at a 2.5 percent average annual rate.

Motor Vehicle Taxes

Motor Vehicle taxes consist of the Motor Vehicle Sales and Use tax, the Motor Vehicle Sales and Use tax—Seller-Financed Motor Vehicles, the Motor Vehicle Rental tax, and the Manufactured Housing Sales and Use tax. The two motor vehicle sales and use taxes account for more than 94 percent of total Motor Vehicle taxes. In 1972, the Motor Vehicle Sales and Use tax rate was 4 percent. Since then, the Legislature has increased the rate three times. In 2001, the 77th Legislature imposed a 2.5 percent surcharge on the sale, lease, or rental of model year 1996 or earlier diesel trucks weighing 14,000 pounds or more. In 2003, the 78th Legislature expanded the surcharge to include 1997 and later models at a rate of 1 percent. The surcharge is dedicated to the Texas Emissions Reduction Plan Fund. As of January 2004, Texas' 6.25 percent rate ranked seventh highest among the states imposing a sales tax (or similar excise or usage fee) on motor vehicles.

The Manufactured Housing Sales tax is levied at 5 percent of 65 percent of the manufacturer's selling price. The Motor Vehicle Rental tax has a two-tier rate structure: 10 percent for rentals of 30 days or less and 6.25 percent for rentals of 31 to 180 days. (Rentals longer than 180 days are classified as leases, and the vehicle lessor is taxed under the Motor Vehicle Sales and Use tax.) The 10 percent rate ranks as the eighth highest among states imposing the tax. Rhode Island's tax rate, at 14.25 percent, is the nation's highest. (See Appendix D-2.)

Motor Vehicle taxes totaled \$167 million in 1972; by 2003, they produced \$2.7 billion. Compared to other major tax groups, this revenue source has

registered fairly steady growth. For the 1972-2003 period, the underlying base grew at a 7.5 percent average annual rate (largely attributable to increases in vehicle purchases and higher prices), and the average overall annual growth rate was 9.4 percent. (See Table 5 and Appendix G.)

Cigarette and Tobacco Taxes

Between 1972 and 1990, the Legislature increased the Cigarette tax rate three times. Since then, however, the rate has remained untouched at 41 cents per pack, making it lower than that of 35 other states (and the District of Columbia) as of January 2004. (See Appendix D-2.) Almost all of the growth in Cigarette tax revenues stems from the past rate increases, because decreasing consumption has gradually eroded the underlying base: during the period 1983-2003, the base decreased at a 1.7 percent average annual rate. Health concerns, price increases, and changing social attitudes have contributed to the decline in consumption.

In 1972, combined Cigarette and Tobacco Products tax collections totaled \$232 million. By 2003, they reached \$583 million—a 3.0 percent average annual growth rate. (See Table 5 and Appendix G.) From 1993 through 2001, overall cigarette and tobacco tax collections fell at an average annual rate of 0.8 percent; and from 2001 through 2003, they fell at an average annual rate of 0.3 percent. The reason for this is that despite an increasing population, per capita consumption has been falling. (For purposes of comparison, it is more appropriate to use 1993 rather than 1992 as a base year because speed-up effects make even-to-odd year growth statistics misleading.)

Alcoholic Beverage Taxes

Alcoholic Beverage taxes in Texas include separate taxes on Liquor, Beer, Wine, Malt Liquor, Mixed Beverages, and Airline/Passenger Train Beverages. In 1972, Alcoholic Beverage tax collections totaled \$88 million, with the Mixed Beverage tax accounting for less than one-fifth. Changes in social acceptance, health concerns, a higher drinking age, and increases in federal excise taxes have decreased per capita consumption for all alcoholic beverages.

Despite collection declines for the Malt Liquor tax

and flat-to-declining collections for the Liquor and Wine taxes, total Alcoholic Beverage tax collections have grown in all but two years since 1972. Collections for 2003 came in at \$568 million, yielding a 6.2 percent average annual growth rate since 1972, but overall growth has been falling. The 1992-2001 period registered a 3.8 percent average annual growth rate; and over 2001-03, the growth rate fell to 2.4 percent. Currently, the Mixed Beverage tax accounts for 71 percent of total Alcoholic Beverage tax collections. (See Table 5 and Appendix G.)

Insurance Taxes

Insurance taxes include the Insurance Premium taxes and various Insurance Maintenance taxes, of which there are more than a dozen. Insurance Premium taxes, which account for the lion's share of Insurance tax collections, apply to most insurance purchased in the state. The taxes are levied on an insurance company's written premiums and vary by type of insurance. The rate for life, accident, and health insurance is 1.75 percent; the rate for property and casualty insurance is 1.6 percent; and the rate for title insurance is 1.35 percent.

Insurance Maintenance taxes are levied on specific lines of insurance for the purpose of recouping the regulatory costs incurred by the Texas Department of Insurance and the Texas Workers' Compensation Commission. The maintenance tax rates, which vary by line of insurance (subject to legislative caps), are set annually by the Texas Department of Insurance and the Texas Workers' Compensation Commission.

During the period 1972-95, Insurance Premium taxes underwent extensive legislative modifications involving rate structure, tax base and available credits. The legislative changes, coupled with premium volume growth, boosted total Insurance tax revenues to \$1,169 million in 2003, from \$70 million in 1972, yielding a 9.5 percent average annual growth rate. In recent years, however, growth rates have turned volatile. Over 1992-2001, a relatively "soft" market, typified by vigorous rate competition, yielded a 5.3 percent average annual growth rate; but between 2001 and 2003, the market "hardened" significantly, as some insurers imposed stricter underwriting criteria and initiated a series of premium hikes. Consequently, the average annual growth rate in tax collections jumped to 19.4 percent for that period. (See Table 5 and Appendix G.)

Sources of Revenue Growth

Inheritance Tax

The Inheritance tax is levied on estates that are required to file a federal estate tax return (pursuant to recent federal tax reform, the federal tax is being phased out over a number of years: for deaths occurring in calendar 2004, it is only applicable to those estates valued greater than \$1.5 million). In the late 1970s, the Legislature revised the laws governing the Inheritance tax to establish a \$200,000 estate exemption that gradually increased to \$300,000 by 1985. Subsequent legislation in 1981 revamped the tax as a “piggy-back” on the federal estate tax. This made it equal to the federal credit allowed for state inheritance taxes.

In 2001, Congress passed H.R. 1836, which will gradually phase-out the federal estate tax by 2010 and the state inheritance tax by 2006. Unless the federal provisions are extended, however, the state and federal taxes would be reinstated in 2011. In 1972, the state received \$39 million in Inheritance taxes. Collections totaled \$187 million in 2003, yielding a 5.2 percent average annual growth rate for the 31-year period. Underlying base growth accounts for all of the gain.

Hotel Occupancy Tax

The Hotel Occupancy tax is levied on room receipts. In 1972, the rate was 3 percent, and collections totaled \$8 million. Two subsequent rate hikes have brought the rate up to the current 6 percent. Collections reached \$228 million in 2003, representing an 11.2 percent average annual increase since 1972. Non-legislative factors contributing to the growth include population gains, business travel, and inflation. The 1992-2001 period registered a 7.7 percent average annual growth rate, but over 2001-03, the average annual growth rate dropped to -3.9 percent, reflecting the economic downturn that started in 2001.

Utility Taxes

Utility taxes consist of the Public Utility Gross Receipts assessment (established by the 64th Legislature in 1975); the Gas, Electric, and Water Utility tax; and the Gas Utility Pipeline tax. The Public Utility Gross Receipts assessment is levied at one-sixth

of 1 percent of gross receipts; and the Gas, Electric, and Water Utility tax rate varies from 0.581 percent of utility revenues to 1.997 percent of revenues, depending upon city population. The Gas Utility Pipeline tax is levied at 0.5 percent of net income.

Utility tax revenues totaled \$24 million in 1972 and reached \$329 million in 2003, an 8.8 percent average annual growth rate. Most of the growth in this revenue source occurred in the 1970s. Between 1972 and 1983, the average annual growth rate equaled 22.5 percent; the 1992-2001 period registered a more modest 5.1 percent average annual growth rate; and in 2001-03, tax revenues declined by an annual average of 1.6 percent. (See Table 5 and Appendix G.)

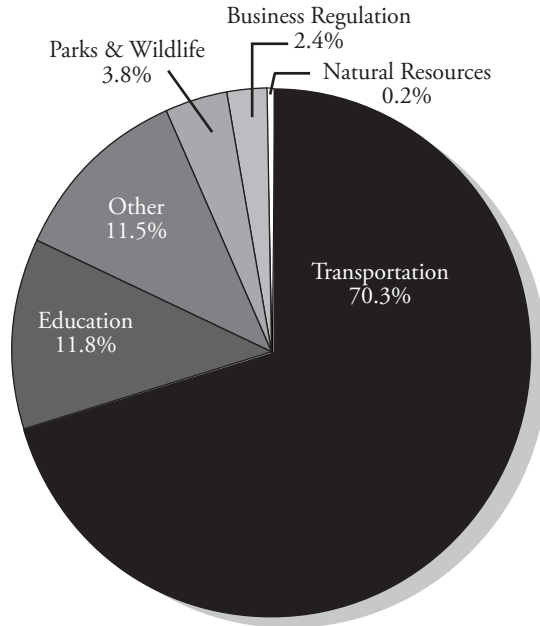
Other Taxes

Other taxes levied in Texas include the Cement Production tax, the Sulphur Production tax, the Bingo Rental tax, the Bedding stamp, the Controlled Substance tax, the Boxing Gross Receipts tax, and the Coin-Operated Machine tax. Revenue from this group totaled \$44 million in 2003, compared to the \$97 million collected in 1972. The long-term decline has occurred in large part because the Legislature repealed several taxes formerly classified in this group, most notably the state Ad Valorem (property) tax. Other taxes that no longer exist include the Telephone Company tax, the Bingo Gross Receipts tax, and several small occupation taxes relating to such diverse enterprises as Pistol Dealers, Car Companies, Stockbrokers, and Express Companies.

Texas Fees

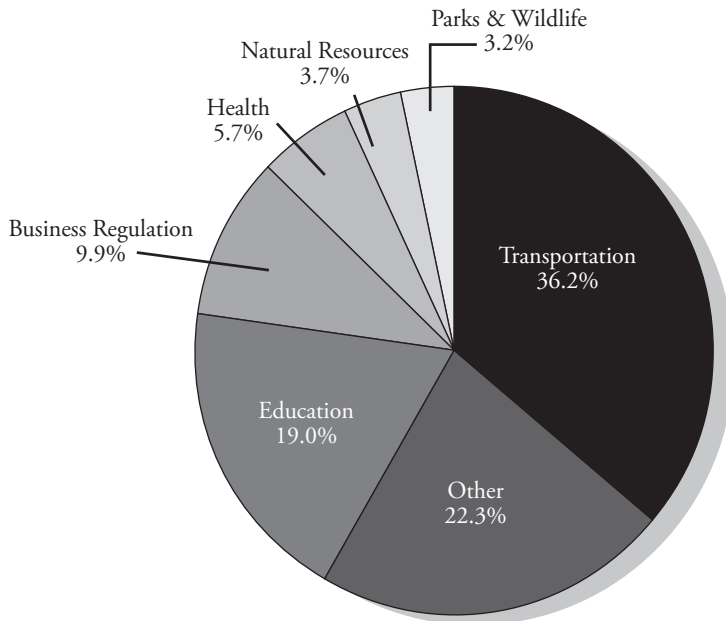
This section reviews the major state fees collected in Texas plus a few “smaller” fees (e.g., the Battery Sales fee and the Concealed Handgun fee) that have a relatively high public profile. Here it should be noted that, of the \$4.8 billion in state revenue classified as fee income in 2003, \$1.1 billion involves “disproportionate share” payments from state and local hospitals. This money serves as a “match” to secure federal funds to help pay for indigent health care at state and local hospitals. As such, these funds are excluded from this section as well as from Tables 6 through 8 and Figures 5

Figure 5
Fiscal 1972 State Fee Revenue by Category
\$277 Million



SOURCE: Carole Keeton Strayhorn, Texas Comptroller.

Figure 6
Fiscal 2003 State Fee Revenue by Category
\$3,554 Million



SOURCE: Carole Keeton Strayhorn, Texas Comptroller.

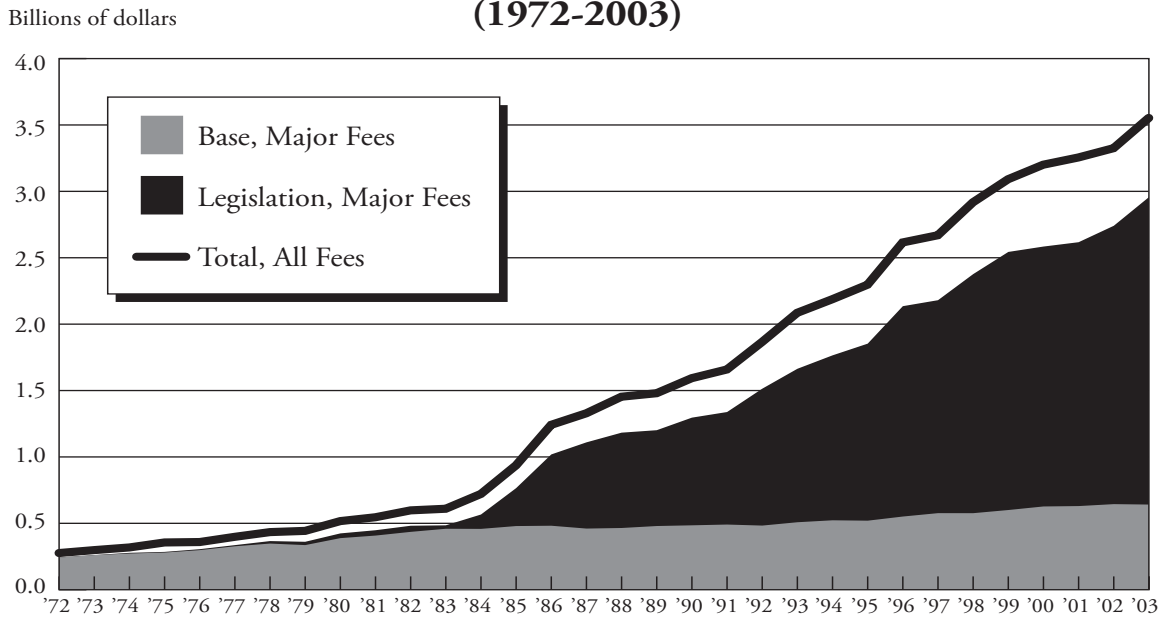
Sources of Revenue Growth

Table 6
State Fees by Receipt Category

Category / Fee	(in thousands) 1972	2003	Average Annual Growth Rate
Transportation			
Motor vehicle registration (including special registrations)	\$165,392	\$834,927	5.4%
Motor vehicle driver license	21,016	95,718	5.0
Motor vehicle inspection	3,579	126,308	12.2
Motor vehicle title certificate	1,476	50,296	12.1
Driver record information	-	50,993	n/a
Petroleum product delivery	-	88,758	n/a
Commercial transportation	305	17,707	14.0
Other transportation	<u>2,723</u>	<u>20,341</u>	6.7
Total	194,186	1,285,048	6.3%
Business Regulation			
General business filing	4,266	52,462	8.4%
Professional (not health-related)	1,684	181,302	16.3
9-1-1 emergency services	-	56,064	n/a
Bingo prize	-	20,189	n/a
Other business regulation	<u>706</u>	<u>42,203</u>	14.1
Total	6,656	352,220	13.7%
Natural Resources			
Water use permits	126	3,453	11.3%
Air pollution control	-	51,878	n/a
Coastal protection	-	26,182	n/a
Waste treatment inspection	-	19,717	n/a
Other natural resources	<u>380</u>	<u>30,887</u>	15.2
Total	506	132,117	19.7%
Parks and Wildlife			
Game, fish, and equipment	6,291	59,808	7.5%
Motorboat registration	1,965	10,691	5.6
State parks	1,787	28,818	9.4
Other parks and wildlife	<u>500</u>	<u>13,048</u>	11.1
Total	10,543	112,365	7.9%
Education			
Higher education tuition	29,984	654,291	10.5%
Other education	<u>3,186</u>	<u>20,168</u>	6.1
Total	33,170	674,459	10.2%
Health			
Professional (health-related)	782	48,732	14.3%
Waste disposal facilities, generators, and transporters	-	58,954	n/a
Health Care Facilities Fees	-	54,178	n/a
Battery sales	-	14,400	n/a
Other health	<u>535</u>	<u>28,145</u>	13.6
Total	1,317	204,409	17.7%
Other			
Court case (misdemeanor and felony)	4,439	111,404	11.8%
Court costs	-	70,479	n/a
Telecommunications utility/commercial mobile service provider assessment	-	205,516	n/a
Liquor permit	5,263	19,299	4.6
Local sales tax state service	-	80,936	n/a
Automobile theft prevention authority and other insurance-related	80	14,246	19.6
System benefit fund/non-bypassable utility fee	-	73,596	n/a
Other	<u>20,768</u>	<u>225,013</u>	8.6
Total	<u>30,550</u>	<u>800,489</u>	11.9%
GRAND TOTAL	<u>\$276,928</u>	<u>\$3,553,720</u>	8.6%

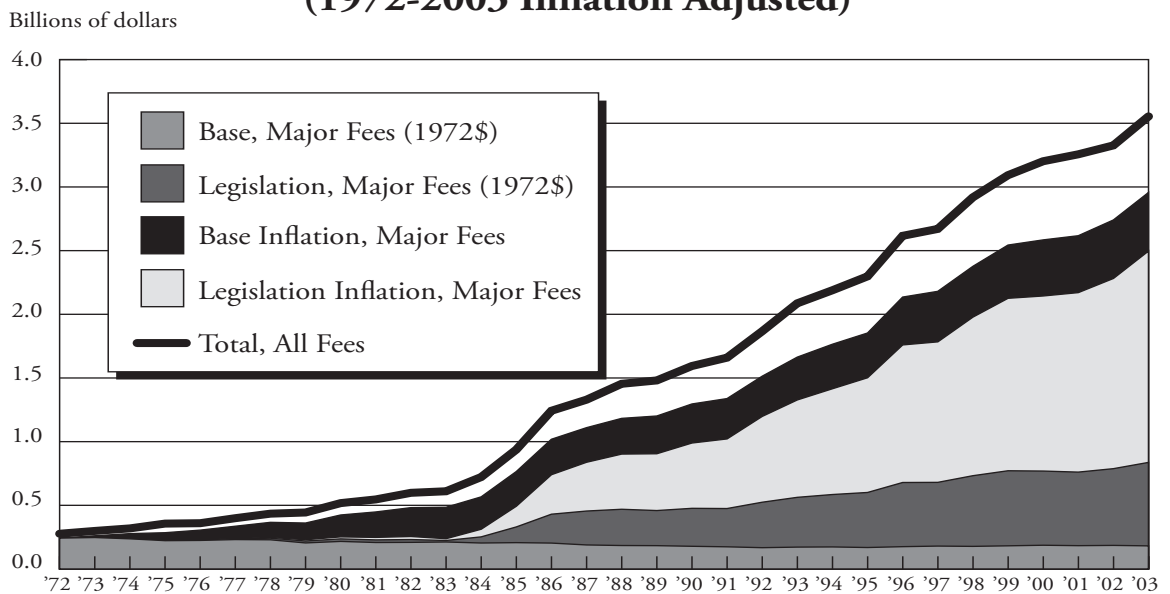
Source: Carole Keeton Strayhorn, Texas Comptroller.

Figure 7
Sources of State Fee Revenue Growth
(1972-2003)



SOURCE: Carole Keeton Strayhorn, Texas Comptroller.

Figure 8
Sources of State Fee Revenue Growth
(1972-2003 Inflation Adjusted)



SOURCE: Carole Keeton Strayhorn, Texas Comptroller.

Sources of Revenue Growth

through 8, which provide the support and detail for the ensuing discussion.

Transportation Fees

Transportation fees consist of those fees related to owning and operating a motor vehicle in Texas— Motor Vehicle Registration fees, Certificate of Title fees, Motor Vehicle Inspection fees, Motor Vehicle Driver License fees, and other miscellaneous fees. Transportation fees also include the Petroleum Product Delivery fee, first assessed in 1990.

Since the inception of state motor vehicle registration fees in the 1920s, transportation fees have generated more fee revenue than any other fee category. In 1972, transportation fees totaled \$194 million and accounted for 70 percent of total state fee collections. By 2003, transportation fee revenues had risen to \$1.3 billion. Although transportation fees still provide the largest source of fee revenue, their share had fallen to 36.2 percent by 2003. Transportation fee revenues registered an average annual growth rate of 6.3 percent over the last 31 years, the slowest growth rate of any state fee category.

Table 7
Sources of Revenue Growth for Major State Fees (1972-2003)
(Amounts in Thousands of Current Dollars)

Fiscal Year	Base	Percent Change	Legislation	Total	Percent Change	Percent Inflation
1972	\$242,548	-	\$0	\$242,548	-	-
1973	260,995	7.6	31	261,026	7.6	5.6
1974	272,679	4.5	5,140	277,819	6.4	9.0
1975	279,996	2.7	4,924	284,920	2.6	9.3
1976	298,286	6.5	7,035	305,321	7.2	5.7
1977	327,121	9.7	8,764	335,885	10.0	6.4
1978	347,611	6.3	18,780	366,391	9.1	7.1
1979	336,051	-3.3	24,937	360,988	-1.5	8.3
1980	388,495	15.6	35,673	424,168	17.5	9.2
1981	407,806	5.0	40,189	447,995	5.6	9.3
1982	435,702	6.8	46,079	481,781	7.5	6.2
1983	459,063	5.4	25,835	484,898	0.6	3.9
1984	458,188	-0.2	108,226	566,414	16.8	3.7
1985	479,485	4.6	285,701	765,185	35.1	3.2
1986	481,908	0.5	536,903	1,018,811	33.1	2.2
1987	460,560	-4.4	649,251	1,109,811	8.9	3.0
1988	464,869	0.9	717,958	1,182,827	6.6	3.4
1989	479,691	3.2	721,680	1,201,372	1.6	3.8
1990	485,050	1.1	810,858	1,295,908	7.9	3.9
1991	490,855	1.2	847,306	1,338,161	3.3	3.6
1992	483,050	-1.6	1,030,734	1,513,785	13.1	2.4
1993	508,188	5.2	1,155,595	1,663,783	9.9	2.4
1994	522,870	2.9	1,242,078	1,764,948	6.1	2.1
1995	519,980	-0.6	1,333,121	1,853,101	5.0	2.2
1996	551,170	6.0	1,584,177	2,135,347	15.2	1.9
1997	576,723	4.6	1,603,643	2,180,366	2.1	2.0
1998	576,399	-0.1	1,800,267	2,376,666	9.0	1.2
1999	600,174	4.1	1,943,660	2,543,834	7.0	1.6
2000	627,041	4.5	1,957,313	2,584,354	1.6	1.9
2001	630,009	0.5	1,987,103	2,617,112	1.3	2.4
2002	644,570	2.3	2,096,146	2,740,716	4.7	1.1
2003	641,339	-0.5	2,314,951	2,956,290	7.9	1.5

Source: Carole Keeton Strayhorn, Texas Comptroller.

Sources of Revenue Growth

Motor Vehicle Registration fees are constitutionally dedicated for acquiring rights-of-way and for constructing, maintaining, and policing public roadways. In 1984, the Legislature increased the rate for the universal registration sticker, which applies to passenger vehicles and light trucks, by \$25 per vehicle over a three-year period beginning in 1985. The fee base also changed: instead of gross weight, the age of the vehicle became the controlling factor. The current rate for the universal registration sticker ranges from \$40.50 to \$58.50. Counties are allowed to impose an additional road and bridge

fee not to exceed \$10, and an optional fee for child safety up to \$1.50.

Motor Vehicle Registration fees totaled \$165 million in 1972; by 2003 they reached \$835 million—a 5.4 percent average annual growth rate. The corresponding growth rate for the underlying base—before adjusting for legislative changes—was 3.0 percent. In 2003, Motor Vehicle Registration fees accounted for 65.0 percent of all transportation-related fees and 23.5 percent of all state fees.

Motor Vehicle Driver License fee revenues have grown from \$21 million in 1972 to \$96 million in

Table 8
Sources of Revenue Growth for Major State Fees (1972-2003)
(Amounts in Thousands of 1972 Dollars)

Fiscal Year	Base	Percent Change	Legislation	Total	Percent Change	Texas Population Growth (%)
1972	\$242,548	-	\$0	\$242,548	-	-
1973	247,091	1.9	29	247,120	1.9	2.2
1974	236,927	-4.1	4,466	241,393	-2.3	2.1
1975	222,500	-6.1	3,913	226,412	-6.2	2.4
1976	224,314	0.8	5,290	229,604	1.4	2.6
1977	231,136	3.0	6,192	237,328	3.4	2.3
1978	229,266	-0.8	12,386	241,653	1.8	2.3
1979	204,628	-10.7	15,185	219,813	-9.0	2.8
1980	216,618	5.9	19,891	236,508	7.6	3.2
1981	207,990	-4.0	20,497	228,487	-3.4	3.0
1982	209,171	0.6	22,122	231,293	1.2	3.7
1983	212,034	1.4	11,933	223,967	-3.2	2.9
1984	204,017	-3.8	48,189	252,206	12.6	1.8
1985	206,953	1.4	123,313	330,265	31.0	1.7
1986	203,525	-1.7	226,751	430,276	30.3	1.7
1987	188,867	-7.2	266,246	455,113	5.8	0.6
1988	184,337	-2.4	284,695	469,032	3.1	0.3
1989	183,247	-0.6	275,689	458,936	-2.2	0.8
1990	178,313	-2.7	298,086	476,399	3.8	1.4
1991	174,148	-2.3	300,611	474,759	-0.3	1.9
1992	167,293	-3.9	356,970	524,262	10.4	2.1
1993	171,882	2.7	390,851	562,732	7.3	2.2
1994	173,237	0.8	411,525	584,762	3.9	2.2
1995	168,609	-2.7	432,279	600,888	2.8	2.1
1996	175,327	4.0	503,927	679,254	13.0	2.0
1997	179,947	2.6	500,362	680,308	0.2	2.1
1998	177,667	-1.3	554,908	732,575	7.7	2.1
1999	182,015	2.4	589,454	771,469	5.3	2.0
2000	186,605	2.5	582,488	769,093	-0.3	1.9
2001	183,153	-1.8	577,680	760,833	-1.1	2.0
2002	185,286	1.2	602,552	787,838	3.5	1.9
2003	181,568	-2.0	655,381	836,949	6.2	1.9

Source: Carole Keeton Strayhorn, Texas Comptroller.

Sources of Revenue Growth

2003, yielding a 5.0 percent average annual growth rate. Since 1972, the Legislature has increased the fee schedule four times. The last rate increase, enacted in 1997, allowed the Texas Department of Public Safety to phase in rates for a six-year original license at \$24 for an operator's license, \$32 when an operator's license includes a motorcycle license, and \$60 for a commercial license. Various other fees are assessed on the issuance of an occupational license, duplicate license, suspension reinstatement, personal identification cards and other special licenses. With the exception that \$5 of each motorcycle license is dedicated for motorcycle operation and safety programs, Motor Vehicle Driver Licenses fees are currently deposited as undedicated general revenue. Beginning September 1, 2005, the portion of these funds now deposited to the General Revenue Fund 0001 will instead be deposited to the Texas Mobility Fund 0365.

Since 1972, the Legislature has increased the Motor Vehicle Inspection fee schedule ten times. The current rates are \$12.50 for an annual inspection sticker, \$21.75 for a two-year sticker affixed to new vehicles, and \$50 for a commercial sticker. The 77th Legislature (2001) added a \$10 inspection fee surcharge on commercial motor vehicle inspections as part of the Texas Emissions Reduction Plan, effective September 1, 2001, and expiring August 31, 2008. Motor Vehicle Inspection fee collections have increased from \$3.6 million in 1972 to \$126 million in 2003—a 12.2 percent average annual growth rate. The corresponding growth rate for the underlying base—before adjusting for legislative changes—was 0.2 percent. These collections represent the state's share of the Motor Vehicle Inspection fee. Currently, out of each \$12.50 annual inspection fee, \$7 is retained by the local vehicle inspection station, \$2 is dedicated for administering the vehicle emissions inspection and maintenance program, and the remaining \$3.50 is deposited as undedicated general revenue. Beginning September 1, 2005, the portion of these funds deposited to General Revenue Fund 0001 will instead be deposited to the Texas Mobility Fund 0365.

Effective June 30, 2003, the Motor Vehicle Certificate of Title fee was increased to \$33 for an original certificate of title issued to a resident of a federally designated non-attainment county, and \$28 for in all other counties. The Legislature has increased the rate schedule four times since 1972. From each fee paid, \$3 is dedicated to the State Highway Fund 0006 for administering the provisions of the Title Act in the Transportation Code, \$5

is deposited as undedicated general revenue, \$5 is retained by the local county office issuing the title, and the remaining \$15 or \$20 is deposited to the credit of the Texas Emissions Reduction Fund 5071. State receipts from Motor Vehicle Certificate of Title fees totaled \$1.5 million in 1972; by 2003, collections had risen to \$50 million—an average annual growth rate of 12.1 percent. This growth is primarily attributable to legislative rate increases and the major financial incentives offered by automobile manufacturers and dealers. The annual growth rate for the underlying base averaged 2.0 percent. Beginning September 1, 2008, allocations made to General Revenue Fund 0001 will instead be deposited to the Texas Mobility Fund 0365.

The Petroleum Product Delivery fee was first levied in 1990. The fee is imposed on petroleum products imported into the state or withdrawn from a bulk facility, and it is based on cargo tank capacity. Because the balance in the Petroleum Storage Tank Remediation Account 0655 reached the maximum balance allowed by law, the fee was suspended April 1, 2000. In 2001, the Legislature re-instituted the fee at rates ranging from \$10 to \$40 per delivery occurring in 2004 and 2005, with a decreasing fee schedule for subsequent years. In 2003, Petroleum Product Delivery fee receipts came in at just over \$88 million.

Business Regulation Fees

Business regulation fees consist of General Business Filing fees, business-related Professional fees, the Bingo Prize fee, the Equalization Surcharge fee (911 emergencies), and numerous other miscellaneous regulation and inspection fees. In 1972, business regulation fees brought in \$7 million and accounted for 2.4 percent of total state fee receipts. By 2003, these fees accounted for 9.9 percent of total state fee receipts and generated \$352 million. This represents an average annual growth rate of 13.7 percent.

Business-related Professional fees provide the largest source of business regulation fees. In 1972, business-related Professional fee receipts totaled less than \$2 million and accounted for 25.3 percent of all business regulation fee receipts. By 2003, business-related Professional fees produced \$181 million and accounted for 51.5 percent of all collections in this category. For the period 1972 to 2003, business-related Professional fee receipts

increased at a 16.3 percent average annual growth rate. Approximately \$66 million of this growth is attributable to the \$200 fee increase on selected professions, as enacted by the 72nd Legislature in 1991.

All of the \$200 increase is deposited as undedicated general revenue. Other Professional fee receipts are deposited either as undedicated general revenue or in specific dedicated accounts pursuant to statute. The dedicated accounts are used by state regulatory agencies to cover the costs of permitting and regulating business professions. Appendix E-1 provides a list of professional occupations that are subject to a professional fee, and the associated rate limitations.

General Business Filing fees include various filing fees imposed on corporations, partnerships, professional associations, and other business associations. Some of the more common fees include fees for filing articles of incorporation, articles of merger, certificates of authority to transact business, change of registered agent, registration and certification of corporate name, original financing statement, and certificate of limited partnership. With the exception of Texas Export Loan fee receipts, which are deposited in a dedicated account, all General Business Filing fee receipts are deposited as undedicated general revenue. In 1972, these fees produced \$4 million and accounted for 64 percent of all business regulation fees. By 2003, they had risen to \$52 million, yielding an 8.4 percent average annual growth rate.

In 1991, the 72nd Legislature enacted the Bingo Prize fee at 3 percent of the amount or value of a bingo prize. Two years later, the 73rd Legislature increased the fee to 5 percent and repealed the state and local Bingo Gross Receipts tax. The fee produced \$20 million in 2003, implying a 5.7 percent average annual growth rate between 1992 and 2003. The Bingo Prize fee is deposited as undedicated general revenue, and the Texas Lottery Commission, which administers the fee, is appropriated general revenue to be allocated to local governments in amounts that total 50 percent of the Bingo Prize fee receipts in jurisdictions that imposed a local Bingo Gross Receipts tax in 1993.

Natural Resource Fees

Natural resource fees are assessed for the use or protection of state natural resources. These fees include Air Pollution Control fees; Water Use

Permit fees; the Coastal Protection fee; and more than 20 other fees, fines, and penalties relating to Texas natural resources. In 1972, natural resource fees totaled \$0.5 million and accounted for only 0.2 percent of total state fee collections. In 2003, natural resource fees accounted for 2.7 percent of total state fee collections and generated \$132 million. This represents an average annual growth rate of 19.7 percent. The high growth rate is primarily attributable to new fees that the Legislature enacted in the 1980s and 1990s.

Air Pollution Control fees, which range from \$25 to \$75,000, are assessed to ensure that all industrial construction meets air pollution standards established by federal and state regulations. These fees were first collected in 1983. By 2001, they generated \$52 million and accounted for 54.1 percent of total natural resource fee receipts. Although the fee receipts are dedicated for administering the provisions of the Clean Air Act, the civil penalties for unauthorized air contaminant emissions are deposited as undedicated general revenue.

The Coastal Protection fee is assessed at \$0.02 per barrel of oil transferred to or from a marine terminal. These fee receipts are dedicated for the cleanup of pollution from unauthorized discharges of oil, but the fee becomes dormant on or after the first day of the second month after the Texas Land Commissioner has certified to the Comptroller a fund balance in excess of \$25 million. Once the balance falls below \$14 million, the Comptroller must resume collecting the fee. Collections began in 1991 and lasted through December 1993, at which point the cap was reached. After the fund balance fell below the \$14 million lower limit, collections resumed in March 1995 and continued through November 1996. In May 1996, collections resumed and continued through November 1999. The last cycle began in February 2002 and ended in September 2003, when fiscal 2003 revenues totaled \$26.2 million.

Parks and Wildlife Fees

Parks and wildlife fees include Game, Fish, and Equipment fees; State Park fees; and Motor Boat Registration fees, among others. In 1972, these fees generated \$11 million, or 3.8 percent of total state fee collections; by 2003 they produced \$112 million, for a 7.9 percent average annual growth rate.

Game, Fish, and Equipment fees include more than 100 different licenses, stamps, or tags for

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hunting, fishing, or trapping in Texas. Most of the revenue comes from the issuance of fishing licenses, hunting licenses, and combination hunting and fishing licenses. In 1972, Game, Fish, and Equipment fees totaled \$6 million; by 2003, they reached \$60 million, a 7.5 percent average annual growth rate. In 2003, these fees provided 53.2 percent of all parks and wildlife fees. The fees are dedicated for the administration and enforcement of game, fish, and water safety laws and for wildlife management.

State Park entrance fees are set at the Texas Parks and Wildlife Department for Texas' 120 state parks and historic sites. Daily entrance fees range from \$1 to \$5 per person aged 13 and older. Campsites and cabins within state parks range from \$4 to \$75 per night; and historic site tour fees range from \$0.50 to \$5 per person. In 1972, State Park fees totaled \$2 million; by 2003, they generated \$29 million, for an average annual growth rate of 9.4 percent. Historically, the Legislature has appropriated these fees for the maintenance and improvement of state parks.

Education Fees

Education fees consist, for the most part, of Higher Education Tuitions. In 1972, education fees generated \$33 million and accounted for 12.0 percent of all state fees. By 2003, education fee collections had climbed to \$674 million, or 19.0 percent of all state fees. This represents a 10.2 percent average annual growth rate for the 31-year period.

Higher Education tuition fees consist of two parts: statutory tuition and board-designated tuition. In academic year 2004-05, the statutory rate per semester credit hour for state university and college courses for state resident undergraduate students is \$48; this will rise to \$50 for the 2005-06 academic year. Statutory tuition rates for state resident graduate students are set by the governing board of each institution and must be at least equal to the resident undergraduate rate, with the maximum set at double the statutory rate. In addition, graduate students are charged board-designated tuition, which may vary by program, free of statutory limitations.

Board-designated tuition fees are set by the governing board of the institution. HB 3015, 78th Regular Session, deregulated the board-designated

tuition component. Before September 2003, the board-designated tuition could not exceed the statutory rate. Now, governing boards of institutions may charge any student a designated tuition in an amount that the board considers necessary for the effective operation of the institution. The institution is required to set aside 20 percent of any designated tuition above \$46 per school credit hour for financial aid. Board-designated tuition fees are institutional funds held in local university accounts outside the State Treasury and the appropriation process. The law provides that these funds shall not be accounted for in a way that reduces general revenue support. The existing statutory rate and the set-aside of 15 percent of those revenues to the Texas Public Education Grant program was left in place, and those funds continue to be an offset to state tax support.

Health Fees

Health fees are associated with the medical profession and environmental health. These fees include the Waste Disposal Facilities, Generators, and Transporters fees; the Battery Sales fee; the Oil Recycling fee; health-related Professional fees; and other miscellaneous fees. In 1972, health fees totaled just over \$1 million; by 2003 they had reached \$204 million. Between 1972 and 2003, the average annual growth rate was 17.7 percent. A significant portion of this growth is attributable to the environmental health fees enacted in the 1980s and 1990s.

The Waste Disposal Facilities, Generators, and Transporters fees provide the largest source of health fee revenue. These fees were enacted by the Legislature in 1985 and are assessed on the storage, transportation, or disposal of hazardous, solid, or industrial waste. Additional permit fees are charged to sewage, landfill, and waste-tire disposal facilities. By 2003, this fee group brought in \$59 million, or 28.8 percent of all health fee collections. The Waste Disposal Facilities, Generators, and Transporters fee receipts are statutorily-dedicated for the permitting, administering, and enforcement of various waste disposal programs and facility cleanup and maintenance programs administered by the Texas Commission on Environmental Quality.

The Battery Sales fee, enacted in 1991, is assessed at \$3 on the sale of each lead-acid battery with a capacity of 12 volts or greater, and \$2 for each

lead-acid battery with a capacity of less than 12 volts. Battery Sales fee revenues totaled \$14 million by 2003, implying a 1.5 percent average annual growth rate between 1992 and 2003. Battery Sales fee receipts are dedicated to the Hazardous and Solid Waste Remediation Account 0550, to be used in the same manner as the Waste Disposal Facilities, Generators, and Transporters fee revenues.

Health-related Professional fees include registration fees for more than 30 professions tied to medical and health services. In 1972, health-related Professional fees produced \$782,000, and they accounted for 59.4 percent of all health fee collections. By 2003, the health-related Professional fees generated \$49 million, but their share of total health fee collections had dropped to 23.8 percent. From 1972 to 2003, health-related Professional fee receipts registered a 14.3 percent average annual growth rate.

Approximately \$14 million of the growth in health fee revenue is attributable to the \$200 fee increase on selected professions, which was enacted in 1991 by the 72nd Legislature. A fourth of the receipts from the \$200 increase are dedicated to the Foundation School Program for public education, and the remaining 75 percent is deposited as undedicated general revenue. Most other health-related Professional fee receipts are also deposited as undedicated general revenue. Notable exceptions include the fees on emergency medical technicians and paramedics, which are dedicated for the administration of the Emergency Medical Services Act, and the fees on pharmacies and pharmacists, which are dedicated for Texas State Board of Pharmacy operating expenses. (See Appendix E-1 for a listing of the occupations assessed a state professional fee and the associated rate limitations.)

Other Fees

“Other fees” embrace on the order of 80 broad fees associated with such businesses and indus-

tries as insurance, utilities, alcohol, and tobacco, among many others. These fees include Court Case (Misdemeanor and Felony) fees, the Telecommunications Infrastructure Fund assessment, state service fees associated with the collection and allocation of local sales taxes, the Automobile Theft Prevention Authority fee, and Concealed Handgun fees. In 1972, this fee group produced \$31 million; by 2003 it brought in \$793 million, representing an 11.1 percent average annual growth rate. A significant portion of the growth in this category is attributable to the Telecommunications Infrastructure Fund assessment and the Non-Bypassable Utility fee.

The Telecommunications Infrastructure Fund assessment provides the single largest revenue source in this group. The 74th Legislature enacted this assessment in 1995 and left it to the Comptroller to establish a rate schedule that would bring in \$150 million per year—\$75 million each from two distinct groups of providers. In 1997, the Legislature amended the statute to assess a fee of 1.25 percent of the taxable telecommunications receipts from mobile service providers and telecommunications utilities. The fee is dedicated for grants, loans, and training programs for telecommunications infrastructure in public schools, higher education institutions, public libraries, and nonprofit health care facilities. The assessment generated \$201 million in 2003.

Court Case fees for misdemeanor and felony offenses vary, depending on the offense. The fees are dedicated for various purposes, but most are used for compensation to victims of crime. Fee receipts from this source totaled \$4 million in 1972. By 2003, they had climbed to \$145 million—an 11.9 percent average annual growth rate. The corresponding growth rate for the underlying base—before adjusting for legislative changes—is 3.8 percent. It should be noted that these collections represent only the state’s share of the fees. Currently, local governments retain 10 percent of the total court case fees collected. ❖

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LEGISLATIVE CHANGES AND OTHER SOURCES OF GROWTH

1972-1982

Considering the budget turbulence that preceded it and the oil boom that followed, the 1972 budget year presents a paradigm of stability. Throughout most of the Fifties, Texas experienced a recurring pattern of budget crises followed by tax increases. In an attempt to break the cycle, the 57th Legislature, First Called Session, enacted a state *Sales and Use* tax in 1961. **HB 20** established a limited Sales and Use tax, with a rate pegged at 2 percent. Revenue growth during the ensuing years, however, proved insufficient to meet the state's expanding needs. Within the next nine years the Legislature returned to the Sales and Use tax four times, either to raise the rate or to broaden the base. The Legislature churned out tax bills in 1963, 1965 (Cigarette and Inheritance taxes only), 1967 (Franchise tax only), 1968, 1969, and 1971. As 1971 drew to a close, the Sales and Use tax rate stood at 4 percent—double its original rate.

From 1972 onward, escalating oil prices and vigorous economic growth (not to mention inflation) generated substantial increases in the state's tax receipts. At the boom's peak, a \$1 increase in oil prices would induce a \$40 million "windfall" in Oil Production tax revenues. The effect did not remain isolated to a single tax: natural gas prices rose with the price of oil; and, as drilling increased following each price hike, economic activity multiplied throughout the economy and generated an additional \$60 million in Sales and Use, Franchise, Natural Gas, and other tax receipts.

The new revenues allowed the Legislature to increase agency budgets and fund new programs and services. During the 1972-82 period, the annual growth rates for state personal income and state tax collections each averaged 14 percent. Texas' economic prosperity drew new workers and their families from around the nation. This influx spawned demands for even more state spending, particularly for highways and schools.

The oil boom allowed the Legislature to enjoy a remarkable 11-year period—from 1972 until 1983—without imposing a major tax hike. Although the 64th Legislature did adopt one new tax—the *Public Utility Gross Receipts* assessment—in 1975 (**HB**

819, to support the newly-established Public Utility Commission's regulatory activities), tax relief dominated the legislative agenda. The 64th Legislature abolished the *Express Company* tax, lowered the *Cigar* tax, eliminated the *Franchise* tax surtax, and struck debt from the Franchise tax base (**HB 546**). Between 1973 and 1977, the state *Ad Valorem* (property) tax rate dropped by more than half. (The state Ad Valorem tax rate abatements traced back to 1969 pursuant to **SJR 32**, a constitutional amendment to gradually reduce the state's Ad Valorem tax. The 60th Legislature passed SJR 32 in 1967; voters adopted the amendment by general election the following year.)

In 1978, Governor Dolph Briscoe reconvened the 65th Legislature for a Second Called Session to cut the state's budget surplus by reducing certain taxes and enacting taxation and spending limits. That special session produced HB 1 and HJR 1, the first major tax reduction legislation in modern Texas history.

HB 1 reduced the *Sales and Use* tax base and lowered the *Inheritance* tax. The bill exempted residential gas and electric services from the state Sales and Use tax base and extended the exemption to local tax bases (unless local authorities voted to retain those services in their tax base). The new exemption reduced state Sales and Use tax revenues by \$101.0 million in 1979. HB 1 also reduced Inheritance tax collections by establishing a \$200,000 per estate exemption, scheduled to increase to \$250,000 in 1982 and \$300,000 in 1985. This provision, which became effective at the beginning of fiscal 1979, reduced Inheritance tax revenues by \$13.2 million in 1979 and \$36.7 million during the 1980-81 biennium. (Three years later, during the 67th Legislative Session, the Legislature enacted **HB 325**, which piggy-backed the state *Inheritance* tax onto the federal inheritance tax, making it equal to the federal credit.) Another bill, **HB 294**, simplified the *Insurance Premium* tax rate structure for property and casualty insurers.

HJR 1, approved by voters in November 1978, provided more state *Ad Valorem* tax relief. Among other measures, the amendment removed intangibles from the tax base and provided a \$5,000 homestead exemption and other exemptions for non-income producing personal property and

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household goods. HJR 1 also placed a cap on state spending growth, limiting it to the “estimated growth of the state’s economy,” as determined by the Legislature.

Four years later, during the Second Called Session of the 67th Legislature (1982), the Legislature took state property tax relief one step farther and sent the voters a new **HJR 1**—a proposed constitutional amendment to abolish the state *Ad Valorem* tax. Voters adopted the amendment in November 1982.

1983: The 68th Legislature, Regular Session

When the Legislature convened for its 68th Legislative Session in January 1983, it faced unfamiliar circumstances. After twenty-two years of uninterrupted growth, severance tax revenues were beginning to fall. Two years before, they accounted for 28.3 percent of state tax receipts; by 1983, their share had fallen to 26.5 percent. In 1982, Oil Production tax revenues peaked at \$1.32 billion; the following year they fell to \$1.19 billion—a 9.6 percent decline. Compounding the problem, in 1982 and 1983 Mexico depreciated the peso several times, precipitating a drastic retail sales slump along Texas’ border. Unemployment increased and Sales and Use tax collections plummeted.

Despite the first serious decline in severance tax revenues since the 1960s, the Legislature increased spending by 16 percent through the enactment of various fee increases, authorization to spend available fund surpluses, and, most importantly, passage of six bills designed to shift or “speed-up” tax collections to earlier collection dates. The speed-up legislation generated one-time gains totaling \$21.7 million in 1983 and \$412.6 million for the 1984-85 biennium.

SB 713 restructured the payment schedule for the *Motor Vehicle Sales and Use* tax. The bill required counties to forward their collections to the State Treasury on a daily (for annual collections exceeding \$10 million), weekly (between \$2 million and \$10 million), or monthly (under \$2 million) schedule. Previously, all counties submitted their collections on a monthly basis. This speed-up, effective September 1983, generated a \$13.8 million one-time gain for the 1984-85 biennium.

SB 985 advanced the due date for filing *Sales and Use* tax receipts to the twentieth day of the month following the end of the reporting period. Previously, taxpayers had until the last day of the month following the end of the reporting period

to remit their collections. This speed-up, effective October 1983, generated a \$168.6 million one-time gain for the 1984-85 biennium.

SB 986 advanced the payment due date for the *Public Utility Gross Receipts* assessment to August 15 from August 31. This speed-up made an additional \$14.7 million available for spending in 1983.

SB 987 accelerated the payment due date for the *Insurance Premium* taxes in 1984 and established a quarterly prepayment schedule to supersede the former annual payment requirement. This bill also increased the tax rate applicable to foreign (those domiciled out-of-state) life, accident, and health insurers; but HB 122, enacted the following year, muted the bill’s fiscal implications. The speed-up, effective August 1984, produced a \$143.8 million one-time gain for the 1984-85 biennium.

SB 988 advanced by ten days the August monthly due date for the *Oil Production, Natural Gas, and Motor Fuels* taxes. Payments formerly due on August 25 became payable on August 15. Also, before the Legislature enacted SB 988, Natural Gas taxpayers calculated their monthly tax liability on the volumes produced during the previous two months. SB 988 required Natural Gas taxpayers to remit tax payments for July production by the August due date in odd-numbered years. This meant that, henceforth, odd-numbered years would show 13 monthly tax payments while even-numbered years would show only 11 monthly payments. These speed-ups, which became effective for August 1985 tax payments, produced an \$89.9 million one-time gain in 1985.

HB 2108 accelerated *Cigarette tax* collections by requiring full payment by August 31 in the second year of the biennium for all tax stamp credit purchases executed on or before August 16 of that year. This change, effective August 1983, produced a \$7 million one-time gain in 1983 but a \$3.5 million loss for the 1984-85 biennium.

Finally, **HB 1122** abolished several minor occupation taxes relating to *Pistol Dealers, Billiard Table Owners or Operators, Ship Brokers, Quotation Services, and Brokers and Factors*.

1984: The 68th Legislature, Second Called Session

Governor Mark White reconvened the 68th Legislature for a Second Called Session in June 1984 to finance the public education improvements required by HB 72 and the construction necessary to rebuild and expand the state’s highway system.

The special session produced HB 122, the state's first major tax bill since 1971.

HB 122 became effective October 2, 1984 and affected almost every major state tax other than severance taxes. The bill raised the *Sales and Use* tax rate to 4.125 percent from 4 percent. It also expanded the Sales and Use tax base to include:

- cigarette and tobacco sales,
- cable TV service,
- auto parking and storage,
- laundry and dry-cleaning services,
- amusement admissions,
- computer software (pre-programmed),
- newspaper and magazine subscriptions (semi-annual or longer exempted in 1987),
- over-the-counter newspaper sales (also exempted in 1987),
- repair of tangible personal property (excluding auto),
- home fertilizer, and
- vending machine sales of ready-to-eat food.

HB 122 also increased the *Motor Vehicle Sales and Use* tax and the *Motor Vehicle Rental* tax rates to 5 percent from 4 percent, effective August 1984. It doubled the *Motor Fuels* tax rates to 10 cents per gallon, from 5 cents, effective August 1984. The bill bumped the *Franchise* tax rate up by a dollar to \$5.25 per \$1,000 of taxable capital and surplus, effective for tax reports due in fiscal 1985. It raised the *Hotel Occupancy* tax to 4 percent, from 3 percent, effective October 1984; and it doubled the *Coin-Operated Machine* tax to \$30, from \$15, effective October 1984.

HB 122 increased the various *Alcoholic Beverage* tax rates by 20 percent and raised the *Cigarette* tax by two cents over a two-year period. Formerly set at 18.5 cents per pack, the Cigarette tax rose to 19.5 cents per pack, effective October 1984, thence to 20.5 cents, effective September 1985. The bill also broadened the *Cigar and Tobacco Products* tax base to include snuff.

With respect to *Insurance Premium* taxes, HB 122 revised certain foreign/domestic provisions, revised the retaliatory tax calculation methodology (subsequently repealed by HB 1421 in 1989), and eliminated the exemption for first-year premiums. The bill placed banks under the *Franchise* tax, eliminated the *Ad Valorem* tax on bank stock, and increased *Motor Vehicle Registration* fees. Finally, the bill raised *Higher Education Tuition* fees for non-resident and foreign students.

HB 122 produced tax revenue gains totaling \$1.2 billion (with \$350 million dedicated to highways) in

1985 and \$2.6 billion (with \$750 million dedicated to highways) for the 1986-87 biennium.

1985: The 69th Legislature, Regular Session

When the 69th Legislature convened in January 1985, the new revenues generated by HB 122 and an expanding state economy appeared sufficient to get the state through the next biennium without a major tax bill. However, under pressure to maintain higher education funding at current service levels and to finance an employee pay raise and indigent health care, the Legislature enacted **HB 1593**, which hiked tuitions, licenses, and other fees. Also, the Telecommunications Act, **HB 1949**, transferred a major portion of the *Telephone Company* tax base to the *Sales and Use* tax base and abolished the *Telegraph* tax. HB 1949 became effective October 1, 1985. During this session, the Legislature also passed **HB 2359**, which enacted the first *Waste Disposal Facilities, Generators, and Transporters* fees.

1986: The 69th Legislature, Third Called Session

The state's revenue outlook grew cloudy in January 1986, when oil prices took yet another nose-dive. By July, prices for some grades of oil had fallen below \$10, and the state plunged into a severe economic recession. The ensuing slide in severance and other tax revenues threatened to throw the state budget into serious deficit, with a shortfall projected to reach as deep as \$2.9 billion. Following two unsuccessful special sessions, Governor White brought the Legislature back for a Third Called Session that September. This time the Legislature bridged the projected revenue gap by cutting back appropriations and imposing a temporary tax increase. The Legislature also authorized the state to issue "cash management notes" (short-term bonds) as a device for covering temporary cash shortfalls.

HB 79, the new tax legislation, became effective January 1, 1987. The bill provided for two temporary tax increases, each set to expire on August 31, 1987. It raised the *Sales and Use* tax by 1.125 percentage points to 5.25 percent; and it raised *Motor Fuels* taxes by a nickel, to 15 cents per gallon. These increases generated a \$791 million gain in 1987 (with \$212 million dedicated to highways) and a \$111 million "spillover" gain (with \$31 million dedicated to highways) in 1988.

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1987: The 70th Legislature, Second Called Session

The 70th Legislature concluded its regular session June 1, 1987 without writing a state budget—an event that no Texan had witnessed since 1965. The Second Called Session, convened by Governor Bill Clements on June 22, resolved the standoff and enacted two bills, HB 61 and HB 62, which increased taxes by \$6.1 billion for the 1988-89 biennium. Combined, the two bills represented the largest tax hike in any state's history up to that time.

HB 61 raised the *Sales and Use* tax rate to 6 percent, effective October 1987, and allowed the temporary 5.25 percent rate, scheduled to revert to 4.125 percent on September 1, to carry over until the new rate became effective.

HB 61 also expanded the Sales and Use tax base to include:

- custom software;
- for-profit country club memberships;
- credit reporting and debt collection services;
- certain insurance, information, and real property services;
- security services;
- data processing services; and
- real property repair and remodeling.

The bill generated additional Sales and Use tax revenue by revising the provisions governing discounts and exempt sales. For example, it reduced the “timely filer” discount and redefined the “commercial use” of gas and electricity to include the amounts used for the storage or preparation of food for immediate consumption.

HB 61 also raised the *Motor Vehicle Sales and Use* tax rate to 6 percent from 5 percent, effective October 1987. It increased the *Hotel Occupancy* tax rate to 6 percent from 4 percent, effective September 1987. It increased the *Cigarette* tax by more than a nickel to 26 cents per pack, from 20.5 cents, effective October 1987; and it boosted the *Cigar and Tobacco Products* tax rates for snuff and for chewing and pipe tobacco to 28.125 percent, also effective October 1987.

HB 61 repealed what remained of the *Telephone Company* tax (and shifted most of its base to the Sales and Use tax), created the *Administrative Services* tax (at 2.5 percent of insurance administration revenues, effective September 1987), and imposed several temporary taxes and fees, each designed to lapse after two years. (The Administrative Services tax was subsequently challenged in court and held to be in conflict with federal law in 1991.)

HB 61's temporary provisions included raising the *Franchise* tax to \$6.70 per \$1,000 of taxable capital and surplus, from \$5.25, effective for 1988 and 1989 reports. The bill also imposed a 20 percent *Insurance Premium* surtax on all insurance premiums (effective for premiums written during calendar years 1987 and 1988) and a \$110 annual *Attorney Licensure* tax. Likewise, HB 61 raised various *Professional* fees by \$110, effective only for the 1988-89 biennium.

Finally, HB 61 granted a *Sales and Use* tax exemption for manufacturing machinery and equipment, phased-in over five years. (The 70th Legislature originally scheduled this exemption to become effective for sales on or after January 1, 1991; but in 1991 the 72nd Legislature delayed implementation of the exemption in HB 11.)

HB 62, the other tax bill, made permanent the five-cent *Motor Fuels* tax increase, originally enacted as temporary by the 69th Legislature, Third Called Session in 1986 (HB 79).

The HB 61 and HB 62 tax hikes generated an extra \$6.1 billion (with \$713 million dedicated to highways) for the 1988-89 biennium.

1989: The 71st Legislature, Regular Session

The 71st Legislative Session convened January 1989, following the Comptroller's forecast that the 1988-89 biennium would end with a small surplus. Unfortunately, the excess funds did not appear sufficient to bridge the budget gap projected for the 1990-91 biennium. The temporary tax and fee hikes that the Legislature adopted as short-term solutions during the previous session imposed a budget dilemma for the next session. If kept in place, they would generate some \$600 million during 1990-91; allowing them to lapse as scheduled at the end of fiscal 1989 meant that the Legislature would have to cut spending by the same amount or impose other new taxes.

This time the Legislature managed to cover the potential budget shortfall and avoid a tax increase (or extension) by adopting various accounting measures and resolving several legal challenges. In what had grown into a major problem during the 1980s, several large taxpayer groups—insurance, franchise, and gas utilities—brought court actions contesting the state's tax laws. The Legislature responded by enacting “clean-up” legislation that not only addressed legal challenges but released considerable cash reserves held in suspense or as a contingency against possible refunds.

HB 1306 increased 1990-91 *Franchise* tax receipts available to the state by \$208.4 million by resolving two legal controversies surrounding the tax. One question focused on whether pre-acquisition earnings belonged in the tax base. Following a successful lawsuit challenging the inclusion, the Legislature enacted HB 1306, which redefined the tax base to specifically include such earnings. The second question involved the tax code apportionment formula used by firms conducting business outside Texas. HB 1306 eliminated the Franchise tax law provision that gave taxpayers the option of using a three-factor apportionment formula (based on sales, payroll, and property), thereby forcing all taxpayers to use the single-factor formula based on gross receipts.

The Legislature enacted two bills to resolve legal challenges brought by "foreign" insurers (i.e., those domiciled in a state other than Texas) against the state's *Insurance Premium* taxes. **HB 1421** repealed the provisions in HB 122 (1984) relating to retaliatory taxes owed by foreign property and casualty insurers. Following a successful lawsuit by one large insurer, the bill acceded to the court's decision permitting foreign insurers to use the state's minimum (rather than maximum) tax rate to calculate their tax liability. To compensate for the base loss, HB 1421 raised the minimum rate to 1.6 percent (from 1.2 percent) and raised the rate paid by unauthorized and surplus lines carriers to 4.85 percent (from 3.85 percent). The bill also granted insurers organized as reciprocal exchanges an optional 1.7 percent flat tax rate.

HB 1954 resolved a legal dispute between the state and life, accident, and health insurers. Here the issue involved the staggered tax rate schedule applicable to domestic and foreign entities. The tax rates varied from 1.1 to 2.5 percent, with the lower rates for firms with higher proportions of their investments in Texas. Several insurers complained that the investment requirements discriminated against foreign insurers. As a compromise, the Legislature offered to phase-out the existing rate structure over several years, with a flat 1.75 percent tax rate to become effective for 1995 calendar year premiums. For their part, the insurers relinquished any claims for taxes paid under protest and dropped their lawsuit. Together, HB 1421 and HB 1954 increased Insurance Premium tax revenues \$141 million during the 1990-91 biennium.

HB 2945 redefined the tax base for the *Gas Utility Pipeline* tax. One major taxpayer had challenged the tax, which used gross receipts as its base. The bill redefined the tax base as gross income and doubled the tax rate to 0.5 percent (from 0.25 percent) to compensate for the base loss.

HB 24 created the *Controlled Substances* tax and fine, set at \$3.50 per gram of marihuana and \$200 per gram of other controlled substances. Covered substances not bearing the required tax stamps upon discovery became subject to fine. This tax, which became effective in fiscal 1990, raised \$0.3 million during the 1990-91 biennium and \$0.8 million during the 1992-93 biennium. (In 1991 the Legislature adopted HB 2595, which extended the tax to controlled substances not sold by weight. The new tax stamp cost \$2,000 per 50 dosage units.)

HB 428 reduced the *Oil Production* tax rate to 2.3 percent from 4.6 percent for all oil produced in a certified new project using Enhanced Oil Recovery (EOR) techniques. Similarly, SB 963 provided an exemption under the Natural Gas tax for gas produced by certain "high-cost" wells. The Legislature made the exemption effective for a ten-year period beginning September 1, 1991.

HB 2619 implemented a second *Cigarette* tax speed-up by requiring all credit purchasers of tax stamps to remit full payment for stamps by the close of the biennium. This bill, effective August 1991, generated \$24 million for fiscal 1991. Finally, **HB 112** speeded up the effective date of the *Sales and Use* tax manufacturing exemption for machinery and equipment with a useful life of more than six months, making it applicable for property purchased during 1990.

1989: The 71st Legislature, First Called Session

In June 1989, Governor Clements announced the First Called Session of the 71st Legislature to reform the state's beleaguered workers' compensation insurance program. As the session progressed, the call was opened to other topics. Among the legislation passed, **HB 40** changed the effective date of the reduced *Oil Production* tax rate for EOR projects under the above-mentioned HB 428 to July 1, 1989 from January 1, 1990. The accelerated effective date extended the period in which the reduced tax rate would be available by six months, to four and one-half years. The net effect was to provide \$348,000 in tax relief for the 1990-91 biennium.

1989: The 71st Legislature, Second Called Session

In November 1989, Governor Clements announced a Second Called Session of the 71st Legislature to complete the work of the preced-

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ing session on workers' compensation reform. The resulting legislation, **SB 1**, eliminated the Industrial Accident Board and created two new entities: the Texas Workers' Compensation Commission and the Texas Workers' Compensation Research Center (since renamed the "Research and Oversight Council on Workers' Compensation"). To fund the commission, SB 1 increased the *Workers' Compensation Commission Maintenance* tax rate. The bill also created a new *Workers' Compensation Research Center Maintenance* tax to provide the center its own funding source. These measures produced an additional \$10.7 million in 1990 and \$35.2 million in 1991.

1990: The 71st Legislature, Sixth Called Session

Following the State Supreme Court's *Edgewood v. Kirby* decision, which declared the state's public education financing mechanism unconstitutional, Governor Clements convened the Legislature four times between February and June, 1990. The last session, the Sixth Called Session of the 71st Legislature, produced three revenue bills to finance public school reform and certain short-term budget demands faced by the Department of Human Services and other agencies.

HB 4 increased the fee for duplicate driver licenses and identification cards to \$10 from \$5. **HB 5** raised the fees for oversized and overweight transport vehicles. **HB 6**, which became effective July 1990, increased the *Sales and Use* tax to 6.25 percent (from 6 percent); the *Cigarette* tax to 41 cents per pack (from 26 cents); the *Cigar and Tobacco Products* tax to 35.213 percent (from 28.125 percent); and the *Mixed Beverage* tax to 14 percent (from 12 percent). HB 4 and HB 5 raised \$14.7 million for the 1990-91 biennium and \$29.8 million for the 1992-93 biennium. HB 6 raised \$576.0 million for the 1990-91 biennium and \$1.1 billion for the 1992-93 biennium.

1991: The 72nd Legislature, Regular Session

In January 1991, the Comptroller's 1992-93 *Biennial Revenue Estimate* indicated that even though available revenues collected during the 1992-93 biennium would exceed revenues for the previous biennium by \$1.9 billion, they would fall \$4.8 billion below the current services budget laid out by the Legislative Budget Board (LBB).

Rather than attempt to write a budget under such constraints, the Legislature directed the LBB to

audit the state's budget and spending procedures and submit its findings to the Governor by July 1, 1991. The audit, which the LBB assigned to the Comptroller's Office, was called the "Texas Performance Review" (TPR).

As expected, the 72nd Legislative Session adjourned without completing a state budget. It did, however, produce a number of tax-related bills. **SB 1105** reduced the *Oil Production* tax rate to 2.3 percent for incremental production from the expansion of EOR projects in existence before September 1, 1989. This provided short-term tax relief that totaled \$13.5 million for the 1992-93 biennium. **HB 2**, an insurance reform bill, expanded the base for the *Office of Public Insurance Counsel* (OPIC) assessment and reduced the proportion of guaranty fund assessments that insurers could claim as a credit against their *Insurance Premium* tax liability. These provisions produced \$2.6 million in new revenue for the 1992-93 biennium.

HB 278 created the Texas Limited Liability Company Act and extended the *Franchise* tax base to include limited liability companies. **HB 640** created the Automobile Theft Prevention Authority and established a *Automobile Theft Prevention Authority* fee of \$1 per insured motor vehicle year to fund the authority. The new fee produced \$17.1 million for the 1992-93 biennium. **HB 651** clarified and tightened the exemptions relating to the *Hotel Occupancy* tax; it generated \$440,000 in 1993. Finally, **HB 1986** enacted the *Battery Sales* fee and **SB 14** enacted the *Coastal Protection* fee.

1991: The 72nd Legislature, First Called Session

Upon receipt of the TPR report, Governor Ann Richards reconvened the Legislature in a First Called Session to write the state's budget for 1992-93. The session's principal budget-related efforts involved three bills: HB 11, the tax and fee bill; SB 3, the fiscal management bill; and HB 54, the state lottery bill.

HB 11 included 29 separate changes affecting fees or taxes and made an extra \$2.1 billion available for the 1992-93 biennium. The biggest change involved the *Franchise* tax. As discussed above, this tax, formerly levied at a rate of \$5.25 per \$1,000 in taxable capital and surplus, had suffered considerable base erosion due to court challenges—to the point where the state was refunding as much as half of its gross collections. The state's major business tax had become an unpredictable, unreliable, and inefficient revenue source.

HB 11 sought to remedy the problem by splitting the tax base into two components, taxable capital and “earned surplus,” the latter defined as federal taxable income (before any net operating loss deductions), with officer and director compensation added back into the base. In effect, the new bill required taxpayers to pay the higher of either the tax on capital, set at \$2.50 per \$1,000 in taxable capital, or the tax on earned surplus, set at 4.5 percent of earned surplus.

In addition to restructuring the Franchise tax, HB 11 continued the trend toward gradually expanding the *Sales and Use* tax base. The bill added as taxable purchases packaging, telephone answering services, non-profit country club membership fees, amusement ticket sales by non-profit organizations, and personal property used to improve realty owned by certain exempt entities. It removed boat and boat motor sales from the Sales and Use tax base and placed them under a separate *Boat and Boat Motor Sales and Use* tax, also levied at 6.25 percent.

HB 11 delayed implementing the partial *Sales and Use* tax exemption for manufacturing machinery and equipment, as originally called for by HB 61 in 1987. Instead of allowing all businesses to qualify for refunds or reduced Sales and Use taxes for eligible purchases in 1992-93, HB 11 authorized *Franchise* taxpayers to claim a credit for a portion of their Sales and Use tax payments for purchases of qualifying machinery and equipment. The bill, however, required firms to wait until fiscal 1994 before claiming the credits.

HB 11 increased the *Motor Vehicle Sales and Use* tax to 6.25 percent (from 6 percent), putting it on parity with the “general” Sales and Use tax rate; increased the *Bingo Gross Receipts* tax; and created a higher, 10 percent tax rate for *Motor Vehicle Rentals* for 30 or fewer days. HB 11 also pushed the *Gasoline* and *Diesel Fuel* tax rates up another nickel—to 20 cents per gallon, from 15 cents. Finally, HB 11 increased by \$200 the *Professional* fees paid by such occupations as physicians, dentists, optometrists, psychologists, chiropractors, veterinarians, architects, real estate brokers, engineers, and security dealers; levied a separate \$200 annual *Attorney Occupation* tax on active attorneys; increased *Motor Vehicle Driver Record*, *General Business Filing*, *Court Cost*, and various other fees; and enacted the *Bingo Rental* tax and *Bingo Prize* fee.

SB 3, the fiscal management reform bill, consolidated many general operating and disbursement funds into the General Revenue Fund 0001, increased *Motor Vehicle Certificate of Title* fees to \$13 (from \$10), and delayed the August *Motor Fuels*

tax allocation until September. It also replaced the county *Motor Vehicle Sales and Use* tax allocation with a portion of *Motor Vehicle Registration* fees, effective January 1992.

HB 54, with voter approval on November 5, 1991, established a State Lottery. Eager Texans bought their first tickets on May 29, 1992. Operated by the Comptroller’s Office through 1993, the lottery generated net state revenues totaling \$812.3 million—\$307 million above expectations—during the 1992-93 biennium. Record-setting sales and the efforts by the Comptroller’s Office to start both instant ticket and on-line sales well ahead of schedule accounted for the higher than expected sales.

In total, HB 11, SB 3, HB 54, and other miscellaneous revenue generating bills made available \$3.6 billion in tax revenue, fees, and lottery proceeds to balance the state’s 1992-93 budget.

1993: The 73rd Legislature, Regular Session

In January 1993, the Comptroller’s *Biennial Revenue Estimate* for 1994-95 projected that state revenues available for general purpose spending would increase by \$1.8 billion over the previous biennium to \$36.4 billion. This represented a 12.3 percent growth rate—the smallest increase since 1988-89.

Among this session’s major tax legislation, three bills—SB 82, SB 83, and HB 1461—involved the speed-up of tax collections. **SB 82** affected three major taxes. Subject to waiver by the Comptroller, it required monthly *Sales and Use* tax electronic filers to remit on August 20 a payment for sales made between August 1 and August 15, to become effective September, 1994 and expire January 1996. (The Comptroller subsequently did waive this provision; thus, it never took effect.) For *Franchise* taxpayers, SB 82 advanced the annual liability reconciliation date to August 15 (from November 15). This speed-up affected only taxpayers filing electronic returns and became effective for the 1995 report year. The bill also required *Hotel Occupancy* taxpayers to remit their collections on the same schedule as Sales and Use tax payments, effective October 1994.

SB 82 increased tax revenues by \$141.7 million during the 1994-95 biennium. The new revenues involved \$34.8 million in Sales and Use tax receipts (including \$21.6 million in TPR-related enhanced enforcement measures), \$106.9 million in net Franchise tax receipts, and \$12.0 million in Hotel Occupancy tax receipts.

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SB 83 provided an additional \$17.4 million revenue gain for the 1994-95 biennium by requiring *Public Utility Gross Receipts* assessment payers to remit one-half of their estimated 1995 taxes (normally due on August 15, 1995) with their August 15, 1994 payment and to remit the remaining portion on February 15, 1995.

HB 1461 transferred the authority to collect *Insurance Premium, Maintenance*, and other insurance-related taxes to the Comptroller's Office from the Department of Insurance. The bill also changed Insurance Premium tax prepayment due dates from a quarterly (March, May, August, and November) schedule to a semiannual (March and August) schedule. This provision, effective March 1994, effectively increased fiscal 1994 remittances by the amount that state would have collected in November 1994 (fiscal 1995). HB 1461 generated one-time revenue gains of \$105 million for fiscal 1994.

The Legislature also enacted one tax increase relating to certain insurance purchases. **HB 958** revised the statutes relating to surplus lines insurance and implemented a uniform 4.85 percent rate for eligible surplus lines carriers. In other tax-related legislation, **HB 1970** effectively expanded the *Boat and Boat Motor Sales and Use* tax base; and **HB 2771** eliminated the state and local *Bingo Gross Receipts* tax and raised the *Bingo Prize* fee.

In addition, the Legislature passed several *Oil Production* and *Natural Gas* tax bills designed to encourage drilling and production. **HB 1974** established a tax credit system for persons drilling new-field discovery wells, conditional upon the total number of new discovery wells in the state reaching specific target levels. **HB 1975** provided a ten-year exemption from Oil Production and Natural Gas taxes for production from wells that had been inactive for three or more years. **HB 2723** expanded the definitions of (tax exempt) high-cost gas and (reduced tax rate) EOR projects. These three bills became effective on September 1, 1993. **SB 466**, effective on January 1, 1994, extended the application period for obtaining certification as an EOR project. By design, any tax losses associated with the four energy bills would not occur until 1996; thus they had no effect on 1994-95 revenues. Losses for the 1996-97 biennium totaled \$66.4 million.

1995: The 74th Legislature, Regular Session

In January 1995, the Comptroller's *Biennial Revenue Estimate* for 1996-97 projected that the state would have \$46.9 billion available for general purpose spending—a \$7.8 billion increase over the

amount certified as available for the 1994-95 appropriation. (Of this amount, \$3.3 billion came from previously-dedicated revenue, and \$4.5 billion came from sources used to certify 1994-95 appropriations.)

Major tax-related bills enacted during the 74th Legislature included **SB 3**, which repealed the *Interstate Motor Carrier* tax, effective September 1, 1997; HB 2128, relating to the Public Utility Gross Receipts assessment; HB 398, which provided Natural Gas tax incentives for high-cost gas; HB 462, which made the Sales and Use tax applicable to purchases by prison inmates; and HB 2129, which concerned the Hotel Occupancy tax.

HB 2128 provided for an extension of the speed-up provision enacted by the 73rd Legislature in SB 83. SB 83 had required *Public Utility Gross Receipts* assessment payers to remit one-half of their estimated 1995 taxes (normally due on August 15, 1995) with their August 15, 1994, payment and to remit the remaining portion on February 15, 1995. Essentially, this provided a year and a half's worth of tax revenue in fiscal 1994. The provision was to expire in fiscal 1997. HB 2128 delayed the expiration date by one year, thereby allowing a year's worth of revenue to be collected in fiscal 1997, but only one-half of a year's worth to be collected in fiscal 1998. The delay provided a one-time gain of \$18.3 million for the 1996-97 biennium.

HB 2128 also established the Telecommunications Infrastructure Fund, to be supported by the *Telecommunications Infrastructure Fund (TIF)* assessment. As enacted, the annual assessment was to be set by the Comptroller at two separate rates that would generate annually \$75 million from telecommunications utilities and another \$75 million from commercial mobile service providers. Because of a successful legal challenge concerning the dual rate structure, the assessment brought in \$191.4 million for the 1996-97 biennium—roughly \$100 million less than originally intended.

HB 398 extended and modified the *Natural Gas* tax reduced rate program for high-cost gas wells. Qualifying wells spudded or completed after August 31, 1996 and before September 1, 2002, became eligible for a reduced tax rate for a 120-month period from the date of first production. The bill provided a rate reduction program based on the ratio of reported drilling and completion costs per well to an amount equal to twice the value of the median drilling and completion costs for all wells for which applications had been filed for the year. Because the benefits of the reduced rate program would not become available until fiscal 1998, there were no revenue losses for the 1996-97 biennium associated with the bill. Losses for the 1998-99 biennium were

estimated at \$32.2 million. The inclusion of prison inmate purchases in the *Sales and Use* tax base, as enacted by **HB 462**, added another \$1.5 million for the 1996-97 biennium.

HB 2129 amended the procedure for exempting government entities from payment of the *Hotel Occupancy* tax. Pursuant to the change, revenues for the 1996-97 biennium increased by \$3.2 million. **SB 60** enacted the *Concealed Handgun* fees; and one final bill, **SB 401**, enacted a TPR recommendation and granted the Comptroller increased enforcement capabilities that generated on the order of \$40 million in *Sales and Use* tax collections for the 1996-97 biennium.

1997: The 75th Legislature, Regular Session

In January 1997, the Comptroller's *Biennial Revenue Estimate* for 1998-99 projected that the state would have \$50.0 billion available for general purpose spending—a 7.8 percent increase over the \$46.4 billion certified as available for the 1996-97 appropriation. Reflecting continued resolve to limit spending increases and to provide some sort of local property tax relief, the 75th Legislature concentrated on cost-saving measures and **HB 4**, the local property tax relief legislation initiated by Governor George W. Bush

HB 4 originally proposed replacement of the franchise tax with a value-added tax levied on all business entities and one-half percent rate hikes in both the state *Sales and Use* tax and the Motor Vehicle *Sales and Use* tax. The \$4.3 billion in additional revenues provided by these changes would be used to help pay for \$5.7 billion in school property tax relief. By the time the House finished amending **HB 4**, the value-added tax and the increases in the *Sales and Use* and Motor Vehicle *Sales and Use* tax rates were dropped and replaced by numerous provisions that would have broadened the Franchise and *Sales and Use* tax bases, increased the tax rates in other taxes, and created a number of new taxes and fees. The Senate countered with a more incremental approach to tax reform, creating an impasse that resulted in a proposed constitutional amendment (subsequently approved by voters in August, 1997) raising the homestead exemption to \$15,000 from \$5,000, yielding \$1.04 billion in local property tax relief. The increase in the exemption became effective for the 1997 tax year. **HB 4** also established a cap on the allowable prize payout for the state lottery and dedicated the unobligated lottery balance (which had previously been allocated to general revenue) to the Foundation School Fund 019 3.

Other major revenue bills enacted during the 75th Legislature included **HB 966**, which expanded the Boat and Boat Motor *Sales and Use* tax base; **HB 1200**, which increased the Motor Vehicle Driver License fee; **HB 1387**, which established a semi-annual payment schedule for the Automobile Theft Prevention Authority fee; **HB 1855**, which clarified the definition of manufacturing equipment exempt under the *Sales and Use* tax; **SB 226**, which provided for a *Sales and Use* tax refund for certain expenditures related to Defense Economic Readjustment Zones; **SB 249**, which established a fixed rate for the Telecommunications Infrastructure Fund assessment; and **SB 385**, which increased the OPIC assessment for life, accident, and health insurance.

HB 966 (with the same language repeated in **HB 2542**) expanded the *Boat and Boat Motor Sales and Use* tax base to include commercial boats 65 feet or less in length. This legislation, effective September 1, 1997, produced an estimated \$654,000 for the 1998-99 biennium.

HB 1200 was a response to a TPR proposal to provide a “lifetime” motor vehicle driver license. In partial response to that proposal, the Legislature extended the term of each new or renewal operator license by 50 percent—to six years from four years. The *Motor Vehicle Driver License* fee was adjusted upward accordingly—to \$24 from \$16, thereby generating an additional \$57.6 million in “speed-up” revenue for the 1998-99 biennium. This bill became effective December 1, 1997.

HB 1387 established a semi-annual payment schedule for the *Automobile Theft Prevention Authority* fee. This fee, which is set at \$1 per vehicle-year of coverage, was formerly due on March 1 for the previous calendar year. Under **HB 1387**, payment is due on March 1 for the last six months of the previous year and on August 1 for the first six months of the current year. Because a full 12 months of coverage (for 1997) will be collected March 1, 1998 and another six months of coverage (for the first half of 1998) will be collected on August 1, 1998, this bill was expected to produce an estimated \$6.5 million “speed-up” in revenue for the 1998-99 biennium.

HB 1855 amended the *Sales and Use* tax exemption for personal property used in the manufacturing process. The bill specifically limited the exemption to essential property used directly in the manufacturing process and that makes or causes a physical or chemical change in: 1) the product being manufactured for sale, or 2) an preliminary or intermediate product that becomes part of the final product for sale. In addition, the bill clarified that intraplant transportation equipment did not qualify for the exemption. This bill, which became

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effective October 1, 1997, produced an estimated \$128.2 million for the 1998-99 biennium.

SB 226 allowed for the creation of Defense Economic Readjustment Zones. Under this bill, Defense Readjustment Projects designated as such by the Texas Department of Economic Development will be able to request *Sales and Use* tax refunds of \$2,500 paid on qualifying purchases for each new permanent job created or retained, not to exceed \$250,000 annually. Also, for *Franchise* tax reporting, corporations designated as qualified projects will be permitted to deduct either: 1) from their apportioned taxable capital, 50 percent of their capital investment in the zone, or 2) from their apportioned earned surplus, 5 percent of their capital investment in the zone. This bill, which became effective May 19, 1997, was estimated to cost \$4.1 million in the 1998-99 biennium and \$11.2 million in the 2000-01 biennium.

SB 249 was a legislative response to successful litigation that questioned the fairness of having two separate tax rates for two groups of taxpayers subject to the *Telecommunications Infrastructure Fund* assessment. As discussed in the section covering the 74th Legislative Session, two separate groups of taxpayers were originally expected to provide \$75 million per year for the fund, yielding different assessment rates because the size of one group was smaller than the other. SB 249 set the assessment rate at a flat 1.25 percent for all payers. The bill required the rate to remain in effect until the revenue collected reached \$1.2 billion, at which point the Comptroller would set a final year rate to allow the total collections to come as close to \$1.5 billion without exceeding that figure. This bill became effective July 1, 1997.

SB 385 increased the *OPIC* assessment for life, accident, and health insurance to 5.7 cents from 3.0 cents per policy or certificate of coverage issued during the previous calendar year. This increase was adopted to cover the costs of *OPIC*'s increased responsibilities under SB 385. This bill, which applied to policies issued in and after calendar 1998, was expected to produce \$342,000 in the 1998-99 biennium and \$729,000 in the 2000-01 biennium.

Finally, the Legislature adopted four bills relating to the *Oil Production* and *Natural Gas* taxes. **SB 126** created a 10-year tax exemption for oil or gas produced from a well certified by the Texas Railroad Commission as a "two-year inactive well." **SB 582** extended the application period for the existing EOR exemption; and **SB 862** eliminated the "180-day window" and allowed producers to request Texas Railroad Commission certification for a "high-cost" gas well any time after the date

of first production. Lastly, **SB 1440** reduced the Oil Production tax rate to 2.3 percent on incremental production from improved wells previously producing seven or fewer barrels a day. The bill also reduced the Natural Gas tax rate to 3.75 percent on incremental casinghead gas production from approved oil leases, and it granted an exemption on casinghead gas vented or flared for 12 months or more. All four bills became effective September 1, 1997.

1999: The 76th Legislature, Regular Session

In January 1999, the Comptroller's *Biennial Revenue Estimate* for 2000-01 projected that the state would have \$58.0 billion available for general purpose spending—a 16.5 percent increase over the \$49.8 billion certified as available for the 1998-99 appropriation.

The 76th Legislature's tax agenda focused on SB 4, relating to school funding and local property tax relief; SB 7, relating to electric utility deregulation; and SB 441, relating to Sales and Use and Franchise tax relief.

SB 4 provided \$3.8 billion in local school funding and property tax relief. In addition to making possible a \$3,000 statewide teacher pay raise, this bill granted \$1.4 billion in local school district property tax relief for 2000-01.

SB 7 opened the state's retail electric markets to competition on January 1, 2002. The bill froze the rates charged by investor-owned electric utilities as of September 1, 1999 and lowered the rates by 6 percent on January 1, 2002. Municipally-owned electric utilities and cooperatives were provided the option of deciding if and when to open their service area to competition. The bill was designed to preserve the tax bases for the Sales and Use tax on electricity; the Gas, Electric, and Water Utility tax; and the Public Utility Gross Receipts assessment.

SB 7 also created the System Benefit Fund by authorizing a fee not to exceed \$0.65 per megawatthour. The bill imposed the *System Benefit Fund/Non-Bypassable Utility* fee on the customers of investor-owned electric utilities and the customers of those municipal and cooperative electric utilities electing competition. The fund was established to provide for customer education, low-income assistance programs, and state agency administrative expenses, and to replace any property tax revenue lost by school districts as a result of electric utility restructuring. This fee was expected to generate \$15.3 million in the 2000-01 biennium.

SB 441, the session's major state tax bill, enacted several exemptions and credits relating to the *Sales and Use* and *Franchise* taxes. With respect to the Sales and Use tax, the bill provided an exemption for Internet access service under \$25 per month, effective October 1, 1999; an exemption for non-prescription drugs, effective April 1, 2000; an annual three-day clothing and footwear sales tax holiday every August, starting with August, 1999; and a 20 percent exemption for data processing and information services, effective October 1, 1999.

With respect to the Franchise tax, SB 441 added a small business exemption for corporations with less than \$150,000 in gross receipts, effective for tax reports due on or after January 1, 2000; a credit for corporations providing child-care facilities or services for their employees' children; and separate credits for certain research and development activities, qualifying job creation in "strategic investment areas" (SIAs), and qualifying investment in SIAs. Finally, SB 441 added an additional credit for corporations that contribute to the operation of a qualifying "school-age child care program." In aggregate, the Sales and Use and Franchise tax provisions in SB 441 granted \$10.5 million in tax relief in fiscal 1999 and an estimated \$496 million in tax relief for the 2000-01 biennium.

Other major revenue bills enacted by the 76th Legislature include legislation affecting the Hotel Occupancy tax; the Motor Vehicle Sales and Use tax; the Diesel Fuel tax; and various taxes paid by the timber, insurance, and energy industries.

HB 1014 broadened the *Hotel Occupancy* tax base by excluding from exemption out-of-state public and private institutions of higher education. This revision was expected to generate an additional \$1.5 million in tax revenue for the 2000-01 biennium, effective September 1, 1999. Against these gains, however, the bill required that 1 percent of the Hotel Occupancy taxes collected from remitters in South Padre Island be returned to the community for beach cleanup. The amount allocated to South Padre Island was estimated to be on the order of \$1 million for the 2000-01 biennium.

HB 1837 established flat tax rates for the *Insurance Premium* taxes on property and casualty and title insurance, effective for the 2000 tax year and beyond. Previously, the basic tax rate for property and casualty insurance was 3.5 percent; and the basic rate for title insurance was 2.0 percent. Depending on their proportion of Texas investments, however, insurers could qualify for significantly lower rates. This bill established a single rate of 1.6 percent for property and casualty insurance and, likewise, a single rate of 1.35

percent for title insurance. Because the new rates were calculated to be revenue-neutral based on their positive effect on retaliatory tax collections, this change was expected to produce no significant effect on net tax collections.

HB 3159 created a *Diesel Fuel* tax exemption for fuel used in commercial passenger vehicles operating on fixed routes. Because 25 percent of Diesel Fuel tax revenue goes to the Available School Fund 0002, the bill created a new fee—equal to \$0.04875 per gallon and deposited to the credit of Fund 0002—to make up for the lost tax revenue. This bill, which became effective September 1, 1999, was estimated to create a loss of \$2.1 million to the State Highway Fund 0006 for the 2000-01 biennium.

HB 3697 eliminated the *Workers' Compensation Insurance Fund* surcharge. In 1991, during its second called session, the 71st Legislature passed HB 62, an omnibus insurance reform bill. One section of HB 62 created the Workers' Compensation Insurance Fund as a quasi-public entity to stimulate competition in the workers' compensation market and to serve as the insurer of last resort in that market. The bill authorized the sale of \$300 million in revenue bonds to cover the Fund's initial capitalization and operating expenses. To cover the Fund's bond debt service, the Legislature also established a new Insurance Maintenance surcharge (Workers' Compensation Insurance Fund), to be levied against all workers' compensation premiums written in the state. To offset the Fund's losses incurred as the state's "insurer of last resort," the Legislature granted the Fund a 2 percent tax credit against the Fund's insurance premium and maintenance tax liabilities.

By 1999, the Fund had not only retired all of its bond debt, it had acquired a substantial surplus. Consequently, the Legislature passed HB 3697 to remove the tax credit, to repeal the surcharge, and to order the Fund to refund all past surcharge collections. Because the surcharge was not counted as state revenue, and because the 2 percent tax credit had ordinarily been exhausted before it could be applied to insurance premium tax liability, this bill had no significant revenue implications for the 2000-01 biennium. **SB 530** expanded the *Insurance Premium* tax exemption for certain group accident and health insurance policies for municipal and county employees. This bill broadened the exemption to include certain plans for hospital district employees and employees of municipal or county hospitals. This bill, which became effective January 1, 2000, was estimated to have a negligible effect on state revenue for the 2000-01 biennium.

SB 977 created several timber industry-related exemptions under the *Sales and Use* tax and the

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Motor Vehicle Sales and Use tax. With respect to the latter, the bill created an exemption for the purchase, purchase for lease, or rental of a machine or trailer used primarily for timber operations. Because it did not become effective until October 1, 2001, this provision was estimated to have no significant effect for the 2000-01 biennium. With respect to the Sales and Use tax, the bill repealed the current exemption for the first \$50,000 of the purchase price of units of machinery and used exclusively for certain timber operations and created a new exemption for gas and electricity used by persons engaged in timber operations—both effective October 1, 2001.

In addition, SB 977 granted a Sales and Use tax exemption for seedlings, certain chemicals, and machinery and equipment used in timber production, effective January 1, 2008. As a means of phasing-in this exemption, the bill established a schedule allowing purchasers to apply for a credit or refund for a portion of such taxes paid within a defined period. The refundable/creditable portion started at 33 percent for purchases made between October 1, 2001 through the end of calendar 2003, rising to 50 percent for purchases in 2004 and 2005, and topping out at 75 percent for the two calendar years preceding January 1, 2008, at which point the exemption will take full effect.

Finally, the Legislature enacted five bills directly affecting energy-related taxes or fees. **HB 2615**, which became effective September 1, 1999, concerned two-year inactive wells and “high-cost” gas wells. The bill extended the application period for the existing ten-year *Oil Production/Natural Gas* tax exemption for oil or gas produced from a well that had been certified by the Texas Railroad Commission as a “two-year inactive well.” (In spite of the name, there can be one month of production during that two-year period.) In addition, HB 2615 (and, similarly, **HB 2104**) extended the existing reduced tax rate for high-cost wells to include wells spudded or completed after August 31, 2002 and before September 1, 2010. HB 2615 had no fiscal impact for the 2000-01 biennium. (Although different in other respects, HB 2104 and HB 2615 were both passed with identical language for the two-year inactive well exemption.)

HB 2816 reduced the fee schedule by 25 percent for the *Petroleum Product Delivery* fee, effective September 1, 1999. This fee is used to finance the Groundwater Protection Cleanup Program. Before passage of HB 2816, the fee could only be collected when the unobligated balance in the Petroleum Storage Tank Remediation Account 0655 fell below \$125 million. HB 2816 reduced the fund cap to \$100 million and extended the life of the program

(which was due to expire on September 1, 2001) an additional two years—until September 1, 2003. Finally, this bill directed that, regardless of the balance in the account, no fees could be collected on or after March 1, 2002. Because 2 percent of the fee is credited to the General Revenue Fund 0001 as a state service charge, HB 2816 was estimated to cause a Fund 0001 revenue loss of \$1.5 million in the 2000-01 biennium and a \$74.6 million loss to Account 0655 over the same period.

SB 290, which became effective March 11, 1999, created a temporary *Oil Production/Natural Gas* tax exemption for oil or gas from certain wells under certain market conditions. With respect to crude oil, the temporary tax exemption applied to oil wells producing no more than 15 barrels of oil per day per well; and the monthly average price of oil had to be below \$15 per barrel as reported on NYMEX (New York Mercantile Exchange) for three consecutive months prior to the reporting period. With respect to natural gas, the temporary exemption applied to gas wells producing no more than 90 mcf of gas per day (and casinghead gas from oil wells producing no more than 15 barrels of oil per day per well); and the monthly average price of gas had to be below \$1.80 per mcf as reported on NYMEX for three consecutive months prior to the reporting period.

The price conditions for exemption under SB 290 were satisfied for only a few reporting months—February, March, and April 1999—and then only for crude oil production. The three following reporting months—May, June, and July 1999—failed to qualify for the exemption because the price of oil was above \$15 per barrel during at least one of the three consecutive months preceding them. The temporary gas exemption never went into effect because the average price for gas never fell below \$1.80 per mcf. SB 290 had a statutory maximum loss of \$45 million that could be claimed for 1999 production.

SB 329, which became effective September 1, 2001, repealed the odd-year estimated tax prepayment for the *Oil Production* and *Natural Gas* taxes. This bill eliminated the estimated prepayment of taxes for the reporting month of July, due on August 15 of each odd-numbered year. Because the effective date was September 1, 2001, the odd-year prepayment had to be paid on August 15, 1999, as well as on August 15, 2001. In addition, SB 329 repealed the speed-up of the due date for payment of the August payment for gasoline and diesel fuel taxes. This bill had no fiscal impact for the 2000-01 biennium.

2001: The 77th Legislature, Regular Session

In January 2001, the Comptroller's *Biennial Revenue Estimate* for 2002-03 projected that the state would have \$60.8 billion available for general purpose spending—a 12.2 percent increase over the \$54.2 billion certified as available for the 2000-01 appropriation.

In contrast to previous sessions, the 77th Legislature had relatively little on its tax agenda; and what there was focused mostly on property tax issues. Nevertheless, several significant bills did become law.

HB 1200 created the Texas Economic Development Act to allow school districts to limit property appraisals for maintenance and operation (M&O) tax purposes for corporations creating new jobs and investing certain minimum amounts in tangible personal property and improvements in new and existing operations. This bill, which became effective January 1, 2002, had no fiscal impact for the 2002-03 biennium.

HB 2604 created the *Volunteer Fire Department Assistance Fund* assessment. Pursuant to the bill, the assessment rate is to be set each year to generate annual revenues of \$15 million based on certain property and casualty insurance premiums. This bill took effect July 1, 2001 and was estimated to raise \$30 million in the 2002-03 biennium. The bill is scheduled to expire September 1, 2011.

HB 2687 reinstated the *Petroleum Products Delivery* fee to assess a delivery fee on petroleum products when they are withdrawn from a bulk facility and delivered into a cargo tank or barge, or imported into the state in a cargo tank or barge for delivery to another location for distribution or sale. The bill, which took effect September 1, 2001, was estimated to produce \$4.1 million in general revenue and \$201.2 million for GR Account 0655—Petroleum Storage Tank Remediation in the 2002-03 biennium.

HB 3667 created a separate *Fireworks* tax, levied at 2 percent tax, in addition to the existing applicable state and local Sales and Use taxes. This bill, which became effective October 1, 2001, was estimated to generate \$848,000 in the 2002-03 biennium.

SB 2 provided fundamental changes in the state's water policy. Among its provisions, it created *Sales and Use* tax exemptions for certain non-profit water supply and sewer-service corporations and for certain water and wastewater equipment. The bill,

which took effect September 1, 2001, was estimated to reduce state revenues by \$10.9 million for the 2002-03 biennium.

SB 5 provided fundamental changes in the state's air emissions policies. The bill created the Texas Emissions Reduction Plan Fund, to consist of revenues generated by several new charges, including: a fee equal to 10 percent of the registration fee for truck trailers and commercial vehicles statewide; a 1 percent surcharge for each sale, lease, or rental of new or used diesel construction equipment statewide; a fee equal to 2.5 percent of the total charge for every retail sale or lease of year 1996 and earlier on-road diesel motor vehicles over 14,000 pounds; a \$225 special fee on most used motor vehicles; and a \$10 fee per commercial motor vehicle inspection.

SB 5 also provided a *Diesel Fuel* tax exemption for the volume of water, fuel ethanol, biodiesel, or mixtures of any of those elements in the final product. The bill, which took effect September 1, 2001, was estimated to cost the state \$15.6 million in general revenue-related funds and \$28.2 million in funds to the State Highway Fund 0006 for the 2002-03 biennium. The gain in fee and surcharge revenue to the new fund was estimated to be \$275.6 million for the biennium.

SB 63 provided a *Franchise* tax credit for wages paid to persons with certain disabilities, with the credit being equal to 10 percent of wages paid. The credit, which could first be taken on tax year 2002 tax reports, was estimated to save taxpayers \$506,000 for the 2002-03 biennium.

SB 317 included sale-leaseback transactions in the definition for "loan" under the Finance Code, Section 341.001, thereby exempting those transactions from the *Sales and Use* tax. This bill, which became effective September 1, 2001, was estimated to cost general revenue \$2.7 million for the 2002-03 biennium.

SB 601 granted *Insurance Premium* tax credits as means to facilitate the creation and funding of certified capital companies (CAPCOs) to invest in Texas businesses. The Legislature made the bill's implementation contingent upon the availability of sufficient additional revenue to fund the credits. If such additional revenue had become available, the maximum annual general revenue cost in fiscal 2002 and each year thereafter for a ten-year period would have been \$20 million.

SB 1839 provided for the establishment of a \$75 million bond program to support nursing home liability insurance and a *Nursing Home Stabilization Reserve Fund Bond Debt Service Maintenance*

Sources of Revenue Growth

tax surcharge. The bill also created the Quality Assurance Fund outside of the State Treasury for long-term health care facilities. The fund would consist of the proceeds from a new fee imposed on certain intermediate-care facilities to be used to obtain matching federal Medicaid funds. The bill proscribed collection of the bond debt surcharge until March 1, 2003, contingent on the issuance of revenue bonds before January 2003. The estimated general revenue-related revenue cost for the 2002-03 biennium was \$3.0 million.

2003: The 78th Legislature, Regular Session

In January 2003, the Comptroller's *Biennial Revenue Estimate* for 2004-05 forecast a severe downturn in state revenues, exacerbated by a \$1.8 billion projected shortfall in the 2002-03 ending balance. In contrast to the ending balance surpluses and ever-rising revenue streams that characterized the preceding ten years, the new estimate projected that the state would have only \$54.1 billion in funds available for general-purpose spending—6.7 percent less than the \$58.0 billion certified as available for 2002-03.

In the past, revenue shortfalls typically led to major tax rate increases and base expansions. Rather than opting for more of the same, the 78th Legislature chose a different path, focusing on spending reductions and relatively low-profile fee/assessment hikes. As a result, it produced few significant tax or fee bills.

HB 1, pursuant to Governor Perry's veto of the appropriation to the Research and Oversight Council on Worker's Compensation, effectively abolished the council, as of September 1, 2003, thereby eliminating the basis for the *Research and Oversight Council on Workers' Compensation Maintenance* tax. Because the council's appropriation was "self-funded" through its dedicated maintenance tax, this action had no significant net fiscal impact for the 2004-05 biennium.

HB 1365 enacted a number of revenue increases affecting the *Sales and Use* and *Motor Vehicle Sales and Use* taxes and the *Motor Vehicle Certificate of Title* fee, all designed to fund GR Account 5071—Texas Emissions Reduction Plan. Effective July 1, 2003, the bill raised Sales and Use tax revenues by increasing the surcharge on off-road heavy-duty diesel equipment to 2 percent from 1 percent. The bill broadened the scope of the surcharge to include mining equipment and extended the surcharge to include both sales and use. With respect to the Motor Vehicle Sales and Use tax, the

bill extended the surcharge on the sale, lease, and use of on-road diesel motor vehicles over 14,000 pounds to include 1997 and later models, albeit at a rate of 1 percent of total consideration, compared to the 2.5 percent rate applicable to 1996 and earlier model years, which remained unchanged.

Also effective July 1, 2003, the bill increased the Motor Vehicle Certificate of Title application fee by \$20 if the applicant's residence is in a county located within a non-attainment area, or by \$15 if the applicant's residence is in any other county.

Taking into account all of the changes included in the bill, the 2004-05 fiscal impact on GR Account 5071 was estimated to total \$234.9 million.

HB 2292 changed the definition of premiums and revenues for insurance taxation purposes. The definitions of accident and health insurance premiums and HMO revenues were amended to make premiums and revenues received by insurers and HMOs from the state treasury for insurance under the Medicaid and Children's Health Insurance Program (CHIPs) subject to *Insurance Premium* and *Insurance Maintenance* taxes. The bill also amended the definition of HMO enrollees to include, for maintenance tax purposes, enrollees covered by the Medicaid and CHIPs programs. Effective September 1, 2003, and applicable for reports due on or after January 1, 2004, these specific provisions were estimated to raise an additional \$51.1 million in general revenue in 2004-05.

HB 2424 made permanent the *Natural Gas* tax exemption program for high-cost gas. The bill removed the September 1, 2010 expiration date to drill a qualified well. The exemption period for each qualified gas well will remain the first 120 consecutive calendar months beginning on the day of first production or until the cumulative value of the tax reduction equals 50 percent of the drilling and completion costs incurred for the well. Because this change will occur in fiscal 2011, it will not affect revenues in 2004-05.

The bill also made permanent the Oil Production tax exemption for new enhanced oil recovery (EOR) projects and the expansion of existing EOR projects by deleting the application deadline of January 1, 2008. Effective October 1, 2003, this bill had no fiscal impact for 2004-05.

HB 2425 modified the *Natural Gas* tax filing requirements for high-cost gas. Taxpayers that file an application for high-cost gas certification with the Railroad Commission of Texas after January 1, 2004 may receive a credit for severance taxes paid on production for the 24 consecutive calendar months immediately preceding the month in which

the application was filed with the commission. Before this bill, taxpayers could receive up to four years or more in severance tax refunds and were not bound by a deadline to apply for those severance tax refunds.

With respect to *Insurance Premium* taxes, HB 2425 reactivated Texas law to allow the creation of certified capital companies (CAPCOs), which are state-regulated, privately owned and operated venture capital entities that invest funds in early stage companies doing business in the state. Effective June 20, 2003, the bill reinstated the CAPCO program that had originally passed in the 2001 Legislative session by repealing the implementation contingency clause in the enacting legislation (SB 601, 76th Legislature). The bill allowed licensed insurers to invest a total of \$200 million in venture capital through qualified CAPCOs and to receive, in aggregate, Insurance Premium tax credits totaling no more than \$50 million per year (capped at \$200 million over all years) beginning with the 2008 tax year. These provisions of the bill had no fiscal impact for the 2004-05 biennium.

With respect to the *Sales and Use* tax, HB 2425 also implemented provisions to improve and clarify the refund process; exempted materials used in the construction of certain pharmaceutical clean-rooms; imposed use tax on materials purchased or processed out of state but used in Texas after processing or manufacturing; and implemented destination-based sourcing for services and other elements of the Streamlined Sales Tax Agreement. These provisions made available an additional \$36.4 million for the 2004-05 biennium.

HB 2458 moved the imposition and collection of *Motor Fuels* taxes to the terminal rack from the motor fuel wholesaler. The bill also eliminated the tax exemption for “clear” diesel fuel. Effective January 1, 2004, the bill was estimated to generate an “all funds” gain for 2004-05 of \$35.1 million.

HB 3459 extended the life of the *Telecommunications Infrastructure Fund (TIF)* assessment by raising the TIF cap to \$1.75 billion from the existing \$1.5 billion cap. Effective June 30, 2003, this change was expected to generate a gain to the TIF of \$250 million for 2004-05.

2003: The 78th Legislature, Third Called Session

HB 28 officially abolished the Research and Oversight Council on Workers’ Compensation, whose appropriation had been vetoed previously in HB 1, discussed above. To replace the council, the bill established a workers’ compensation research program at the Texas Department of Insurance (TDI) and transferred its property and references in law to TDI. In addition, the bill transferred the balance in the Research and Oversight Council on Workers’ Compensation Account to the Texas Department of Insurance Account, and transferred to TDI the ability to levy the separate *Insurance Maintenance* tax to fund program activities in the event that appropriation authority was granted to TDI. Because of the maintenance tax “self-funding” mechanism, this bill had no net fiscal impact. ☛

Sources of Revenue Growth

TEXAS TAX AND FEE PROFILES

SOURCES OF REVENUE GROWTH

AIR POLLUTION CONTROL FEES

Revenue Object 3375

RATE & BASE

State: Various fees and penalties to ensure that industrial construction meets federal and state pollution standards; rates range from \$25 to \$75,000

Local: None

Federal: None

Major Exemptions: None

ADMINISTRATION

Agency: Texas Commission on Environmental Quality

Number of FeePAYERS: 7,599

Payment Cycle: Annual fees — November 1; permits — various

Due Date: Nov. 1 for annual fees; permits on various dates

Remitted By: Permits: industrial entities
Penalties: entities releasing unauthorized air contaminants

LEGAL CITATION(S)

Texas Health and Safety Code, §§ 382.037, 382.062 - 382.0622, 382.085

ENACTED

66th Legislature (1979) Various fees between \$50 and \$7,500

RATE & BASE CHANGES

69th Legislature (1985) Various fees between \$50 and \$50,000
72nd Legislature (1991) Various fees between \$25 and \$75,000

ALLOCATION

Civil penalties:
General Revenue Fund 0001

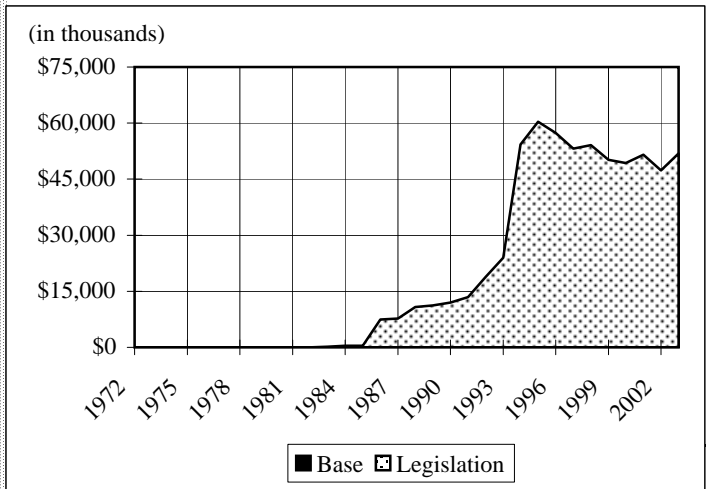
Emissions fees:
Operating Permit Fees Account 5094

All other fees:
Clean Air Account 0151

NET COLLECTIONS

(amounts in thousands)

<u>Year</u>	<u>Base</u>	<u>Legislation</u>	<u>Total</u>	<u>Percent Change</u>
1972	\$0	\$0	\$0	
1973	0	0	0	
1974	0	0	0	
1975	0	0	0	
1976	0	0	0	
1977	0	0	0	
1978	0	0	0	
1979	0	0	0	
1980	0	0	0	
1981	0	0	0	
1982	0	0	0	
1983	0	190	190	
1984	0	428	428	125.3 %
1985	0	462	462	7.9
1986	0	7,455	7,455	n/a
1987	0	7,700	7,700	3.3
1988	0	10,762	10,762	39.8
1989	0	11,211	11,211	4.2
1990	0	11,986	11,986	6.9
1991	0	13,473	13,473	12.4
1992	0	18,810	18,810	39.6
1993	0	23,935	23,935	27.2
1994	0	54,267	54,267	126.7
1995	0	60,321	60,321	11.2
1996	0	57,332	57,332	-5.0
1997	0	53,163	53,163	-7.3
1998	0	54,118	54,118	1.8
1999	0	50,191	50,191	-7.3
2000	0	49,286	49,286	-1.8
2001	0	51,536	51,536	4.6
2002	0	47,346	47,346	-8.1
2003	0	51,878	51,878	9.6



Source(s): Carole Keeton Strayhorn, Texas Comptroller; Texas Commission on Environmental Quality

SOURCES OF REVENUE GROWTH

AIRLINE/PASSENGER TRAIN BEVERAGE TAX

Revenue Objects 3254 and 3660

RATE & BASE

State: \$0.05 per serving of an alcoholic beverage
 Local: None
 Federal: None
 Major
 Exemptions: None

ADMINISTRATION

Agency: Texas Alcoholic Beverage Commission
 Number of Taxpayers: 21
 Payment Cycle: Monthly
 Due Date: 15th day of the month for the preceding month
 Remitted By: Businesses providing commercial airline and passenger train service

LEGAL CITATION(S)

Texas Alcoholic Beverage Code, §§ 34.04, 48.04

ENACTED

61st Legislature (1969) \$0.05 per serving

RATE & BASE CHANGES

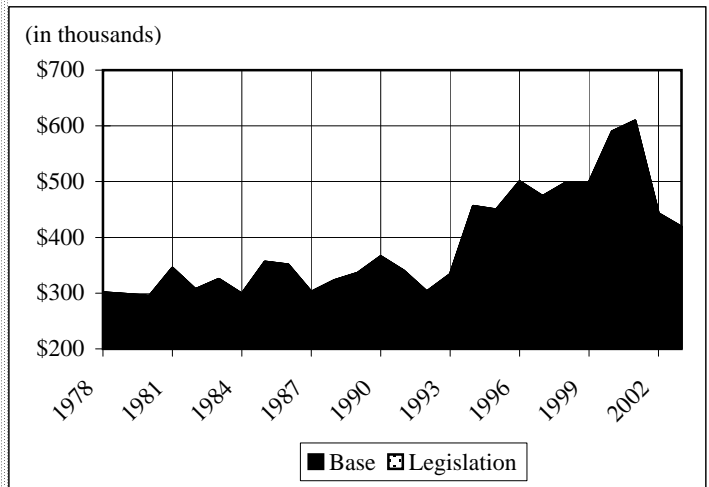
69th Legislature (1985) Passenger train service included
 70th Legislature (1987) Limousine service included (eff. 9/1/87)
 73rd Legislature (1993) Limousine service excluded (eff. 9/1/93)

ALLOCATION

General Revenue Fund 0001 — 100 percent

NET COLLECTIONS (amounts in thousands)

Year	Base	Legislation	Total	Percent of	
				Change	Total Taxes
1972	n/a	n/a	n/a		†
1973	n/a	n/a	n/a		
1974	n/a	n/a	n/a		
1975	n/a	n/a	n/a		
1976	n/a	n/a	n/a		
1977	n/a	n/a	n/a		
1978	\$301	\$0	\$301		
1979	298	0	298	-1.0%	
1980	295	0	295	-1.0	
1981	345	0	345	16.9	
1982	307	0	307	-11.0	
1983	325	0	325	5.9	
1984	299	0	299	-8.0	
1985	356	0	356	19.1	
1986	351	0	351	-1.4	
1987	302	0	302	-14.0	
1988	323	0	323	7.0	
1989	336	0	336	4.0	
1990	366	0	366	8.9	
1991	340	0	340	-7.1	
1992	303	0	303	-10.9	
1993	334	0	334	10.2	
1994	456	0	456	36.5	
1995	450	0	450	-1.3	
1996	500	0	500	11.1	
1997	474	0	474	-5.2	
1998	498	0	498	5.0	
1999	498	0	498	0.1	
2000	590	0	590	18.3	
2001	609	0	609	3.3	
2002	443	0	443	-27.3	
2003	419	0	419	-5.4	



† Less than one-tenth of 1 percent for all years.

Source(s): Carole Keeton Strayhorn, Texas Comptroller; Texas Alcoholic Beverage Commission

SOURCES OF REVENUE GROWTH

ATTORNEY OCCUPATION TAX

Revenue Objects 3135 and 3659

RATE & BASE

State: \$200 per year imposed on each attorney
Local: None
Federal: None
Major Exemptions: Judges; federal and state employees; city, county, and district attorneys; attorneys 70 years and older; and attorneys who have assumed inactive status

ADMINISTRATION

Agency: Texas Supreme Court
Number of Taxpayers: 54,625
Payment Cycle: In advance, annually
Due Date: On or before June 1
Remitted By: Licensed attorneys

LEGAL CITATION(S)

Texas Tax Code, §§ 191.141 - 191.145

ENACTED

70th Legislature (1987) \$110 per year (eff. 1/1/88 to 5/31/90)
 72nd Legislature (1991) \$200 per year (eff. 9/1/91)

RATE & BASE CHANGES

None

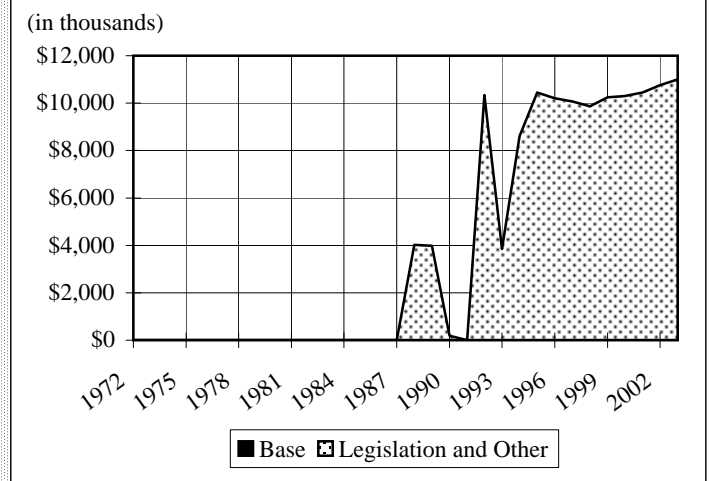
ALLOCATION

Foundation School Fund 0193 — 25 percent
 General Revenue Fund 0001 — 75 percent

NET COLLECTIONS

(amounts in thousands)

Year	Base	Legislation and Other	Total	Percent of Total Taxes	
				Change	
1972	\$0	\$0	\$0		†
1973	0	0	0		
1974	0	0	0		
1975	0	0	0		
1976	0	0	0		
1977	0	0	0		
1978	0	0	0		
1979	0	0	0		
1980	0	0	0		
1981	0	0	0		
1982	0	0	0		
1983	0	0	0		
1984	0	0	0		
1985	0	0	0		
1986	0	0	0		
1987	0	0	0		
1988	0	4,026	4,026		
1989	0	3,977	3,977	-1.2 %	
1990	0	195	195	-95.1	
1991	0	1	1	-99.5	
1992	0	10,338 ‡	10,338	n/a	
1993	0	3,853 ‡	3,853	-62.7	
1994	0	8,613	8,613	123.5	
1995	0	10,446	10,446	21.3	
1996	0	10,206	10,206	-2.3	
1997	0	10,065	10,065	-1.4	
1998	0	9,873	9,873	-1.9	
1999	0	10,241	10,241	3.7	
2000	0	10,300	10,300	0.6	
2001	0	10,442	10,442	1.4	
2002	0	10,762	10,762	3.1	
2003	0	11,000	11,000	2.2	



† Less than one-tenth of 1 percent for all years.

‡ Revenues recorded for fiscal 1992 include a \$3.1 million deposit error; this amount was deducted in fiscal 1993.

Source(s): Carole Keeton Strayhorn, Texas Comptroller; State Bar of Texas

SOURCES OF REVENUE GROWTH

AUTOMOBILE THEFT PREVENTION AUTHORITY (ATPA) FEE AND OTHER INSURANCE-RELATED FEES

Revenue Object 3206

RATE & BASE

State: ATPA: \$1 times the number of motor vehicle years of insurance for policies delivered, issued for delivery, or renewed during the designated six-month period; Other: various filing, application, charter, certificate of authority, examination, and annual statement fees

Local: None

Federal: None

Major Exemptions: None

ADMINISTRATION

Agency: Comptroller of Public Accounts, under contract to the Texas Dept. of Public Safety (ATPA); Banking Dept. of Texas (prepaid funeral benefits); Texas Dept. of Insurance (all others)

Number of Feepayers: 978 (ATPA); 422 (prepaid funeral benefits); 1,116 (other insurance)

Payment Cycle: Semiannually (ATPA); various (others)

Due Date: ATPA: March 1 — for policies issued August 1 through December 31 of previous year; August 1 — for policies issued January 1 through July 31 of that calendar year

Remitted By: ATPA: insurance companies
Other: sellers of specific services

LEGAL CITATION(S)

Texas Revised Civil Statutes, Art. 4413(37), § 10
Texas Revised Civil Statutes, Art. 548b, § 3
Texas Insurance Code, Arts. 11.02, 12.18, 13.08, 14.60, 24.03 & 24.06; 23.08(a); 20A-32; 21.58A; 3.95-3; 21.54; and 5.73

ENACTED

41st Legislature (1929) Mutual assessment companies

RATE & BASE CHANGES

54th Legislature (1955) Prepaid funeral benefits added
59th Legislature (1965) Credit insurers added
64th Legislature (1975) Prepaid legal services, premium finance companies, and HMOs added
68th Legislature, 2nd CS (1984) Credit insurers repealed
70th Legislature (1987) Third party administrators and risk retention groups added
72nd Legislature (1991) ATPA fee and utilization review agents added; rating organizations repealed
73rd Legislature (1993) Multiple employer welfare arrangements added
76th Legislature (1999) Advisory organizations added

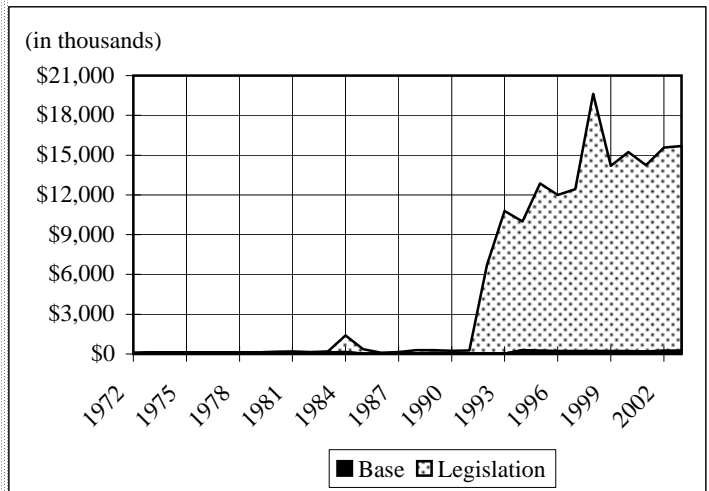
ALLOCATION

General Revenue Fund 0001 — 100 percent of ATPA, prepaid funeral benefits, and utilization review agents
Department of Insurance Operating Account 0036 — 100 percent of all others

NET COLLECTIONS

(amounts in thousands)

<u>Year</u>	<u>Base</u>	<u>Legislation</u>	<u>Total</u>	<u>Percent Change</u>
1972	\$80	\$0	\$80	
1973	94	0	94	17.5 %
1974	107	0	107	13.8
1975	106	0	106	-0.9
1976	100	0	100	-5.7
1977	108	1	109	9.0
1978	105	3	108	-0.9
1979	108	3	111	2.8
1980	114	46	160	44.1
1981	116	66	182	13.8
1982	115	40	155	-14.8
1983	131	51	182	17.4
1984 ‡	133	1,259	1,392	664.8
1985 ‡	24	330	354	-74.6
1986	24	69	93	-73.7
1987	26	127	153	64.5
1988	56	231	287	87.6
1989	64	216	280	-2.4
1990	42	207	249	-11.1
1991	48	224	272	9.2
1992	41	6,666	6,707	2366
1993	36	10,749	10,785	60.8
1994	295	9,694	9,989	-7.4
1995	240	12,632	12,872	28.9
1996	216	11,787	12,003	-6.8
1997	216	12,204	12,420	3.5
1998	212	19,419	19,631	58.1
1999	207	13,983	14,190	-27.7
2000	217	15,017	15,234	7.4
2001	202	14,044	14,246	-6.5
2002	245	15,324	15,569	9.3
2003	251	15,448	15,699	0.8



‡ 1984 and 1985 reflect deposit errors.

Source(s): Carole Keeton Strayhorn, Texas Comptroller; Banking Department of Texas; Texas Department of Insurance

SOURCES OF REVENUE GROWTH

BATTERY SALES FEE

Revenue Object 3598

RATE & BASE

State: \$2 fee on each lead-acid battery with a capacity of less than 12 volts; \$3 fee on each lead-acid battery with a capacity of 12 or more volts

Local: None

Federal: None

Major Exemptions: None

ADMINISTRATION

Agency: Comptroller of Public Accounts

Number of Feepayers: 8,251

Payment Cycle: Monthly or quarterly

Due Date: 20th day of the month for the preceding month or quarter

Remitted By: Retail sellers of batteries

LEGAL CITATION(S)

Texas Health and Safety Code, § 361.138

ENACTED

72nd Legislature (1991) \$2 fee on each lead-acid battery with a capacity of less than 12 volts; \$3 fee on each lead-acid battery with a capacity of 12 or more volts

RATE & BASE CHANGES

None

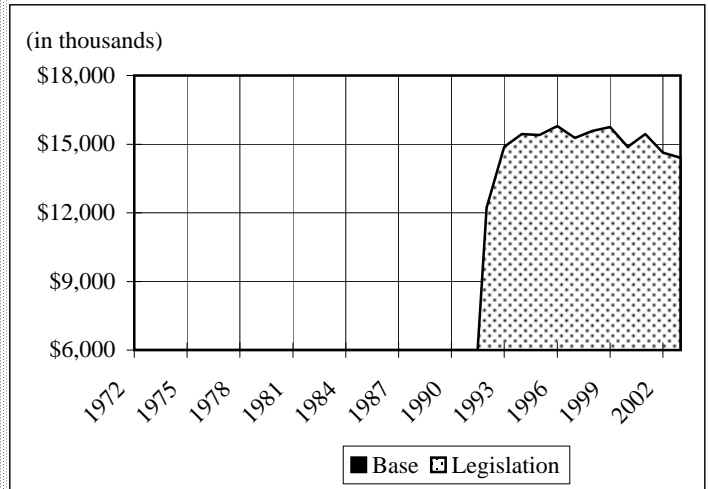
ALLOCATION

After deductions for administrative costs and enforcement:
Hazardous and Solid Waste Remediation Account 0550 — remaining balance

NET COLLECTIONS

(amounts in thousands)

<u>Year</u>	<u>Base</u>	<u>Legislation</u>	<u>Total</u>	<u>Percent Change</u>
1972	\$0	\$0	\$0	
1973	0	0	0	
1974	0	0	0	
1975	0	0	0	
1976	0	0	0	
1977	0	0	0	
1978	0	0	0	
1979	0	0	0	
1980	0	0	0	
1981	0	0	0	
1982	0	0	0	
1983	0	0	0	
1984	0	0	0	
1985	0	0	0	
1986	0	0	0	
1987	0	0	0	
1988	0	0	0	
1989	0	0	0	
1990	0	0	0	
1991	0	0	0	
1992	0	12,217	12,217	
1993	0	14,885	14,885	21.8 %
1994	0	15,445	15,445	3.8
1995	0	15,395	15,395	-0.3
1996	0	15,788	15,788	2.6
1997	0	15,275	15,275	-3.2
1998	0	15,582	15,582	2.0
1999	0	15,755	15,755	1.1
2000	0	14,877	14,877	-5.6
2001	0	15,446	15,446	3.8
2002	0	14,636	14,636	-5.2
2003	0	14,400	14,400	-1.6



Source(s): Carole Keeton Strayhorn, Texas Comptroller

SOURCES OF REVENUE GROWTH

BEER TAX

Revenue Objects 3258 and 3660

RATE & BASE

State: \$6.00 per 31-gallon barrel
 Local: None
 Federal: \$18.00 per 31-gallon barrel
 Major Exemptions: Federal military facility sales

ADMINISTRATION

Agency: Texas Alcoholic Beverage Commission
 Number of Taxpayers: 148
 Payment Cycle: Monthly
 Due Date: 15th day of the month for the preceding month
 Remitted By: Beer distributors, manufacturers, and brew pubs

LEGAL CITATION(S)

Texas Alcoholic Beverage Code, § 203.01

ENACTED

44th Legislature (1935) \$1.24 per barrel

RATE & BASE CHANGES

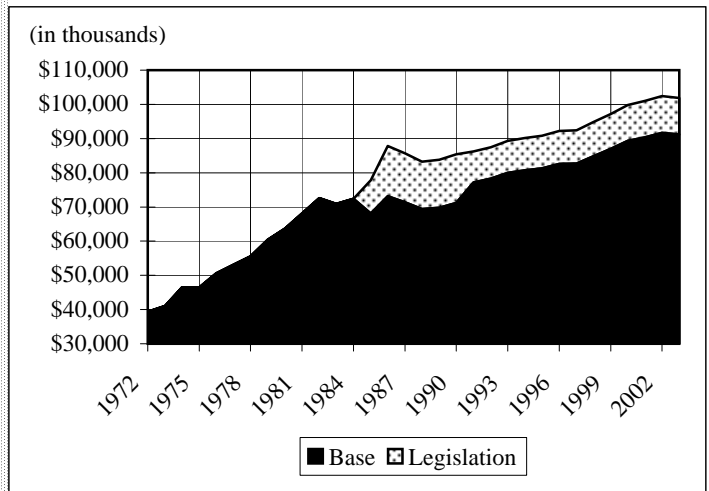
51st Legislature (1950) \$1.364 per barrel (temporary)
 52nd Legislature (1951) \$1.37 per barrel
 53rd Legislature (1954) \$2.00 per barrel
 54th Legislature (1955) \$4.30 per barrel
 62nd Legislature (1971) \$5.00 per barrel
 68th Legislature (1984) \$6.00 per barrel (eff. 10/2/84)

ALLOCATION

General Revenue Fund 0001 — 100 percent

NET COLLECTIONS (amounts in thousands)

Year	Base	Legislation	Total	Percent of	
				Change	Total Taxes
1972	\$39,329	\$0	\$39,329		1.68 %
1973	41,083	0	41,083	4.5 %	1.59
1974	46,435	0	46,435	13.0	1.53
1975	46,514	0	46,514	0.2	1.38
1976	50,620	0	50,620	8.8	1.29
1977	53,100	0	53,100	4.9	1.20
1978	55,565	0	55,565	4.6	1.10
1979	60,392	0	60,392	8.7	1.12
1980	63,697	0	63,697	5.5	1.00
1981	68,075	0	68,075	6.9	0.88
1982	72,595	0	72,595	6.6	0.84
1983	70,862	0	70,862	-2.4	0.83
1984	72,347	0	72,347	2.1	0.78
1985	68,042	9,800	77,842	7.6	0.73
1986	73,159	14,631	87,790	12.8	0.86
1987	71,368	14,273	85,641	-2.4	0.83
1988	69,350	13,869	83,219	-2.8	0.67
1989	69,812	13,962	83,774	0.7	0.65
1990	71,131	14,225	85,356	1.9	0.63
1991	77,144	9,063	86,207	1.0	0.58
1992	78,245	9,193	87,438	1.4	0.55
1993	79,920	9,390	89,310	2.1	0.53
1994	80,697	9,481	90,178	1.0	0.50
1995	81,255	9,546	90,801	0.7	0.48
1996	82,559	9,700	92,259	1.6	0.47
1997	82,715	9,718	92,433	0.2	0.44
1998	84,844	9,968	94,812	2.6	0.42
1999	86,951	10,216	97,167	2.5	0.41
2000	89,286	10,490	99,776	2.7	0.39
2001	90,365	10,617	100,982	1.2	0.37
2002	91,682	10,771	102,453	1.5	0.39
2003	91,166	10,711	101,877	-0.6	0.39



Source(s): Carole Keeton Strayhorn, Texas Comptroller; Texas Alcoholic Beverage Commission

SOURCES OF REVENUE GROWTH

BINGO PRIZE FEE

Revenue Object 3170

RATE & BASE

State: 5 percent of the amount or value of a prize awarded in a bingo game
Local: None, but local governments that did impose a gross receipts tax in 1993 are allocated 50 percent of the state bingo prize fees collected within their boundaries
Federal: None
Major Exemptions: None

ADMINISTRATION

Agency: Texas Lottery Commission
Number of FeePAYERS: 1,375
Payment Cycle: Quarterly
Due Date: 15th day of the month succeeding each calendar quarter
Remitted By: Organizations authorized to conduct bingo

LEGAL CITATION(S)

Texas Revised Civil Statutes, Art. 179d, § 19b

ENACTED

72nd Legislature (1991) 3 percent of the amount or value of a bingo prize

RATE & BASE CHANGES

73rd Legislature (1993) 5 percent of the amount or value of a bingo prize; repealed the state and local bingo gross receipts tax (local governments that imposed a gross receipts tax became entitled to 50 percent of the fee on prizes awarded in that jurisdiction)

ALLOCATION

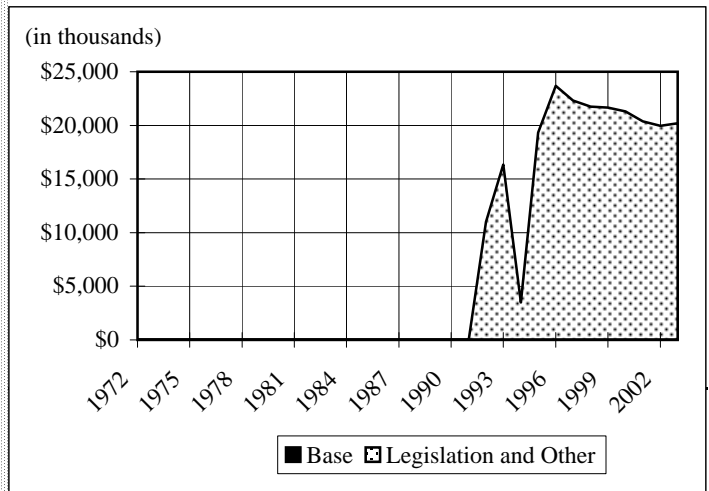
General Revenue Fund 0001 — 100 percent, after which allocations equal to 50 percent of the collections within their boundaries are distributed to local governments that imposed a bingo gross receipts tax in 1993

‡ \$8.2 million collected in fiscal 1994 was not processed until fiscal 1995.

Source(s): Carole Keeton Strayhorn, Texas Comptroller; Texas Lottery Commission

NET COLLECTIONS (amounts in thousands)

<u>Year</u>	<u>Base</u>	<u>Legislation and Other</u>	<u>Total</u>	<u>Percent Change</u>
1972	\$0	\$0	\$0	
1973	0	0	0	
1974	0	0	0	
1975	0	0	0	
1976	0	0	0	
1977	0	0	0	
1978	0	0	0	
1979	0	0	0	
1980	0	0	0	
1981	0	0	0	
1982	0	0	0	
1983	0	0	0	
1984	0	0	0	
1985	0	0	0	
1986	0	0	0	
1987	0	0	0	
1988	0	0	0	
1989	0	0	0	
1990	0	0	0	
1991	0	0	0	
1992	0	11,006	11,006	
1993	0	16,361	16,361	48.7 %
1994	0	3,501 ‡	3,501	n/a
1995	0	19,345 ‡	19,345	n/a
1996	0	23,702	23,702	22.5
1997	0	22,301	22,301	-5.9
1998	0	21,763	21,763	-2.4
1999	0	21,660	21,660	-0.5
2000	0	21,287	21,287	-1.7
2001	0	20,366	20,366	-4.3
2002	0	19,971	19,971	-1.9
2003	0	20,189	20,189	1.1



SOURCES OF REVENUE GROWTH

BINGO RENTAL TAX

Revenue Object 3166

RATE & BASE

State: 3 percent of the gross rental of premises for the conduct of bingo games by a licensed, authorized commercial lessor or licensee

Local: None

Federal: None

Major Exemptions: None

ADMINISTRATION

Agency: Texas Lottery Commission

Number of Taxpayers: 450

Payment Cycle: Quarterly

Due Date: 15th day of the month succeeding each calendar quarter

Remitted By: Authorized commercial lessor or licensee

LEGAL CITATION(S)

Texas Revised Civil Statutes, Art. 179d

ENACTED

72nd Legislature (1991) 3 percent of gross rental receipts

RATE & BASE CHANGES

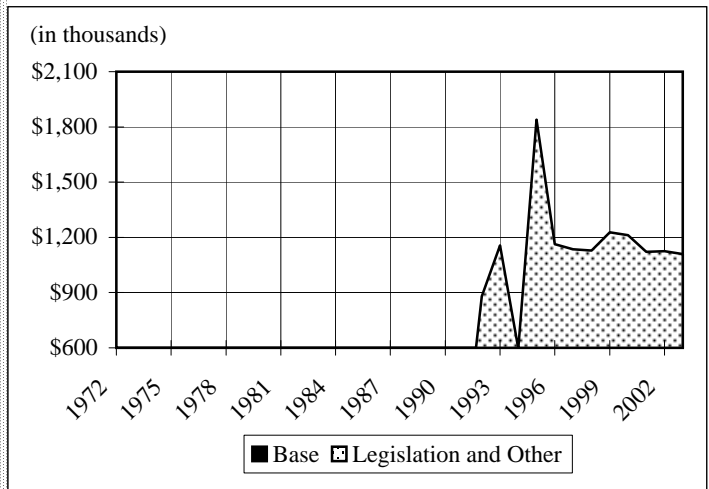
None

ALLOCATION

General Revenue Fund 0001 — 100 percent

NET COLLECTIONS (amounts in thousands)

Year	Base	Legislation and Other	Total	Percent of Total Taxes	
				Change	
1972	\$0	\$0	\$0		†
1973	0	0	0		
1974	0	0	0		
1975	0	0	0		
1976	0	0	0		
1977	0	0	0		
1978	0	0	0		
1979	0	0	0		
1980	0	0	0		
1981	0	0	0		
1982	0	0	0		
1983	0	0	0		
1984	0	0	0		
1985	0	0	0		
1986	0	0	0		
1987	0	0	0		
1988	0	0	0		
1989	0	0	0		
1990	0	0	0		
1991	0	0	0		
1992	0	879	879		
1993	0	1,156	1,156	31.5 %	
1994	0	596 †	596	-48.4	
1995	0	1,839 ‡	1,839	208.6	
1996	0	1,163	1,163	-36.8	
1997	0	1,135	1,135	-2.4	
1998	0	1,129	1,129	-0.5	
1999	0	1,228	1,228	8.8	
2000	0	1,211	1,211	-1.4	
2001	0	1,121	1,121	-7.4	
2002	0	1,125	1,125	0.4	
2003	0	1,109	1,109	-1.4	



† Less than one-tenth of 1 percent for all years.

‡ \$630,000 collected in fiscal 1994 was not processed until fiscal 1995.

Source(s): Carole Keeton Strayhorn, Texas Comptroller; Texas Lottery Commission

SOURCES OF REVENUE GROWTH

BOAT AND BOAT MOTOR SALES AND USE TAX

Revenue Object 3111

RATE & BASE

State: 6.25 percent of the total consideration on every retail sale of a taxable boat or boat motor; \$15 tax for each boat or boat motor brought into the State

Local: None, but counties retain 5 percent of collections

Federal: None

Major Exemptions: Sales to government; canoes, kayaks, and rowboats

ADMINISTRATION

Agency: Texas Parks and Wildlife Department

Number of Taxpayers: 255

Payment Cycle: Monthly

Due Date: 10th day of the month for the preceding month

Remitted By: County tax assessor-collectors and Texas Parks and Wildlife Department

LEGAL CITATION(S)

Texas Tax Code, §§ 160.021 - 160.025

ENACTED

72nd Legislature (1991) 6.25 percent

RATE & BASE CHANGES

75th Legislature (1997) Base expanded to include retail sales of commercial boats not more than 65 feet long

ALLOCATION

If paid to a county tax assessor-collector:
 Local county government — 5 percent
 General Revenue Fund 0001 — 95 percent

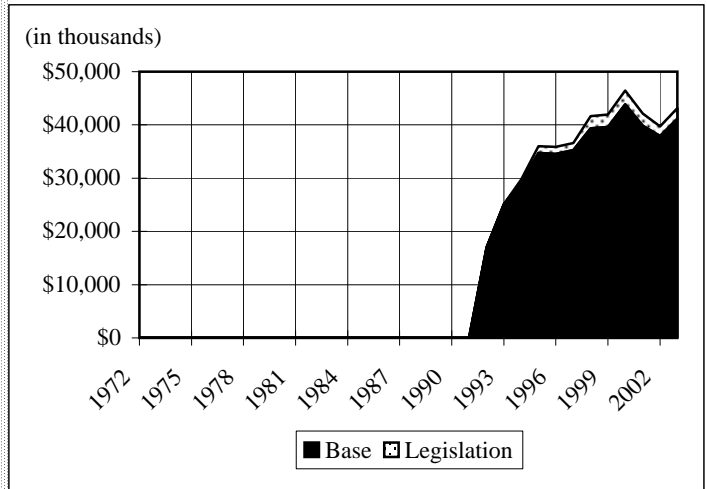
If paid to the Texas Parks and Wildlife Department:
 Game, Fish, and Water Safety Fund Account 0009 — 5 percent
 General Revenue Fund 0001 — 95 percent

‡ Before 1992, Boat and Boat Motor tax receipts were deposited under object code 3102 for the Sales and Use tax.

Source(s): Carole Keeton Strayhorn, Texas Comptroller; Texas Parks and Wildlife Department

NET COLLECTIONS (amounts in thousands)

Year	Base	Legislation	Total	Percent of Total Taxes	
				Change	
1972	\$0 ‡	\$0	\$0		
1973	0	0	0		
1974	0	0	0		
1975	0	0	0		
1976	0	0	0		
1977	0	0	0		
1978	0	0	0		
1979	0	0	0		
1980	0	0	0		
1981	0	0	0		
1982	0	0	0		
1983	0	0	0		
1984	0	0	0		
1985	0	0	0		
1986	0	0	0		
1987	0	0	0		
1988	0	0	0		
1989	0	0	0		
1990	0	0	0		
1991	0	0	0		
1992	17,016	0	17,016		0.11 %
1993	25,149	0	25,149	47.8 %	0.15
1994	29,125	613	29,738	18.2	0.16
1995	34,710	1,260	35,970	21.0	0.19
1996	34,585	1,294	35,879	-0.3	0.18
1997	35,270	1,354	36,624	2.1	0.17
1998	39,336	2,292	41,628	13.7	0.18
1999	39,610	2,308	41,918	0.7	0.18
2000	43,880	2,554	46,434	10.8	0.18
2001	39,820	2,318	42,138	-9.3	0.15
2002	37,899	1,827	39,726	-5.7	0.15
2003	41,143	1,984	43,127	8.6	0.16



SOURCES OF REVENUE GROWTH

BUSINESS FILING FEES (GENERAL)

Revenue Object 3133

RATE & BASE

State: Various business filing fees imposed on domestic and foreign corporations, partnerships, professional associations, and other business entities

Local: None

Federal: None

Major Exemptions: None

ADMINISTRATION

Agency: Secretary of State; Governor's Office

Number of FeePAYERS: 750,000 (approximately)

Payment Cycle: Various

Due Date: At time of filing or when service is performed

Remitted By: Business entities

LEGAL CITATION(S)

Texas Agriculture Code, §§ 14.104, 55.009, 128.016(b), 128.038, 128.039, 188.016

Texas Business and Commerce Code, §§ 9.403 - 9.407, 9.4095, 9.410, 16.10, 16.14, 16.18, 35.05 - 35.06, 36.14, 36.15

Texas Business Corporation Act, Arts. 7.01, 10.01

Texas Code of Criminal Procedures, Art. 42.22 § 7(a)

Texas Government Code, §§ 103.022 (4), 481.059(g), 2310.110(e)

Texas Property Code, §§ 14.004 - 14.005

Texas Revised Civil Statutes, Arts. 9.01 § A, 1302-7.05, 1396-9.02, 1396-9.03, 1396-70.01, 1528e, 1528f § 22, 5069 § 16.08, 5190.6 §§ 19, 20, 5190.9a § 12, 6132a-1 § 3, 12.01, 13.05, 13.07

Texas Tax Code, Arts. 113.203 - 113.204

Texas Utility Code §§ 161.055, 161.061, 161.152, 161.202, 161.252, 162.061, 162.080, 162.154, 162.202, 162.204, 162.252, 162.254, 162.301

ENACTED

14th Legislature (1874) Domestic business
 36th Legislature (1919) Foreign business
 Numerous fees subsequently enacted

RATE & BASE CHANGES

The history of fee rate and base changes is too extensive to report in the space allotted; see Table 2 for major tax and fee legislation

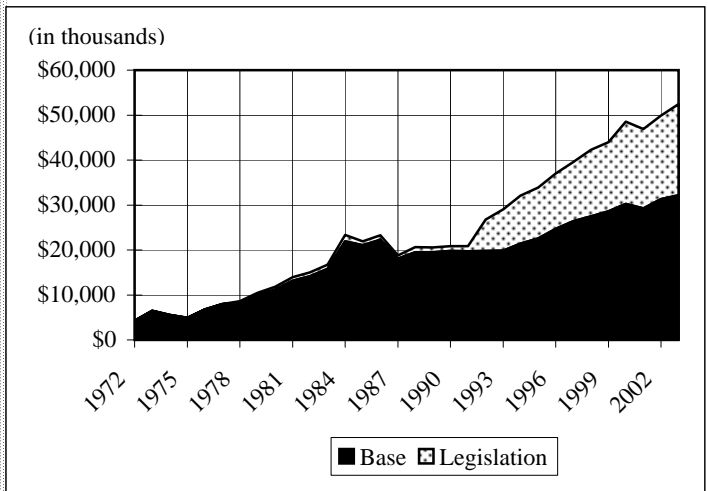
ALLOCATION

General Revenue Fund 0001 — 100 percent

NET COLLECTIONS

(amounts in thousands)

<u>Year</u>	<u>Base</u>	<u>Legislation</u>	<u>Total</u>	<u>Percent Change</u>
1972	\$4,266	\$0	\$4,266	
1973	6,489	0	6,489	52.1 %
1974	5,536	0	5,536	-14.7
1975	4,907	0	4,907	-11.4
1976	6,750	0	6,750	37.6
1977	7,941	0	7,941	17.6
1978	8,173	473	8,646	8.9
1979	9,914	574	10,488	21.3
1980	11,188	648	11,836	12.9
1981	13,185	765	13,950	17.9
1982	14,174	827	15,001	7.5
1983	15,782	928	16,710	11.4
1984	21,937	1,396	23,333	39.6
1985	21,060	884	21,944	-6.0
1986	22,307	939	23,246	5.9
1987	18,068	741	18,809	-19.1
1988	19,514	1,101	20,615	9.6
1989	19,475	1,087	20,562	-0.3
1990	19,760	1,090	20,850	1.4
1991	19,744	1,124	20,868	0.1
1992	19,785	6,961	26,746	28.2
1993	19,837	9,232	29,069	8.7
1994	21,424	10,685	32,109	10.5
1995	22,596	11,278	33,874	5.5
1996	24,690	12,338	37,028	9.3
1997	26,381	13,191	39,572	6.9
1998	27,478	14,796	42,274	6.8
1999	28,599	15,399	43,998	4.1
2000	30,255	18,300	48,555	10.4
2001	29,229	17,679	46,908	-3.4
2002	31,296	18,628	49,924	6.4
2003	32,137	20,325	52,462	5.1



Source(s): Carole Keeton Strayhorn, Texas Comptroller; Secretary of State; Governor's Office

SOURCES OF REVENUE GROWTH

CEMENT PRODUCTION TAX

Revenue Objects 3136 and 3666

RATE & BASE

State: \$0.0275 per 100 pounds on first intrastate distribution, sale, or use of cement manufactured within or imported into the state

Local: None

Federal: None

Major Exemptions: None

ADMINISTRATION

Agency: Comptroller of Public Accounts

Number of Taxpayers: 24

Payment Cycle: Monthly

Due Date: 25th day of the month for the preceding month

Remitted By: Manufacturer, producer, or importer

LEGAL CITATION(S)

Texas Tax Code, § 181.002

ENACTED

42nd Legislature (1931) \$0.0125 per 100 pounds

RATE & BASE CHANGES

47th Legislature (1941) \$0.025 per 100 pounds

52nd Legislature (1951) \$0.0275 per 100 pounds

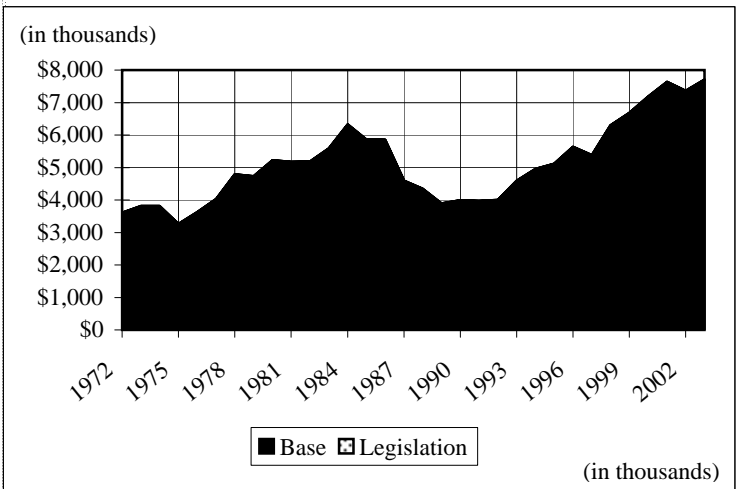
ALLOCATION

Foundation School Fund 0193 — 25 percent

General Revenue Fund 0001 — 75 percent

NET COLLECTIONS (amounts in thousands)

<u>Year</u>	<u>Base</u>	<u>Legislation</u>	<u>Total</u>	<u>Percent Change</u>	<u>Percent of Total Taxes</u>
1972	\$3,604	\$0	\$3,604		0.15 %
1973	3,817	0	3,817	5.9 %	0.15
1974	3,811	0	3,811	-0.2	0.13
1975	3,260	0	3,260	-14.5	0.10
1976	3,623	0	3,623	11.1	0.09
1977	4,031	0	4,031	11.3	0.09
1978	4,793	0	4,793	18.9	0.10
1979	4,726	0	4,726	-1.4	0.09
1980	5,220	0	5,220	10.5	0.08
1981	5,170	0	5,170	-1.0	0.07
1982	5,183	0	5,183	0.3	0.06
1983	5,586	0	5,586	7.8	0.07
1984	6,326	0	6,326	13.2	0.07
1985	5,862	0	5,862	-7.3	0.05
1986	5,853	0	5,853	-0.2	0.06
1987	4,589	0	4,589	-21.6	0.04
1988	4,341	0	4,341	-5.4	0.04
1989	3,888	0	3,888	-10.4	0.03
1990	3,988	0	3,988	2.6	0.03
1991	3,973	0	3,973	-0.4	0.03
1992	3,999	0	3,999	0.7	0.03
1993	4,589	0	4,589	14.8	0.03
1994	4,953	0	4,953	7.9	0.03
1995	5,111	0	5,111	3.2	0.03
1996	5,632	0	5,632	10.2	0.03
1997	5,384	0	5,384	-4.4	0.03
1998	6,295	0	6,295	16.9	0.03
1999	6,675	0	6,675	6.0	0.03
2000	7,182	0	7,182	7.6	0.03
2001	7,635	0	7,635	6.3	0.03
2002	7,361	0	7,361	-3.6	0.03
2003	7,702	0	7,702	4.6	0.03



Source(s): Carole Keeton Strayhorn, Texas Comptroller

SOURCES OF REVENUE GROWTH

CIGARS AND TOBACCO PRODUCTS TAX

Revenue Objects 3278 and 3650

RATE & BASE

State: Cigar rate varies with weight per 1000, constituents, and price: from \$0.01 per 10 cigars for weight under 3 lbs. to \$15 per 1000 cigars for weight over 3 lbs.; chewing/smoking tobacco and snuff: 35.213 percent of manufacturer's list price

Local: None

Federal: Large cigars — 20.719 percent of sales price, not to exceed \$48.75 per 1,000 cigars;
Small cigars — \$1.828 per 1,000 cigars;
Snuff — \$0.585 per pound;
Chewing tobacco — \$0.195 per pound;
Pipe tobacco — \$1.0969 per pound

Major Exemptions: Importation with retail value at 25 cents or less; sales to Indian tribal facilities; sales to all federal institutions

ADMINISTRATION

Agency: Comptroller of Public Accounts

Number of Taxpayers: 325

Payment Cycle: Monthly

Due Date: 30th of month for distributors

Remitted By: Cigar and tobacco wholesale distributors

LEGAL CITATION(S)

Texas Tax Code, §§ 155.021, 155.0211

ENACTED

(Before 1959 — taxed under the Cigarette tax)

56th Legislature (1959) \$0.01 per 10 small cigars, \$7.50 per 1000 large cigars not more than 3.3 cents each (retail price), \$15.00 per 1000 large cigars over 3.3 cents each (retail price)

RATE & BASE CHANGES

60th Legislature (1967) Rate for certain large cigars reduced to \$12.00 per 1,000

62nd Legislature (1971) Changed 3.3 cent price threshold to factory price from retail price

64th Legislature (1975) Rate for certain large cigars reduced to \$11.00 per 1,000

65th Legislature (1977) \$11 per 1,000 rate extended to a broader range of large cigars

68th Legislature (1984) Removed exemption for snuff

70th Legislature (1987) 28.125 percent for chewing/smoking tobacco and snuff (eff. 10/1/87)

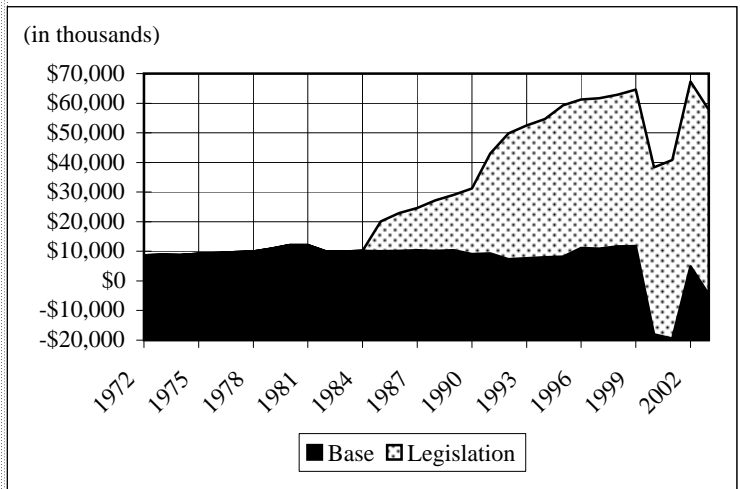
71st Legislature (1990) 35.213 percent for chewing/smoking tobacco and snuff (eff. 07/01/90)

ALLOCATION

General Revenue Fund 0001 — 100 percent

NET COLLECTIONS (amounts in thousands)

<u>Year</u>	<u>Base</u>	<u>Legislation</u>	<u>Total</u>	<u>Percent Change</u>	<u>Percent of Total Taxes</u>
1972	\$8,622	\$0	\$8,622		0.37 %
1973	8,834	0	8,834	2.5 %	0.34
1974	8,772	0	8,772	-0.7	0.29
1975	9,220	0	9,220	5.1	0.27
1976	9,396	0	9,396	1.9	0.24
1977	9,682	0	9,682	3.0	0.22
1978	9,973	0	9,973	3.0	0.20
1979	10,904	0	10,904	9.3	0.20
1980	12,123	0	12,123	11.2	0.19
1981	12,073	0	12,073	-0.4	0.16
1982	9,891	0	9,891	-18.1	0.11
1983	9,890	0	9,890	0.0	0.12
1984	10,186	0	10,186	3.0	0.11
1985	10,041	10,000	20,041	96.8	0.19
1986	10,100	12,838	22,938	14.5	0.22
1987	10,324	14,334	24,658	7.5	0.24
1988	10,107	17,070	27,177	10.2	0.22
1989	10,326	18,754	29,080	7.0	0.23
1990	9,020	22,201	31,221	7.4	0.23
1991	9,330	33,702	43,032	37.8	0.29
1992	7,349	42,439	49,788	15.7	0.31
1993	7,708	44,760	52,468	5.4	0.31
1994	8,017	46,606	54,623	4.1	0.30
1995	8,223	51,076	59,299	8.6	0.31
1996	11,107	50,140	61,247	3.3	0.31
1997	10,934	50,715	61,649	0.7	0.29
1998	11,606	51,247	62,853	2.0	0.28
1999	11,737	52,883	64,620	2.8	0.27
2000	-18,056	56,392	38,336	-40.7	0.15
2001	-19,508	60,361	40,853	6.6	0.15
2002	4,967	62,321	67,288	64.7	0.26
2003	-4,582	62,416	57,834	-14.1	0.22



Source(s): Carole Keeton Strayhorn, Texas Comptroller

SOURCES OF REVENUE GROWTH

CIGARETTE TAX

Revenue Objects 3275 and 3650

RATE & BASE

<i>State:</i>	41 cents per conventional pack of 20 cigarettes (\$20.50 per 1000 cigarettes weighing 3 lbs. or less, plus \$2.10 per 1000 if weight exceeds 3 lbs.)
<i>Local:</i>	None
<i>Federal:</i>	39 cents per conventional pack of 20 cigarettes (\$19.50 per 1000 cigarettes weighing 3 lbs. or less, \$40.95 per 1000 if weight exceeds 3 lbs.)
<i>Major Exemptions:</i>	Importation from other states of up to 200 cigarettes for personal use; sales to Indian tribal facilities; sales to all federal institutions

ADMINISTRATION

<i>Agency:</i>	Comptroller of Public Accounts
<i>Number of Taxpayers:</i>	138
<i>Payment Cycle:</i>	Monthly
<i>Due Date:</i>	Upon receipt of tax stamps unless eligible for credit purchases; credit purchases due 30 days after receipt of tax stamps, except at the end of each biennium, when tax stamp purchases made before August 31 must be paid in full by that date
<i>Remitted By:</i>	Cigarette wholesale distributors

LEGAL CITATION(S)

Texas Tax Code, §§ 154.021, 154.602 - 154.603
Texas Civil Statutes -Taxation General, Art. 7.06

ENACTED

42nd Legislature (1931) 3 cents per pack

RATE & BASE CHANGES

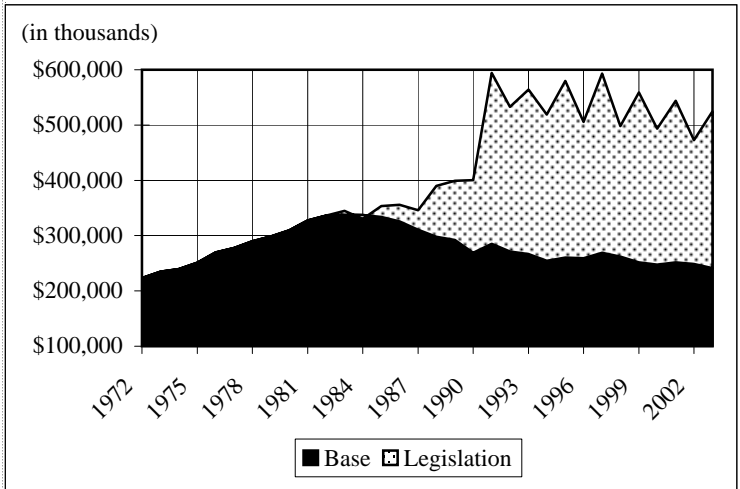
51st Legislature (1950)	4 cents per pack
54th Legislature (1955)	5 cents per pack
56th Legislature (1959)	8 cents per pack
59th Legislature (1965)	11 cents per pack
61st Legislature (1969)	15.5 cents per pack
62nd Legislature (1971)	18.5 cents per pack
68th Legislature (1984)	19.5 cents per pack (eff. 10/2/84 to 8/31/85); 20.5 cents (eff. 9/1/85)
70th Legislature (1987)	26 cents per pack (eff. 10/1/87)
71st Legislature (1990)	41 cents per pack (eff. 7/1/90)

ALLOCATION

General Revenue Fund 0001 — 100 percent

NET COLLECTIONS (amounts in thousands)

<u>Year</u>	<u>Base</u>	<u>Legislation</u>	<u>Total</u>	<u>Percent Change</u>	<u>Percent of Total Taxes</u>
1972	\$222,986	\$0	\$222,986		9.51 %
1973	234,833	0	234,833	5.3 %	9.09
1974	239,180	0	239,180	1.9	7.90
1975	251,194	0	251,194	5.0	7.44
1976	269,832	0	269,832	7.4	6.89
1977	277,692	0	277,692	2.9	6.28
1978	289,852	0	289,852	4.4	5.76
1979	298,381	0	298,381	2.9	5.54
1980	309,642	0	309,642	3.8	4.88
1981	327,510	0	327,510	5.8	4.23
1982	336,147	0	336,147	2.6	3.89
1983	338,074	7,000	345,074	2.7	4.06
1984	337,085	-7,000	330,085	-4.3	3.55
1985	333,823	19,858	353,681	7.1	3.30
1986	325,753	30,024	355,777	0.6	3.48
1987	310,923	35,262	346,185	-2.7	3.37
1988	297,758	92,064	389,822	12.6	3.15
1989	292,083	107,220	399,303	2.4	3.09
1990	268,950	131,408	400,358	0.3	2.94
1991	285,292	308,676	593,968	48.4	3.98
1992	271,242	261,754	532,996	-10.3	3.36
1993	266,871	297,497	564,368	5.9	3.32
1994	254,798	263,916	518,714	-8.1	2.86
1995	260,465	319,255	579,720	11.8	3.07
1996	259,373	246,072	505,445	-12.8	2.56
1997	268,939	324,182	593,121	17.3	2.80
1998	261,919	236,151	498,070	-16.0	2.20
1999	251,788	307,161	558,949	12.2	2.37
2000	247,730	245,788	493,518	-11.7	1.95
2001	251,373	292,360	543,733	10.2	2.00
2002	248,517	224,233	472,750	-13.1	1.80
2003	240,975	283,903	524,878	11.0	2.01



Source(s): Carole Keeton Strayhorn, Texas Comptroller

SOURCES OF REVENUE GROWTH

COASTAL PROTECTION FEE

Revenue Object 3378

Revenue Object 3378

RATE & BASE

State: \$0.02 per barrel of oil in a vessel at the time such oil is transferred to or from a marine terminal
 Local: None
 Federal: None
 Major Exemptions: None

ADMINISTRATION

Agency: Comptroller of Public Accounts
 Number of Feepayers: 33
 Payment Cycle: Monthly
 Due Date: Last day of the month for the preceding month
 Remitted By: Marine terminal operators

LEGAL CITATION(S)

Texas Natural Resources Code, § 40.154

ENACTED

72nd Legislature (1991) \$0.02 per barrel

RATE & BASE CHANGES

None

ALLOCATION

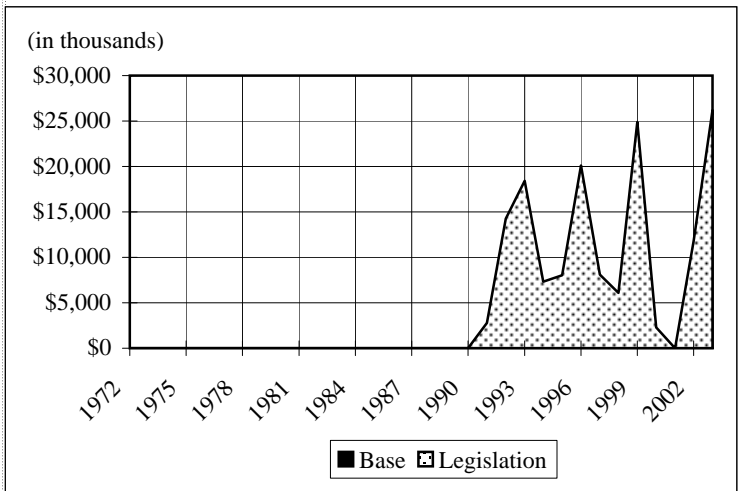
Coastal Protection Account 0027 — 100 percent

NOTE: This fee is collected until the balance in the Coastal Protection Account 0027 reaches \$25 million, at which point collection halts. The fee resumes when the account balance falls below \$14 million.

NET COLLECTIONS

(amounts in thousands)

Year	Base	Legislation	Total	Percent Change
1972	\$0	\$0	\$0	
1973	0	0	0	
1974	0	0	0	
1975	0	0	0	
1976	0	0	0	
1977	0	0	0	
1978	0	0	0	
1979	0	0	0	
1980	0	0	0	
1981	0	0	0	
1982	0	0	0	
1983	0	0	0	
1984	0	0	0	
1985	0	0	0	
1986	0	0	0	
1987	0	0	0	
1988	0	0	0	
1989	0	0	0	
1990	0	0	0	
1991	0	2,780	2,780	
1992	0	14,244	14,244	412.4 %
1993	0	18,415	18,415	29.3
1994	0	7,327	7,327	-60.2
1995	0	8,042	8,042	9.8
1996	0	20,122	20,122	150.2
1997	0	8,081	8,081	-59.8
1998	0	6,075	6,075	-24.8
1999	0	24,903	24,903	309.9
2000	0	2,296	2,296	-90.8
2001	0	1	1	-100.0
2002	0	11,784	11,784	N/A
2003	0	26,182	26,182	122.2



Source(s): Carole Keeton Strayhorn, Texas Comptroller

SOURCES OF REVENUE GROWTH

COIN-OPERATED MACHINE TAX

Revenue Object 3150

RATE & BASE

State: \$60 for each coin-operated amusement machine
Local: Counties and municipalities may impose a tax not to exceed \$15 per machine
Federal: None
Major Exemptions: Pay telephones, food vending machines, cigarette vending machines, beverage vending machines

ADMINISTRATION

Agency: Comptroller of Public Accounts
Number of Taxpayers: 3,609
Payment Cycle: Annually
Due Date: At time of application for permit; renewals due by November 30
Remitted By: Owners of coin-operated machines

LEGAL CITATION(S)

Texas Occupation Code, §§ 2153.401 - 2153.407

ENACTED

44th Legislature (1936) Various rates for extensive classifications of machines

RATE & BASE CHANGES

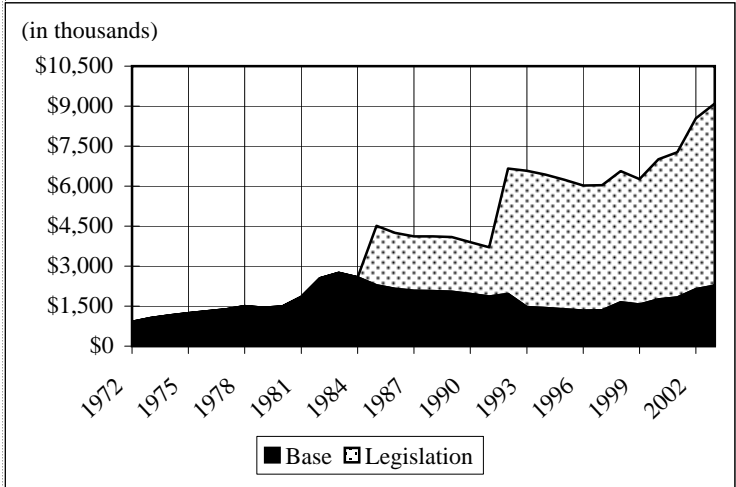
51st Legislature (1949) Adjusted rates and reduced classifications
 52nd Legislature (1951) Adjusted rates for certain classifications
 57th Legislature (1961) \$10 per machine
 61st Legislature (1969) \$15 per machine
 68th Legislature (1984) \$30 per machine
 72nd Legislature (1991) \$60 per machine (eff. 1/1/92)

ALLOCATION

Foundation School Fund 0193 — 25 percent
 General Revenue Fund 0001 — 75 percent

NET COLLECTIONS (amounts in thousands)

<u>Year</u>	<u>Base</u>	<u>Legislation</u>	<u>Total</u>	<u>Percent Change</u>	<u>Percent of Total Taxes</u>
1972	\$916	\$0	\$916		†
1973	1,059	0	1,059	15.6%	
1974	1,149	0	1,149	8.5	
1975	1,238	0	1,238	7.7	
1976	1,306	0	1,306	5.5	
1977	1,377	0	1,377	5.4	
1978	1,503	0	1,503	9.2	
1979	1,436	0	1,436	-4.5	
1980	1,494	0	1,494	4.0	
1981	1,850	0	1,850	23.8	
1982	2,545	0	2,545	37.6	
1983	2,753	0	2,753	8.2	
1984	2,581	0	2,581	-6.2	
1985	2,284	2,231	4,515	74.9	
1986	2,147	2,104	4,251	-5.8	
1987	2,076	2,035	4,111	-3.3	
1988	2,061	2,060	4,121	0.2	
1989	2,046	2,046	4,092	-0.7	
1990	1,953	1,952	3,905	-4.6	
1991	1,855	1,854	3,709	-5.0	
1992	1,962	4,697	6,659	79.5	
1993	1,459	5,117	6,576	-1.2	
1994	1,427	5,004	6,431	-2.2	
1995	1,385	4,859	6,244	-2.9	
1996	1,338	4,692	6,030	-3.4	
1997	1,340	4,701	6,041	0.2	
1998	1,641	4,924	6,565	8.7	
1999	1,566	4,697	6,263	-4.6	
2000	1,753	5,260	7,013	12.0	
2001	1,819	5,456	7,275	3.7	
2002	2,136	6,407	8,543	17.4	
2003	2,274	6,824	9,098	6.5	



† Less than one-tenth of 1 percent for all years.

Source(s): Carole Keeton Strayhorn, Texas Comptroller

SOURCES OF REVENUE GROWTH

CONCEALED HANDGUN FEES

Revenue Object 3126

RATE & BASE

State: \$140 application and license fee; \$25 paid by active and retired peace officers and retired federal agents; renewal fees, fees paid by active and retired judicial officers, and criminal background-check fees on non-resident applicants are set by the agency; \$25 duplicate and modified license fee; handgun proficiency certificate not to exceed \$5; all fees are reduced by 50 percent for individuals who are senior citizens or indigent

Local None

Federal None

Major

Exemptions Elected felony prosecuting attorneys

ADMINISTRATION

Agency: Texas Department of Public Safety

Number of FeePAYERS: 237,393

Payment Cycle: License expires on the first birthday after the fourth year from issue date

Due Date: When application or renewal forms are filed

Remitted By: Individuals

LEGAL CITATION(S)

Texas Government Code §§ 411.171 - 411.208

ENACTED

74th Legislature (1995) \$140 application and license fee, \$25 paid by retired peace officers and federal agents, and reductions for individuals who are senior citizens or indigent

76th Legislature (1999) eligibility extended to active peace officers; fee for criminal background-checks on non-resident applicants

RATE & BASE CHANGES

None

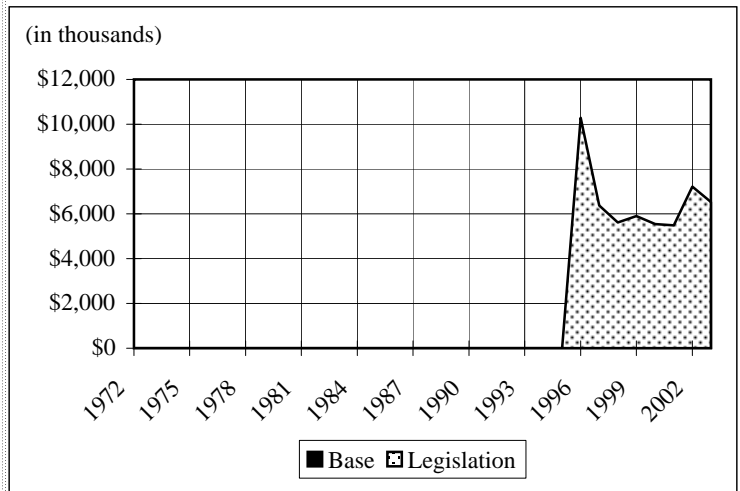
ALLOCATION

General Revenue Fund — 100 percent

NET COLLECTIONS

(amounts in thousands)

<u>Year</u>	<u>Base</u>	<u>Legislation</u>	<u>Total</u>	<u>Percent Change</u>
1972	\$0	\$0	\$0	
1973	0	0	0	
1974	0	0	0	
1975	0	0	0	
1976	0	0	0	
1977	0	0	0	
1978	0	0	0	
1979	0	0	0	
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1990	0	0	0	
1991	0	0	0	
1992	0	0	0	
1993	0	0	0	
1994	0	0	0	
1995	0	0	0	
1996	0	10,280	10,280	
1997	0	6,374	6,374	-38.0 %
1998	0	5,609	5,609	-12.0
1999	0	5,898	5,898	5.2
2000	0	5,546	5,546	-6.0
2001	0	5,489	5,489	-1.0
2002	0	7,217	7,217	31.5
2003	0	6,524	6,524	-9.6



Source(s): Carole Keeton Strayhorn, Texas Comptroller; Texas Department of Public Safety

SOURCES OF REVENUE GROWTH

COURT CASE (MISDEMEANOR AND FELONY) FEES

Revenue Object 3713

RATE & BASE

State: Various rates depending upon offense
 Local: None, but local governments retain 10 percent of total collections
 Federal: None
 Major
 Exemptions: None

ADMINISTRATION

Agency: Comptroller of Public Accounts
 Number of Feepayers: 1,131
 Payment Cycle: Quarterly
 Due Date: Last day of the month for the preceding quarter
 Remitted By: City and county treasurers

LEGAL CITATION(S)

Texas Code of Criminal Procedures, Arts. 56.55 - 56.56
 Texas Code of Criminal Procedures, Arts. 102.071 - 102.075

ENACTED

62nd Legislature (1971) \$2.50 to \$10 - criminal justice planning (CJP)

RATE & BASE CHANGES

66th Legislature (1979) Additional fee, for compensation to victims of crime (CVC), ranging from \$10 to \$15, depending upon offense
 67th Legislature (1981) Rates increased for CJP, ranging from \$5 to \$20, depending upon offense
 68th Legislature (1983) Rates increased for CVC, ranging from \$15 to \$20, depending upon offense; added new \$12.50 fee for CVC on certain misdemeanor offense
 69th Legislature (1985) Reduced misdemeanor offense fee for CVC from \$12.50 to \$3
 70th Legislature (1987) Expanded base for CVC to include a violation of a municipal ordinance
 71st Legislature (1989) Increased misdemeanor offense fee for a violation of a municipal ordinance for CVC from \$3 to \$5; added fee for abused children counseling, ranging from \$500 to \$1,000, for certain felony convictions
 72nd Legislature (1991) Additional fee, for comprehensive rehabilitation, ranging from \$5 to \$25 on certain traffic-related offenses
 73rd Legislature (1993) Rates increased for CVC, ranging from \$15 to \$45, depending upon offense
 75th Legislature (1995) Consolidated fees to a single court case fee, except those for CVC; established a single "court cost for special services"

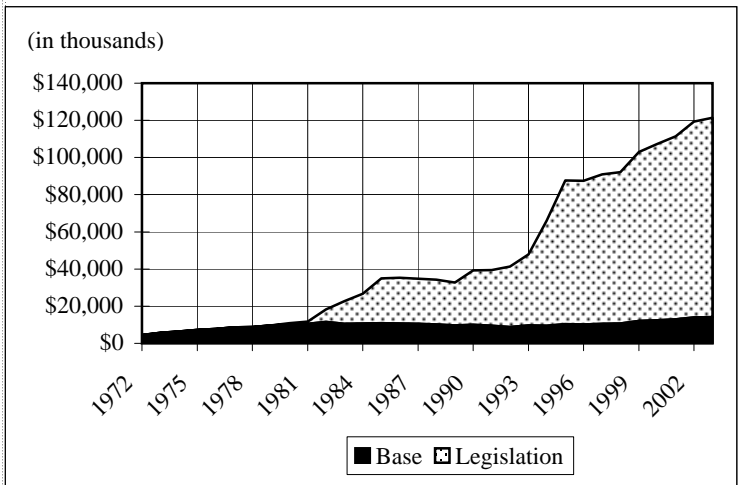
ALLOCATION

Fees for CVC:
 Compensation to Victims of Crime Account 0469
 All other:
 Various other dedicated general revenue accounts

NET COLLECTIONS

(amounts in thousands)

Year	Base	Legislation	Total	Percent Change
1972	\$4,439	\$0	\$4,439	
1973	5,702	0	5,702	28.5 %
1974	6,322	0	6,322	10.9
1975	7,236	0	7,236	14.5
1976	7,799	0	7,799	7.8
1977	8,597	0	8,597	10.2
1978	8,754	0	8,754	1.8
1979	9,619	0	9,619	9.9
1980	10,076	779	10,855	12.8
1981	10,516	1,131	11,647	7.3
1982	11,478	6,823	18,301	57.1
1983	10,569	12,127	22,696	24.0
1984	10,676	15,961	26,637	17.4
1985	10,839	24,073	34,912	31.1
1986	10,735	24,544	35,279	1.1
1987	10,462	24,328	34,790	-1.4
1988	10,200	24,012	34,212	-1.7
1989	9,635	23,009	32,644	-4.6
1990	10,049	29,226	39,275	20.3
1991	9,426	30,035	39,461	0.5
1992	8,764	32,514	41,278	4.6
1993	9,675	38,195	47,870	16.0
1994	9,513	56,651	66,164	38.2
1995	10,402	77,327	87,729	32.6
1996	10,107	77,398	87,505	-0.3
1997	10,462	80,531	90,993	4.0
1998	10,723	81,443	92,166	1.3
1999	11,989	91,057	103,046	11.8
2000	12,483	94,811	107,294	4.1
2001	12,961	98,443	111,404	3.8
2002	13,881	105,470	119,351	7.1
2003	14,131	107,354	121,485	1.8



Source(s): Carole Keeton Strayhorn, Texas Comptroller

SOURCES OF REVENUE GROWTH

DIESEL FUEL TAX

Revenue Objects 3008 and 3651

RATE & BASE

State: \$0.20 per gallon (eligible transit companies qualify for a refund of \$0.005 per gallon)
Local: None
Federal: \$0.244 per gallon
Major Exemptions: Federal Government, agricultural, industrial and commercial, marine, railway engine, scheduled intra-city bus routes, public school districts, and various off-road uses

ADMINISTRATION

Agency: Comptroller of Public Accounts
Number of Taxpayers: 12,604
Payment Cycle: Suppliers, permissive suppliers, distributors, importers, exporters, and blenders—monthly; Dyed Diesel Fuel Bonded Users and Interstate truckers (except IFTA licensed)—quarterly; or yearly id qualified; IFTA (international Fuels Taxation Agreement) licensees—quarterly
Due Date: Monthly — 25th day of the month for preceding month
 Quarterly — 25th day of the month succeeding each calendar quarter
Remitted By: Suppliers, permissive suppliers, distributors, importers, exporters, blenders, dyed diesel fuel bonded users, interstate truckers, and IFTA licensees

LEGAL CITATION(S)

Texas Tax Code, §§ 162.202, 162.204, 162.205, 162.215, 162.227

ENACTED

47th Legislature (1941) \$0.08 per gallon

RATE & BASE CHANGES

48th Legislature (1943) \$0.06 per gallon
 54th Legislature (1955) \$0.065 per gallon
 67th Legislature (1981) \$0.005 rate reduction for certified transit companies (eff. 1/1/82)
 68th Legislature (1984) \$0.10 per gallon (eff. 8/1/84)
 69th Legislature (1986) \$0.15 per gallon (eff. 1/1/87 to 8/31/87)
 70th Legislature (1987) \$0.15 per gallon (eff. 9/1/87)
 72nd Legislature (1991) \$0.20 per gallon (eff. 10/1/91)

ALLOCATION

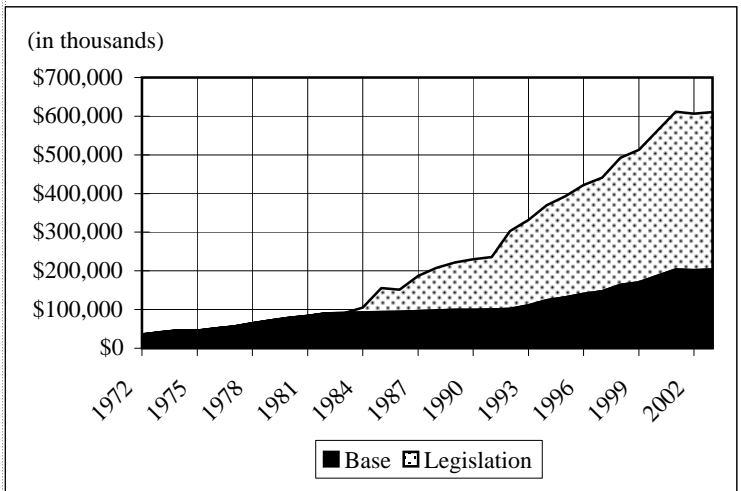
After deductions for undyed diesel fuel used for purposes other than to propel a motor vehicle on the public highways of Texas and for enforcement:

Available School Fund 0002 — 25 percent of balance
 State Highway Fund 0006 — 75 percent of balance

‡ Includes Liquefied Gas tax receipts from fiscal 1972 through 1979.
 Source(s): Carole Keeton Strayhorn, Texas Comptroller

NET COLLECTIONS (amounts in thousands)

<u>Year</u>	<u>Base</u>	<u>Legislation</u>	<u>Total</u>	<u>Percent Change</u>	<u>Percent of Total Taxes</u>
1972	\$35,616 ‡	\$0	\$35,616		1.52 %
1973	41,571	0	41,571	16.7 %	1.61
1974	46,172	0	46,172	11.1	1.53
1975	45,125	0	45,125	-2.3	1.34
1976	51,012	0	51,012	13.0	1.30
1977	55,874	0	55,874	9.5	1.26
1978	64,937	0	64,937	16.2	1.29
1979	72,162	0	72,162	11.1	1.34
1980	78,383	0	78,383	8.6	1.24
1981	83,416	0	83,416	6.4	1.08
1982	89,908	0	89,908	7.8	1.04
1983	91,078	0	91,078	1.3	1.07
1984	92,624	12,476	105,100	15.4	1.13
1985	93,753	62,185	155,938	48.4	1.45
1986	94,346	57,202	151,548	-2.8	1.48
1987	95,814	90,858	186,672	23.2	1.82
1988	97,227	110,553	207,780	11.3	1.68
1989	99,667	121,815	221,482	6.6	1.72
1990	98,933	131,046	229,979	3.8	1.69
1991	99,825	136,034	235,859	2.6	1.58
1992	101,447	201,671	303,118	28.5	1.91
1993	110,770	220,937	331,707	9.4	1.95
1994	123,711	246,210	369,921	11.5	2.04
1995	131,362	261,703	393,065	6.3	2.08
1996	140,976	281,249	422,225	7.4	2.14
1997	147,196	293,893	441,089	4.5	2.08
1998	163,979	328,016	491,995	11.5	2.17
1999	170,840	341,964	512,804	4.2	2.17
2000	187,084	374,476	561,560	9.5	2.22
2001	203,773	407,582	611,355	8.9	2.25
2002	202,182	404,606	606,788	-0.7	2.31
2003	203,437	407,119	610,556	0.6	2.34



SOURCES OF REVENUE GROWTH

FRANCHISE TAX

Revenue Objects 3131, 3653, and 3804

RATE & BASE

State: 0.25 percent on taxable capital, plus the amount, if any, by which a tax of 4.5 percent on earned surplus exceeds the tax on capital

Local: None

Federal: None; a corporate income tax, however, is levied at marginal rates ranging from 15 percent to 39 percent of net income

Major Exemptions: Insurance companies, open-end investment companies interest earnings on federal securities, certain non-profit corporations, business loss carryover, officer/director compensation add-back exemption for 35-or-fewer-shareholder corporations, corporations with gross receipts less than \$150,000

ADMINISTRATION

Agency: Comptroller of Public Accounts

Number of Taxpayers: 535,000

Payment Cycle: Annually

Due Date: May 15 of each year, with an available extension until November 15

Remitted By: Texas corporations and limited liability companies; foreign corporations and limited liability companies domiciled or doing business in the state

LEGAL CITATION(S)

Texas Tax Code, §§ 171.001 - 171.894

ENACTED

30th Legislature (1907) \$0.50 per \$1,000 of taxable capital

RATE & BASE CHANGES

There were six rate increases and one rate reduction between 1938 and 1968

61st Legislature (1969) \$2.75 basic rate; tax rate on debt of \$2.00 in 1969 decreasing \$0.50 per year until reaching zero in 1973; surtax of \$0.50 in 1970 for an effective rate of \$3.25

62nd Legislature (1971) Raised surtax to \$1.75 (effective rate of \$4.50); surtax dropped by \$0.25 to \$1.50 (effective rate of \$4.25) for 1972 - 1974

64th Legislature (1975) \$4.25 basic rate — \$55 minimum tax; debt became exempt; no surtax

68th Legislature (1984) \$5.25 basic rate — \$68 minimum tax; banks became taxable (eff. 5/1/85)

70th Legislature (1987) \$5.25 basic rate plus \$1.45 surtax — \$150 minimum tax effective for 1988 and 1989 reports; rate reverted to \$5.25 with no surtax — \$68 minimum tax for reports due in 1990

72nd Legislature (1991) \$2.50 per \$1,000 of taxable capital and the amount, if any, by which a tax of 4.5 percent on earned surplus exceeds the tax on capital

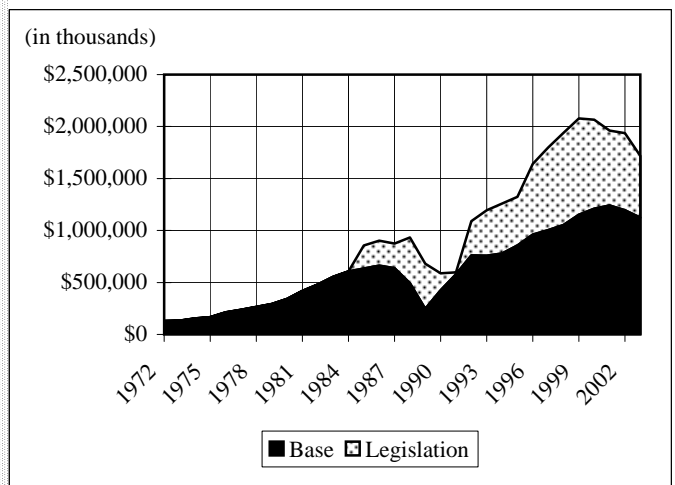
ALLOCATION

General Revenue Fund 0001 — 100 percent

NET COLLECTIONS

(amounts in thousands)

Year	Base	Legislation	Total	Percent of	
				Change	Total Taxes
1972	\$128,781	\$0	\$128,781		5.49 %
1973	133,813	0	133,813	3.9%	5.11
1974	154,480	0	154,480	15.4	5.11
1975	166,635	0	166,635	7.9	4.94
1976	213,582	0	213,582	28.2	5.46
1977	236,612	0	236,612	10.8	5.35
1978	264,879	0	264,879	11.9	5.26
1979	293,810	0	293,810	10.9	5.45
1980	340,779	0	340,779	16.0	5.37
1981	417,433	0	417,433	22.5	5.39
1982	481,219	0	481,219	15.3	5.56
1983	555,312	0	555,312	15.4	6.53
1984	606,793	0	606,793	9.3	6.52
1985	633,354	222,193	855,547	41.0	7.98
1986	663,349	237,697	901,046	5.3	8.81
1987	638,175	235,622	873,797	-3.0	8.51
1988	491,416	441,170	932,586	6.7	7.54
1989	247,758	432,302	680,060	-27.1	5.27
1990	424,674	162,758	587,432	-13.6	4.31
1991	578,019	18,700	596,719	1.6	4.00
1992	761,177	328,873	1,090,050	82.7	6.88
1993	757,858	435,442	1,193,300	9.5	7.01
1994	778,392	482,353	1,260,745	5.7	6.96
1995	857,053	468,024	1,325,077	5.1	7.03
1996	959,423	682,711	1,642,134	23.9	8.31
1997	1,002,583	794,022	1,796,605	9.4	8.48
1998	1,054,465	883,800	1,938,265	7.9	8.56
1999	1,152,008	925,625	2,077,633	7.2	8.80
2000	1,209,994	855,282	2,065,276	-0.6	8.17
2001	1,242,070	718,295	1,960,365	-5.1	7.20
2002	1,193,381	742,328	1,935,709	-1.3	7.37
2003	1,124,165	592,435	1,716,600	-11.3	6.57



Source(s): Carole Keeton Strayhorn, Texas Comptroller

SOURCES OF REVENUE GROWTH

GAME, FISH & EQUIPMENT FEES

Revenue Object 3434

RATE & BASE

State: Various rates based on type and term of fee, ranging from \$23 for an annual hunting or fishing license to \$1,000 for a lifetime combination hunting and fishing license

Local: None

Federal: None

Major Exemptions: Individuals aged 16 and younger or 65 and over

ADMINISTRATION

Agency: Texas Parks and Wildlife Department (TPWD)

Number of FeePAYERS: Approximately 2,225 agents

Payment Cycle: Weekly

Due Date: Weekly remittance, with weekday choser by agent

Remitted by: Agents (retailers) authorized by TPWD, certain law enforcement agencies and TPWD

LEGAL CITATION(S)

Texas Parks and Wildlife Code, §§ 41.001 - 43.507, 46.001 - 46.11, 49.001 - 50.005

ENACTED

39th Legislature (1925) \$2.15 for annual resident hunting license; \$2.15 for annual resident fishing license

RATE & BASE CHANGES

62nd Legislature (1971) \$3.25 annual resident hunting license

63rd Legislature (1973) \$5.25 annual resident hunting license; \$4.25 annual resident fishing license; \$8.75 combination resident hunting and fishing license

65th Legislature (1977) \$4.50 annual resident fishing license

67th Legislature (1981) \$5 annual resident fishing license

68th Legislature (1983) \$8 annual resident hunting license; \$4.25 annual resident fishing license; \$12 combination resident hunting and fishing license

NOTE: Since 1985, TPWD has increased fees several times. The current rates are \$23 for an annual hunting or fishing license, \$42 for an annual combination hunting and fishing license, \$600 for a lifetime hunting or fishing license, and \$1,000 for a lifetime combination license.

ALLOCATION

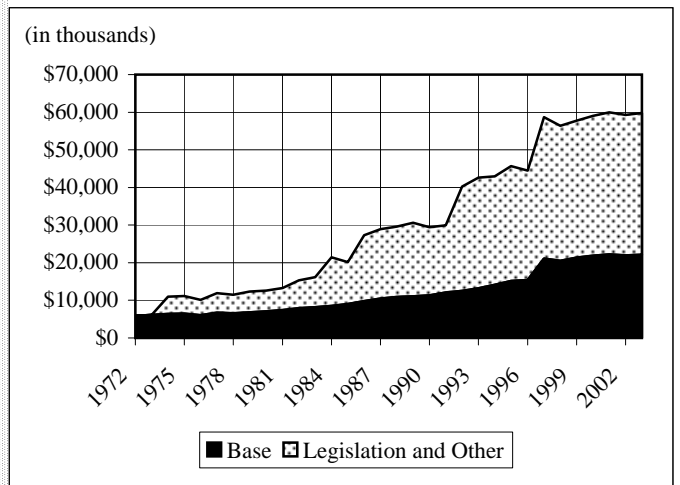
Lifetime licenses:
 Lifetime License Endowment Account 0544

All other non-commercial game and fish fees:
 Game, Fish, and Water Safety Account 0009

NET COLLECTIONS

(amounts in thousands)

<u>Year</u>	<u>Base</u>	<u>Legislation and Other</u>	<u>Total</u>	<u>Percent Change</u>
1972	\$5,846	\$0	\$5,846	
1973	6,129	0	6,129	4.8 %
1974	6,374	4,638	11,012	79.7
1975	6,422	4,753	11,175	1.5
1976	6,038	4,104	10,142	-9.2
1977	6,726	5,162	11,888	17.2
1978	6,553	4,938	11,491	-3.3
1979	6,815	5,555	12,370	7.6
1980	7,088	5,528	12,616	2.0
1981	7,372	5,917	13,289	5.3
1982	7,888	7,463	15,351	15.5
1983	8,204	7,980	16,184	5.4
1984	8,532	12,940	21,472	32.7
1985	9,044	11,146	20,190	-6.0
1986	9,768	17,565	27,333	35.4
1987	10,452	18,491	28,943	5.9
1988	10,870	18,719	29,589	2.2
1989	11,087	19,522	30,609	3.4
1990	11,309	18,104	29,413	-3.9
1991	12,101	17,826	29,927	1.7
1992	12,464	27,796	40,260	34.5
1993	13,212	29,403	42,615	5.8
1994	14,137	28,806	42,943	0.8
1995	15,127	30,563	45,690	6.4
1996	15,430	29,012	44,442	-2.7
1997	21,123	37,553	58,676	32.0
1998	20,478	35,934	56,412	-3.9
1999	21,380	36,404	57,784	2.4
2000	21,835	37,178	59,013	2.1
2001	22,174	37,756	59,930	1.6
2002	21,924	37,330	59,254	-1.1
2003	22,129	37,679	59,808	0.9



Source(s): Carole Keeton Strayhorn, Texas Comptroller; Texas Parks and Wildlife Department

SOURCES OF REVENUE GROWTH

GAS, ELECTRIC & WATER UTILITY TAX

Revenue Objects 3233 and 3669

RATE & BASE

State: Cities with population over 1,000 to 2,499 — 0.581 percent of gross receipts
 Cities with population 2,500 to 9,999 — 1.070 percent of gross receipts
 Cities with population over 9,999 — 1.997 percent of gross receipts

Local: None

Federal: None

Major: None

Exemptions: None

ADMINISTRATION

Agency: Comptroller of Public Accounts

Number of Taxpayers: 76

Payment Cycle: Quarterly

Due Date: Last day of April, July, October, and January paid quarterly based on previous quarter's gross receipts

Remitted By: Utility companies

LEGAL CITATION(S)

Texas Tax Code, § 182.022
 (the "Utility Company" tax)

ENACTED

30th Legislature (1907) 0.0 percent, 0.5 percent, and 1.0 percent for cities with above-listed populations

RATE & BASE CHANGES

44th Legislature (1936) 0.0 percent, 0.7 percent, and 1.375 percent for cities with above-listed populations

47th Legislature (1941) 0.44 percent, 0.81 percent, and 1.5125 percent for cities with above-listed populations

52nd Legislature (1951) 0.484 percent, 0.891 percent, and 1.66375 percent for cities with above-listed populations

56th Legislature (1959) 0.581 percent, 1.070 percent, and 1.997 percent for cities with above-listed populations

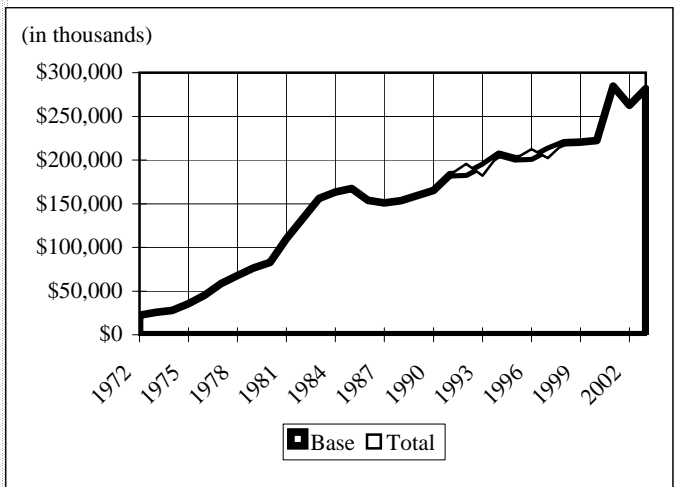
ALLOCATION

Foundation School Fund 0193 — 25 percent

General Revenue Fund 0001 — 75 percent

NET COLLECTIONS (amounts in thousands)

<u>Year</u>	<u>Base</u>	<u>Legislation and Other</u>	<u>Total</u>	<u>Percent of</u>	
				<u>Change</u>	<u>Total Taxes</u>
1972	\$22,244	\$0	\$22,244		0.95 %
1973	25,660	0	25,660	15.4 %	0.99
1974	27,804	0	27,804	8.4	0.92
1975	35,487	0	35,487	27.6	1.05
1976	45,315	0	45,315	27.7	1.16
1977	58,484	0	58,484	29.1	1.32
1978	67,717	0	67,717	15.8	1.35
1979	76,590	0	76,590	13.1	1.42
1980	82,913	0	82,913	8.3	1.31
1981	110,029	0	110,029	32.7	1.42
1982	133,027	0	133,027	20.9	1.54
1983	156,017	0	156,017	17.3	1.84
1984	163,217	0	163,217	4.6	1.75
1985	167,310	0	167,310	2.5	1.56
1986	154,001	0	154,001	-8.0	1.51
1987	150,792	0	150,792	-2.1	1.47
1988	153,626	0	153,626	1.9	1.24
1989	159,296	0	159,296	3.7	1.23
1990	165,256	0	165,256	3.7	1.21
1991	183,106	0	183,106	10.8	1.23
1992	183,902	11,835 †	195,737	6.9	1.24
1993	193,828	-11,835 †	181,993	-7.0	1.07
1994	206,436	0	206,436	13.4	1.14
1995	201,538	0	201,538	-2.4	1.07
1996	202,327	10,082 †	212,409	5.4	1.07
1997	212,119	-10,082 †	202,037	-4.9	0.95
1998	219,806	0	219,806	8.8	0.97
1999	220,389	0	220,389	0.3	0.93
2000	222,284	0	222,284	0.9	0.88
2001	284,613	0	284,613	28.0	1.05
2002	262,474	0	262,474	-7.8	1.00
2003	281,761	0	281,761	7.3	1.08



† These figures reflect adjustments for deposit and posting errors (see Public Utility Gross Receipts assessment).

Source(s): Carole Keeton Strayhorn, Texas Comptroller

SOURCES OF REVENUE GROWTH

GAS UTILITY PIPELINE TAX

Revenue Object 3234

RATE & BASE

State: One half of 1 percent of gross income (gross receipts less the cost of gas sold) of gas utilities

Local: None

Federal: Federal Energy Regulatory Commission applies an annual charge on interstate sales

Major Exemptions: None

ADMINISTRATION

Agency: Texas Railroad Commission

Number of Taxpayers: 184

Payment Cycle: Quarterly

Due Date: 20th day of the second month for the succeeding calendar quarter

Remitted By: Gas utility companies

LEGAL CITATION(S)

Texas Utilities Code, §§ 122.051, 122.052

ENACTED

36th Legislature (1920) 0.25 percent of gross receipts

RATE & BASE CHANGES

71st Legislature (1989) 0.50 percent of gross income (eff. 10/1/89)

ALLOCATION

General Revenue Fund 0001 — 100 percent

† An audit payment of \$1.1 million was deposited in fiscal 2001.

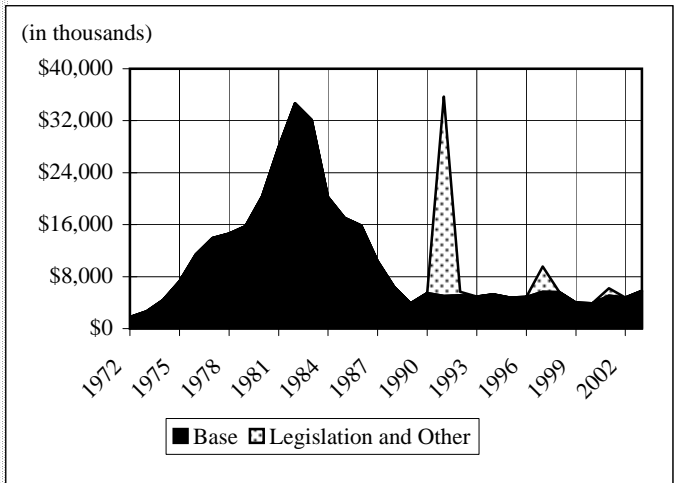
‡ \$30.7 million, \$0.6 million, and \$3.9 million were moved from protest (Fund 0900) in fiscal 1991, 1992, and 1997, respectively, to the Gas Utility Pipeline tax.

Source(s): Carole Keeton Strayhorn, Texas Comptroller; Texas Railroad Commission

NET COLLECTIONS

(amounts in thousands)

Year	Base	Legislation and Other	Total	Percent of	
				Change	Total Taxes
1972	\$1,752	\$0	\$1,752		0.07 %
1973	2,637	0	2,637	50.5 %	0.10
1974	4,374	0	4,374	65.9	0.14
1975	7,315	0	7,315	67.2	0.22
1976	11,420	0	11,420	56.1	0.29
1977	13,940	0	13,940	22.1	0.32
1978	14,651	0	14,651	5.1	0.29
1979	15,767	0	15,767	7.6	0.29
1980	20,368	0	20,368	29.2	0.32
1981	27,994	0	27,994	37.4	0.36
1982	34,670	0	34,670	23.8	0.40
1983	32,098	0	32,098	-7.4	0.38
1984	20,247	0	20,247	-36.9	0.22
1985	17,051	0	17,051	-15.8	0.16
1986	15,873	0	15,873	-6.9	0.16
1987	10,418	0	10,418	-34.4	0.10
1988	6,389	0	6,389	-38.7	0.05
1989	3,911	0	3,911	-38.8	0.03
1990	5,469	0	5,469	39.8	0.04
1991	5,017	30,696 ‡	35,713	553.0	0.24
1992	5,103	557 ‡	5,660	-84.2	0.04
1993	4,917	0	4,917	-13.1	0.03
1994	5,276	0	5,276	7.3	0.03
1995	4,795	0	4,795	-9.1	0.03
1996	4,869	0	4,869	1.5	0.02
1997	5,665	3,897 ‡	9,562	96.4	0.05
1998	5,623	0	5,623	-41.2	0.02
1999	3,986	0	3,986	-29.1	0.02
2000	3,907	0	3,907	-2.0	0.02
2001	5,072	1,121 †	6,193	58.5	0.02
2002	4,787	0	4,787	-22.7	0.02
2003	5,799	0	5,799	21.1	0.02



SOURCES OF REVENUE GROWTH

GASOLINE TAX

Revenue Objects 3007 and 3655

RATE & BASE

State: \$0.20 per gallon (eligible transit companies qualify for a refund of \$0.01 per gallon)
Local: None
Federal: \$0.184 per gallon
Major Exemptions: Federal government, agricultural, industrial and commercial, marine, public school districts, and various off-road uses

ADMINISTRATION

Agency: Comptroller of Public Accounts
Number of Taxpayers: 1,007
Payment Cycle: Suppliers, permissive suppliers, distributors, importers, exporters, and blenders—monthly IFTA (International Fuels Taxation Agreement) licensees—quarterly Interstate truckers (except IFTA licensed)—quarterly; or yearly if qualified
Due Date: Monthly — 25th day of the month for the preceding month (August 15 in odd-numbered years) Quarterly — 25th day of the month succeeding each calendar quarter
Remitted By: Suppliers, permissive suppliers, distributors, importers, exporters, blenders, interstate truckers, and IFTA licensees

LEGAL CITATION(S)

Texas Tax Code, §§ 162.102, 162.104, 162.105, 162.114, 162.125

ENACTED

38th Legislature (1923) \$0.01 per gallon

RATE & BASE CHANGES

47th Legislature (1941) \$0.04 per gallon
 54th Legislature (1955) \$0.05 per gallon
 67th Legislature (1981) \$0.01 rate reduction for certified transit companies (eff. 1/1/82)
 68th Legislature (1984) \$0.10 per gallon (eff. 8/1/84)
 69th Legislature (1986) \$0.15 per gallon (eff. 1/1/87 to 8/31/87)
 70th Legislature (1987) \$0.15 per gallon (eff. 9/1/87)
 72nd Legislature (1991) \$0.20 per gallon (eff. 10/1/91)

ALLOCATION

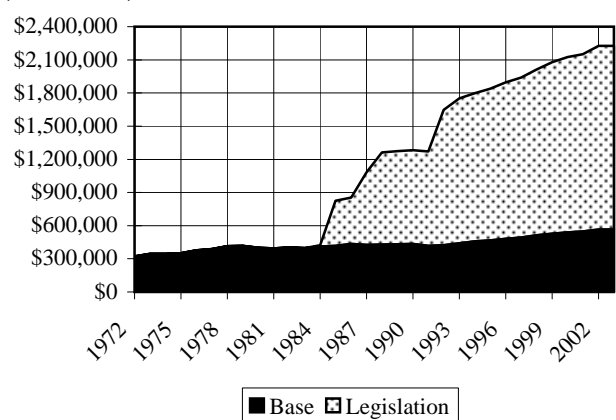
After deductions for unclaimed motorboat fuel refunds, other non-highway use unclaimed refunds, and for enforcement:
 Available School Fund 0002 — 25 percent of balance
 State Highway Fund 0006 — 75 percent of balance, the first \$7.3 million of which is transferred to the County and Road District Highway Fund 0057

NET COLLECTIONS

(amounts in thousands)

Year	Base	Legislation	Total	Percent of	
				Change	Total Taxes
1972	\$320,148	\$0	\$320,148		13.66 %
1973	343,802	0	343,802	7.4 %	13.31
1974	343,776	0	343,776	0.0	11.36
1975	350,096	0	350,096	1.8	10.37
1976	376,272	0	376,272	7.5	9.61
1977	388,224	0	388,224	3.2	8.78
1978	412,751	0	412,751	6.3	8.20
1979	417,334	0	417,334	1.1	7.74
1980	399,492	0	399,492	-4.3	6.30
1981	393,385	0	393,385	-1.5	5.08
1982	402,718	0	402,718	2.4	4.66
1983	395,641	0	395,641	-1.8	4.66
1984	412,258	10,610	422,868	6.9	4.54
1985	417,617	407,166	824,783	95.0	7.69
1986	433,904	420,936	854,840	3.6	8.35
1987	426,094	655,910	1,082,004	26.6	10.54
1988	427,798	833,251	1,261,049	16.5	10.20
1989	431,221	843,489	1,274,710	1.1	9.88
1990	435,533	846,663	1,282,196	0.6	9.41
1991	416,805	854,617	1,271,422	-0.8	8.52
1992	422,843	1,224,953	1,647,796	29.6	10.40
1993	439,450	1,311,533	1,750,983	6.3	10.29
1994	456,700	1,340,953	1,797,653	2.7	9.93
1995	467,367	1,372,294	1,839,661	2.3	9.75
1996	481,703	1,414,443	1,896,146	3.1	9.59
1997	492,687	1,446,739	1,939,426	2.3	9.15
1998	511,020	1,500,633	2,011,653	3.7	8.89
1999	527,741	1,549,794	2,077,535	3.3	8.80
2000	539,664	1,584,798	2,124,462	2.3	8.40
2001	546,706	1,605,597	2,152,303	1.3	7.90
2002	565,182	1,659,779	2,224,961	3.4	8.47
2003	565,611	1,661,038	2,226,649	0.1	8.52

(in thousands)



Source(s): Carole Keeton Strayhorn, Texas Comptroller

SOURCES OF REVENUE GROWTH

HIGHER EDUCATION TUITION FEES

Revenue Object 3505

RATE & BASE

State: \$48 per semester credit hour in 2004 and 2005 for state resident undergraduate students, increasing to \$50 per semester credit hour in 2006; non-resident tuition is the average of non-resident undergraduate tuition charged a resident of this state by a state university in the five most populous states other than this state (\$306 per semester credit in the 2004-05 academic year)

Local: Various

Federal: N/A

Major

Exemptions: None

ADMINISTRATION

Agency: Texas Higher Education Coordinating Board; state colleges and universities

Number of FeePAYERS: 472,188 enrolled in the fall of 2003

Payment Cycle: Per semester

Due Date: Upon registration

Remitted By: Students and parents

LEGAL CITATION(S)

Texas Education Code, §§ 54.051, 54.0512, 54.065, 61.539

ENACTED

43rd Legislature (1933)

RATE & BASE CHANGES

68th Legislature, 2nd C.S. (1984) Non-resident tuition increased to \$46 per credit hour in 1986 and \$53 per credit hour in 1987

69th Legislature (1985) Resident tuition increased to \$12 per credit hour in 1986; \$16 per credit hour in 1987; \$18 per credit hour in 1990; \$20 per credit hour in 1992

72nd Legislature, 1st C.S. (1991) Resident tuition increased to \$24 per credit hour in 1993; \$26 per credit hour in 1994; \$28 per credit hour in 1995; \$30 per credit hour in 1996; \$32 per credit hour in 1997

74th Legislature (1995) Resident tuition increased to \$34 per credit hour in 1998; \$36 per credit hour in 1999; \$38 per credit hour in 2000; \$40 per credit hour in 2001; non-resident tuition set at the average of non-resident undergraduate tuition charged a resident of this state by a state university in the five most populous states other than this state

77th Legislature (2001) Resident tuition increased to \$42 per credit hour in 2002; \$44 per credit hour in 2003; \$46 per credit hour in 2004; \$48 per credit hour in 2005; \$50 per credit hour in 2006

78th Legislature (2003) Amended § 54.0513, Education Code, to allow governing boards of institutions to charge any student an amount designated as tuition that the board considers necessary for the effective operation of the institution

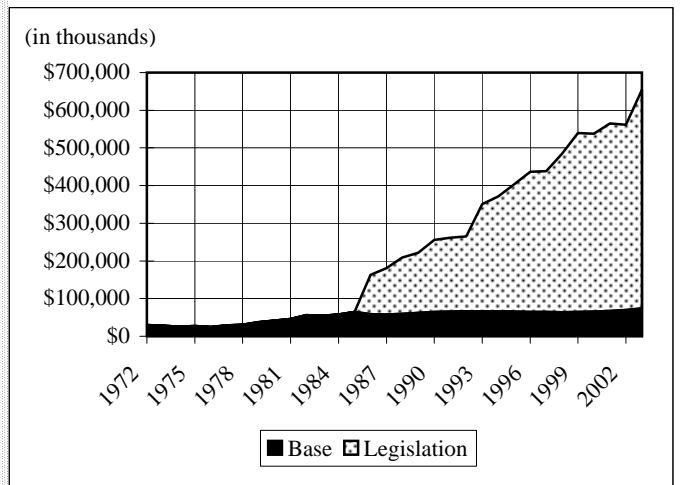
ALLOCATION

Current operating accounts of the various colleges and universities

NET COLLECTIONS

(amounts in thousands)

<u>Year</u>	<u>Base</u>	<u>Legislation</u>	<u>Total</u>	<u>Percent Change</u>
1972	\$29,984	\$0	\$29,984	
1973	28,214	0	28,214	-5.9 %
1974	25,765	0	25,765	-8.7
1975	26,976	0	26,976	4.7
1976	24,621	0	24,621	-8.7
1977	28,990	0	28,990	17.7
1978	30,466	0	30,466	5.1
1979	37,464	0	37,464	23.0
1980	41,713	0	41,713	11.3
1981	46,237	0	46,237	10.8
1982	55,658	0	55,658	20.4
1983	54,409	0	54,409	-2.2
1984	58,116	0	58,116	6.8
1985	64,698	0	64,698	11.3
1986	58,392	104,931	163,323	152.4
1987	58,116	122,941	181,057	10.9
1988	59,173	149,451	208,624	15.2
1989	62,333	159,092	221,425	6.1
1990	64,682	190,766	255,448	15.4
1991	65,609	195,947	261,556	2.4
1992	65,858	199,612	265,470	1.5
1993	66,422	284,828	351,250	32.3
1994	65,874	305,091	370,965	5.6
1995	65,736	337,852	403,588	8.8
1996	64,793	372,099	436,892	8.3
1997	64,253	373,882	438,135	0.3
1998	64,086	420,095	484,181	10.5
1999	64,409	474,659	539,068	11.3
2000	65,835	472,205	538,040	-0.2
2001	67,056	497,920	564,976	5.0
2002	69,667	491,637	561,304	-0.6
2003	73,702	580,589	654,291	16.6



Source(s): Carole Keeton Strayhorn, Texas Comptroller; Texas Higher Education Coordinating Board

SOURCES OF REVENUE GROWTH

HOTEL OCCUPANCY TAX

Revenue Object 3139

RATE & BASE

State: 6 percent of the room rate paid by occupant
Local: Cities — not to exceed 7 percent (9 percent in special cases); counties — not to exceed 7 percent; sports and community venues — not to exceed 2 percent
Federal: None
Major Exemptions: Federal employees, long-term tenants educational, charitable, and religious organizations

ADMINISTRATION

Agency: Comptroller of Public Accounts
Number of Taxpayers: 6,061
Payment Cycle: Monthly or quarterly
Due Date: Monthly — 20th day of the month for the preceding month
 Quarterly — 20th day of April, July, October, and January for the preceding quarter
Remitted By: Hotel, motel, and other lodging owners

LEGAL CITATION(S)

Texas Tax Code, §§ 156.051 - 156.052 — (state)
 Texas Tax Code, §§ 351.001 - 351.107 — (cities)
 Texas Tax Code, §§ 352.001 - 352.109 — (counties)
 Texas Local Government Code, §§ 334.251-334.258 — (sports and community venues)

ENACTED

56th Legislature (1959) 3 percent—(state)
 62nd Legislature (1971) (cities)
 67th Legislature (1981) (counties)
 75th Legislature (1997) (sports and community venues)

RATE & BASE CHANGES

68th Legislature (1984) 4 percent (eff. 10/2/84)
 70th Legislature (1987) 6 percent (eff. 9/1/87)

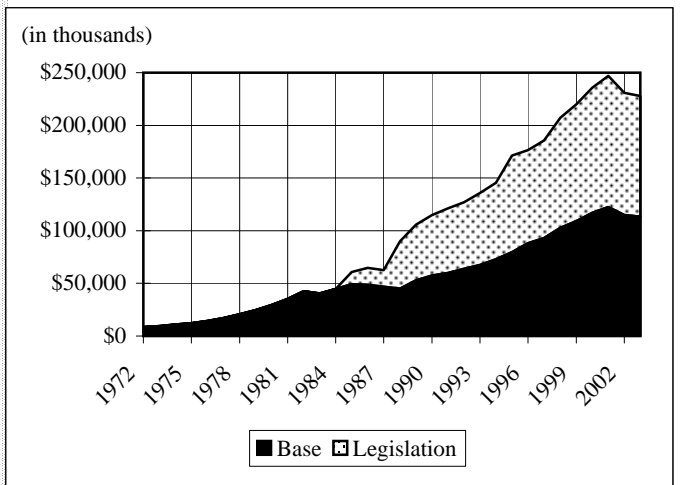
ALLOCATION

General Revenue Fund 0001 — 91.67 percent
 Hotel Occupancy Tax for Economic Development Account 5003 — 8.33 percent

NET COLLECTIONS

(amounts in thousands)

<i>Year</i>	<i>Base</i>	<i>Legislation</i>	<i>Total</i>	<i>Percent of</i>	
				<i>Change</i>	<i>Total Taxes</i>
1972	\$8,482	\$0	\$8,482		0.36 %
1973	9,483	0	9,483	11.8%	0.37
1974	10,803	0	10,803	13.9	0.36
1975	12,236	0	12,236	13.3	0.36
1976	14,378	0	14,378	17.5	0.37
1977	17,020	0	17,020	18.4	0.39
1978	20,681	0	20,681	21.5	0.41
1979	24,528	0	24,528	18.6	0.46
1980	29,478	0	29,478	20.2	0.46
1981	35,368	0	35,368	20.0	0.46
1982	42,397	0	42,397	19.9	0.49
1983	40,373	0	40,373	-4.8	0.48
1984	44,563	0	44,563	10.4	0.48
1985	49,207	11,470	60,677	36.2	0.57
1986	48,735	16,083	64,818	6.8	0.63
1987	46,873	15,625	62,498	-3.6	0.61
1988	44,985	44,984	89,969	44.0	0.73
1989	52,820	52,819	105,639	17.4	0.82
1990	57,445	57,444	114,889	8.8	0.84
1991	59,950	61,190	121,140	5.4	0.81
1992	63,794	63,286	127,080	4.9	0.80
1993	67,400	68,335	135,735	6.8	0.80
1994	72,827	72,827	145,654	7.3	0.80
1995	79,661	91,701	171,362	17.7	0.91
1996	88,228	88,228	176,456	3.0	0.89
1997	92,803	92,803	185,606	5.2	0.88
1998	102,760	104,418	207,178	11.6	0.92
1999	109,078	110,838	219,916	6.1	0.93
2000	116,959	118,845	235,804	7.2	0.93
2001	122,419	124,394	246,813	4.7	0.91
2002	114,810	116,099	230,909	-6.4	0.88
2003	113,325	114,574	227,899	-1.3	0.87



Source(s): Carole Keeton Strayhorn, Texas Comptroller

SOURCES OF REVENUE GROWTH

INHERITANCE TAX

Revenue Objects 3110 and 3665

RATE & BASE

State: Tax equivalent to 25 percent of the federal state death tax credit for deaths occurring in calendar year 2004; State tax is eliminated for deaths after December 31, 2004

Local: None

Federal: Tax imposed on an estate with assets in excess of \$1.5 million for deaths in calendar year 2004

Major Exemptions: None

ADMINISTRATION

Agency: Comptroller of Public Accounts

Number of Taxpayers: 4,573

Payment Cycle: None

Due Date: Within nine months of date of death

Remitted By: Estate of the deceased

LEGAL CITATION(S)

Texas Tax Code, §§ 211.051 - 211.056
26 U.S.C. Section 2001, et. Seq. (2001)

ENACTED

38th Legislature (1923) 2 percent to 12 percent, based on the relationship of beneficiaries and the amount of exemptions

RATE & BASE CHANGES

65th Legislature (1978) Exemptions for certain Class A beneficiaries

67th Legislature (1981) State tax is equal to the maximum federal state death tax credit

105th U.S. Congress (1997-98) Federal estate value exemption gradually increases to \$1,000,000 by the year 2006

107th U.S. Congress (2001-02) Supersedes prior law; eliminates the federal estate tax by 2010; gradually increases the federal estate value exemption and decreases the tax rates; eliminates the state death tax credit by 2005

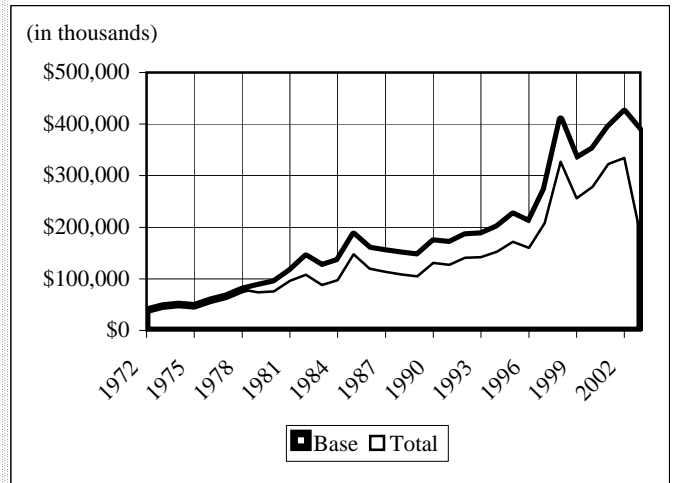
ALLOCATION

General Revenue Fund 0001 — 100 percent

NET COLLECTIONS

(amounts in thousands)

<i>Year</i>	<i>Base</i>	<i>Legislation</i>	<i>Total</i>	<i>Percent of</i>	
				<i>Change</i>	<i>Total Taxes</i>
1972	\$39,308	\$0	\$39,308		1.68 %
1973	47,109	0	47,109	19.8 %	1.82
1974	50,203	0	50,203	6.6	1.66
1975	47,868	0	47,868	-4.7	1.42
1976	58,373	0	58,373	21.9	1.49
1977	66,568	0	66,568	14.0	1.51
1978	79,114	0	79,114	18.8	1.57
1979	86,948	-13,200	73,748	-6.8	1.37
1980	93,489	-17,900	75,589	2.5	1.19
1981	115,160	-18,800	96,360	27.5	1.24
1982	144,049	-36,200	107,849	11.9	1.25
1983	125,546	-37,150	88,396	-18.0	1.04
1984	135,383	-37,840	97,543	10.3	1.05
1985	186,310	-38,620	147,690	51.4	1.38
1986	158,687	-39,230	119,457	-19.1	1.17
1987	153,707	-39,965	113,742	-4.8	1.11
1988	149,420	-41,010	108,410	-4.7	0.88
1989	146,090	-41,210	104,880	-3.3	0.81
1990	173,249	-42,100	131,149	25.0	0.96
1991	170,165	-42,940	127,225	-3.0	0.85
1992	184,757	-43,750	141,007	10.8	0.89
1993	186,781	-44,580	142,201	0.8	0.84
1994	200,117	-47,763	152,354	7.1	0.84
1995	225,404	-53,798	171,606	12.6	0.91
1996	210,347	-50,204	160,143	-6.7	0.81
1997	273,348	-65,759	207,589	29.6	0.98
1998	409,201	-82,381	326,820	57.4	1.44
1999	333,405	-77,128	256,277	-21.6	1.09
2000	351,449	-72,963	278,486	8.7	1.10
2001	393,905	-71,550	322,355	15.8	1.18
2002	424,423	-90,232	334,191	3.7	1.27
2003	387,114	-200,270	186,844	-44.1	0.72



Source(s): Carole Keeton Strayhorn, Texas Comptroller

SOURCES OF REVENUE GROWTH

INSURANCE MAINTENANCE TAXES — DEPARTMENT OF INSURANCE

Revenue Object 3203

RATE & BASE

State: Various rates set annually by the Texas Department of Insurance, not to exceed legislative caps, or correctly reported gross insurance/annuity premiums or HMO certificates for the preceding calendar year

Local: None

Federal: None

Major Exemptions: None

ADMINISTRATION

Agency: Comptroller of Public Accounts

Number of Taxpayers: 2,745

Payment Cycle: Annually

Due Date: March 1 — for premiums collected on certificates issued in the preceding calendar year

Remitted By: Insurance companies, HMOs, burial associations, prepaid legal services, third party administrators and certified self-insurers

LEGAL CITATION(S)

Texas Insurance Code, Arts. 4.17, 5.12, 5.24, 5.49, 5.68, 5.91, 9.46, 14.42, 20A.33(d), 21.07-6 § 21, 23.08A(a)

ENACTED

36th Legislature (1920) Fire and catastrophe insurance

RATE & BASE CHANGES

40th Legislature (1927) Motor vehicle insurance added

41st Legislature (1929) Title insurance added

45th Legislature (1937) Workers' compensation insurance added

49th Legislature (1945) General casualty insurance added

50th Legislature (1947) Burial associations added

64th Legislature (1975) Prepaid legal added (eff. 9/1/75); HMOs added (eff. 12/1/75)

66th Legislature (1979) Aircraft added (eff. 6/7/79); HMOs removed (eff. 6/13/79)

70th Legislature (1987) LAH and HMOs added (eff. 8/31/87)

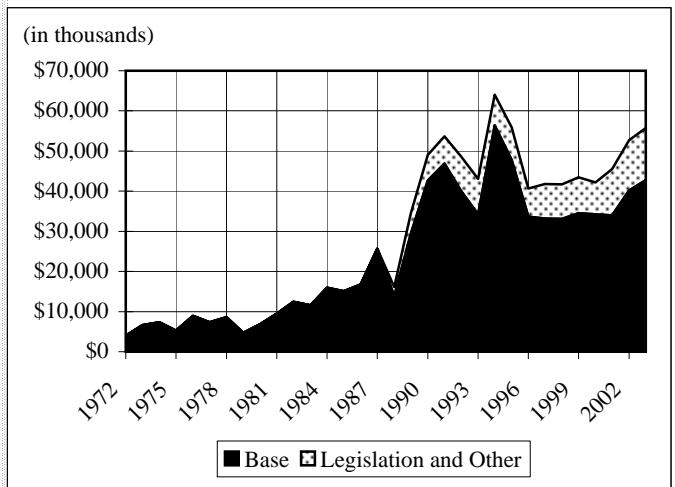
70th Legislature, 2nd C.S. (1987) Third party administrators added (eff. 10/20/87)

ALLOCATION

Department of Insurance Operating Account 0036 — 100 percent

NET COLLECTIONS (amounts in thousands)

<u>Year</u>	<u>Base</u>	<u>Legislation and Other</u>	<u>Total</u>	<u>Percent of</u>	
				<u>Change</u>	<u>Total Taxes</u>
1972	\$3,974	\$0	\$3,974		0.17 %
1973	6,582	0	6,582	65.6 %	0.25
1974	7,304	0	7,304	11.0	0.24
1975	5,254	0	5,254	-28.1	0.16
1976	8,930	0	8,930	70.0	0.23
1977	7,320	0	7,320	-18.0	0.17
1978	8,574	13	8,587	17.3	0.17
1979	4,685	45	4,730	-44.9	0.09
1980	6,812	21	6,833	44.5	0.11
1981	9,457	1	9,458	38.4	0.12
1982	12,443	1	12,444	31.6	0.14
1983	11,574	2	11,576	-7.0	0.14
1984	15,907	2	15,909	37.4	0.17
1985	15,074	3	15,077	-5.2	0.14
1986	16,750	0	16,750	11.1	0.16
1987	25,650	10	25,660	53.2	0.25
1988	13,786	2,338	16,124	-37.2	0.13
1989	29,437	5,068	34,505	114.0	0.27
1990	42,692	6,354	49,046	42.1	0.36
1991	46,844	6,773	53,617	9.3	0.36
1992	40,054	8,563	48,617	-9.3	0.31
1993	34,240	8,827	43,067	-11.4	0.25
1994	56,395	7,617	64,012	48.6	0.35
1995	47,763	8,105	55,868	-12.7	0.30
1996	33,620	7,057	40,677	-27.2	0.21
1997	33,175	8,605	41,780	2.7	0.20
1998	33,097	8,584	41,681	-0.2	0.18
1999	34,511	8,951	43,462	4.3	0.18
2000	34,202	8,001	42,203	-2.9	0.17
2001	33,992	11,500	45,492	7.8	0.17
2002	40,154	12,528	52,682	15.8	0.20
2003	42,761	12,994	55,755	5.8	0.21



Source(s): Carole Keeton Strayhorn, Texas Comptroller; Texas Department of Insurance

SOURCES OF REVENUE GROWTH

INSURANCE MAINTENANCE TAX — WORKERS' COMPENSATION COMMISSION

Revenue Object 3219 (formerly 3203)

RATE & BASE

State: A rate set annually by the Texas Workers' Compensation Commission, not to exceed 2.0 percent of the correctly reported gross workers' compensation insurance premiums for the preceding calendar year

Local: None

Federal: None

Major Exemptions: None

ADMINISTRATION

Agency: Comptroller of Public Accounts (insurance companies) and Texas Workers' Compensation Commission (self-insurers)

Number of Taxpayers: 240 insurance companies and 51 self-insurers

Payment Cycle: Annually

Due Date: March 1 — for policies issued in the preceding calendar year (insurance co.) 60th day following initial certification or annual renewal (self-insurers)

Remitted By: Insurance companies writing workers' compensation insurance and workers' compensation self-insurers

LEGAL CITATION(S)

Texas Labor Code, §§ 403.002, 407.103

ENACTED

55th Legislature (1957) 0.25 percent (eff. 9/1/57)

RATE & BASE CHANGES

62nd Legislature (1971) Self-insurers added to base (eff. 9/1/71)

65th Legislature (1977) 0.45 percent (eff. 8/29/77)

69th Legislature (1985) Not to exceed 0.70 percent (eff. 9/1/85)

71st Legislature (1989) A rate set annually by the Texas Workers' Compensation Commission, not to exceed 2.0 percent (eff. 4/1/90)

NOTE: For 1978 through 1993, object code 3203 was used exclusively for these deposits. In 1994 and 1995, these funds and the Texas Department of Insurance maintenance taxes were deposited to object code 3203. For 1996 and forward, object code 3219 applies. The Net Collections table to the right attempts to provide a consistent history.

ALLOCATION

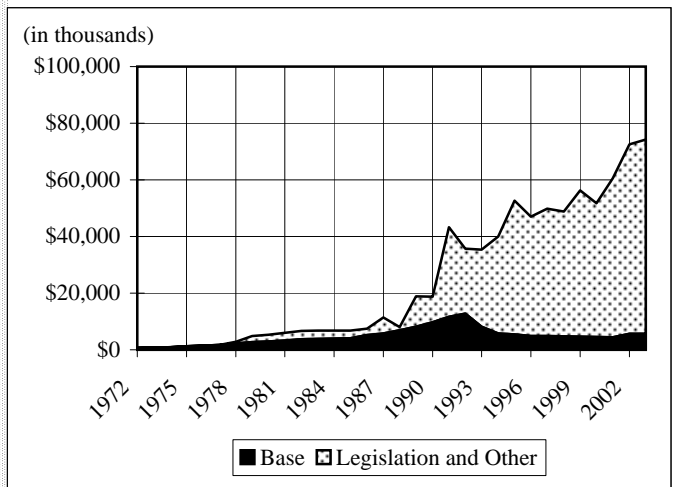
General Revenue Fund 0001 — 100 percent

Source(s): Carole Keeton Strayhorn, Texas Comptroller
Texas Workers' Compensation Commission; Texas Department of Insurance

NET COLLECTIONS

(amounts in thousands)

<u>Year</u>	<u>Base</u>	<u>Legislation and Other</u>	<u>Total</u>	<u>Percent of</u>	
				<u>Change</u>	<u>Total Taxes</u>
1972	\$663	\$0	\$663		0.03 %
1973	782	0	782	17.9%	0.03
1974	933	0	933	19.3	0.03
1975	1,233	0	1,233	32.2	0.04
1976	1,472	0	1,472	19.4	0.04
1977	1,737	0	1,737	18.0	0.04
1978	2,245	539	2,784	60.3	0.06
1979	2,733	2,159	4,892	75.7	0.09
1980	2,988	2,360	5,348	9.3	0.08
1981	3,315	2,619	5,934	11.0	0.08
1982	3,707	2,928	6,635	11.8	0.08
1983	3,806	3,007	6,813	2.7	0.08
1984	3,964	2,799	6,763	-0.7	0.07
1985	4,027	2,698	6,725	-0.6	0.06
1986	5,223	2,198	7,421	10.3	0.07
1987	5,780	5,642	11,422	53.9	0.11
1988	6,871	1,193	8,064	-29.4	0.07
1989	8,150	10,717	18,867	134.0	0.15
1990	9,729	8,976	18,705	-0.9	0.14
1991	11,613	31,671	43,284	131.4	0.29
1992	12,768	22,908	35,676	-17.6	0.23
1993	8,091	27,289	35,380	-0.8	0.21
1994	5,797	34,175	39,972	13.0	0.22
1995	5,465	47,180	52,645	31.7	0.28
1996	4,908	42,134	47,042	-10.6	0.24
1997	4,804	45,037	49,841	6.0	0.24
1998	4,703	44,087	48,790	-2.1	0.22
1999	4,604	51,643	56,247	15.3	0.24
2000	4,507	47,211	51,718	-8.1	0.20
2001	4,461	56,086	60,547	17.1	0.22
2002	5,617	66,901	72,518	19.8	0.28
2003	5,600	68,588	74,188	2.3	0.28



SOURCES OF REVENUE GROWTH

INSURANCE MAINTENANCE TAX — WORKERS' COMPENSATION RESEARCH

Revenue Object 3220 (formerly 3203)

RATE & BASE

State: A rate set annually by the Texas Department of Insurance, not to exceed 0.10 percent of the correctly reported gross workers' compensation insurance premiums for the preceding calendar year

Local: None

Federal: None

Major Exemptions: None

ADMINISTRATION

Agency: Comptroller of Public Accounts (insurance companies) and Texas Workers' Compensation Commission (self-insurers)

Number of Taxpayers: 240 insurance companies and 51 self-insurers

Payment Cycle: Annually

Due Date: March 1 — for policies issued in the preceding calendar year (insurance co.) 60th day following initial certification or annual renewal (self-insurers)

Remitted By: Insurance companies writing workers' compensation insurance and workers' compensation self-insurers

LEGAL CITATION(S)

Texas Labor Code, § 405.003

ENACTED

71st Legislature, 2nd C.S. (1989)
A rate set annually by the Texas Workers' Compensation Commission not to exceed 0.10 percent (eff. 1/1/91)

78th Legislature, 3rd C.S. (2003)
A rate set annually by the Texas Department of Insurance not to exceed 0.10 percent (eff. 1/1/03)

RATE & BASE CHANGES

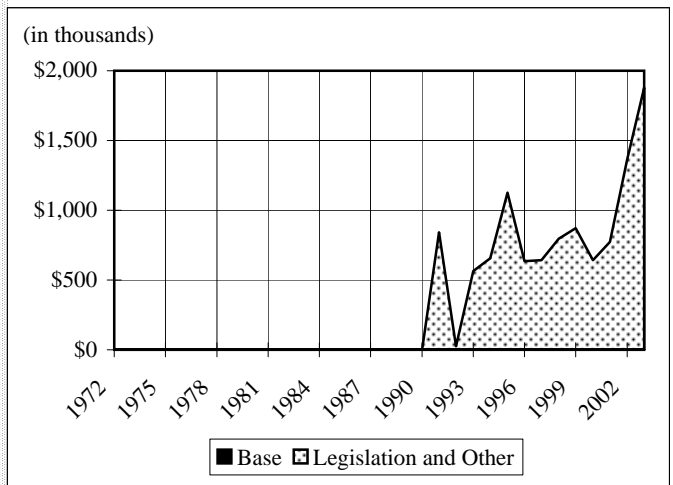
None

ALLOCATION

Department of Insurance Operating Account 0036 — 100 percent

NET COLLECTIONS (amounts in thousands)

<u>Year</u>	<u>Base</u>	<u>Legislation and Other</u>	<u>Total</u>	<u>Percent Change</u>	<u>Percent of Total Taxes</u>
1972	\$0	\$0	\$0		†
1973	0	0	0		
1974	0	0	0		
1975	0	0	0		
1976	0	0	0		
1977	0	0	0		
1978	0	0	0		
1979	0	0	0		
1980	0	0	0		
1981	0	0	0		
1982	0	0	0		
1983	0	0	0		
1984	0	0	0		
1985	0	0	0		
1986	0	0	0		
1987	0	0	0		
1988	0	0	0		
1989	0	0	0		
1990	0	0	0		
1991	0	842	842		
1992	0	26	26	-96.9%	
1993	0	564	564		2069
1994	0	655	655		16.1
1995	0	1,126	1,126		71.9
1996	0	636	636		-43.5
1997	0	643	643		1.1
1998	0	796	796		23.8
1999	0	872	872		9.5
2000	0	643	643		-26.3
2001	0	773	773		20.2
2002	0	1,365	1,365		76.6
2003	0	1,879	1,879		37.7



† Less than one-tenth of 1 percent for all years.

Source(s): Carole Keeton Strayhorn, Texas Comptroller; Texas Workers' Compensation Commission

SOURCES OF REVENUE GROWTH

INSURANCE PREMIUM TAXES

Revenue Objects 3201 and 3654

RATE & BASE

State: Tax levied on gross premiums written in Texas:
 Life, accident, and health — 1.75 percent
 Property and casualty — 1.6 percent
 Title — 1.35 percent
 Unauthorized, independently procured, and surplus
 lines — 4.85 percent

Local: None

Federal: None

Major Exemptions: Certain Medicare/Medicaid premiums, public employee group coverage

ADMINISTRATION

Agency: Comptroller of Public Accounts

Number of Taxpayers: 6,971

Payment Cycle: Estimated liability prepaid semiannually
 Annual report filed March 1 for actual

Due Date: Semiannually — March 1 and August 1

Remitted By: Insurance companies, HMOs, surplus lines agents, and buyers (or their agents) who procure insurance from entities out-of-state or unlicensed in Texas

LEGAL CITATION(S)

Texas Insurance Code, Arts. 1.14-2, 4.10, 4.11, 9.59, 21.46, 101.251, 101.252

ENACTED

30th Legislature (1907) Foreign life, accident, and health
 32nd Legislature (1911) Fire, casualty, and other
 44th Legislature (1936) Texas life, accident, and health
 70th Legislature (1987) Title separated from property and casualty

RATE & BASE CHANGES

See Appendix F

ALLOCATION

Foundation School Fund 0193 — 25 percent
 General Revenue Fund 0001 — 75 percent

† \$73.9 million collected in fiscal 1993 was not processed until fiscal 1994; fiscal 1994 also includes \$105 million in speed-up.

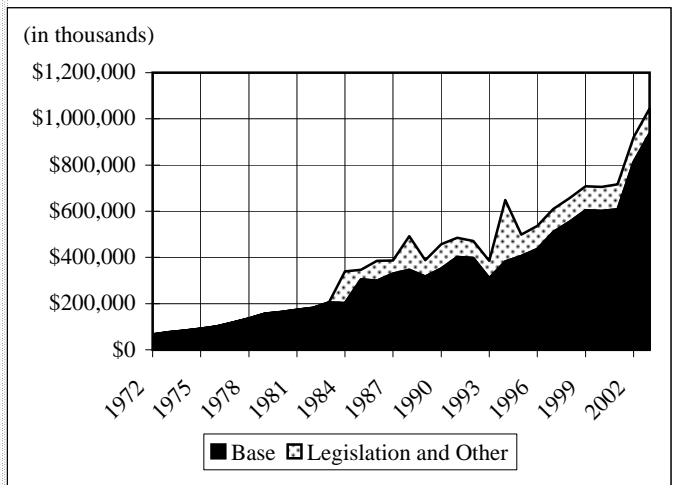
‡ Includes surtax.

Source(s): Carole Keeton Strayhorn, Texas Comptroller; Texas Department of Insurance

NET COLLECTIONS

(amounts in thousands)

<u>Year</u>	<u>Base</u>	<u>Legislation and Other</u>	<u>Total</u>	<u>Percent of</u>	
				<u>Change</u>	<u>Taxes</u>
1972	\$65,854	\$0	\$65,854		2.81 %
1973	76,382	0	76,382	16.0 %	2.96
1974	83,414	0	83,414	9.2	2.76
1975	90,795	0	90,795	8.8	2.69
1976	101,045	0	101,045	11.3	2.58
1977	118,302	0	118,302	17.1	2.68
1978	136,062	0	136,062	15.0	2.70
1979	156,881	0	156,881	15.3	2.91
1980	163,926	0	163,926	4.5	2.58
1981	173,774	0	173,774	6.0	2.24
1982	181,037	0	181,037	4.2	2.09
1983	205,304	0	205,304	13.4	2.42
1984	202,575	137,213	339,788	65.5	3.65
1985	305,335	40,620	345,955	1.8	3.23
1986	298,782	85,934	384,716	11.2	3.76
1987	329,174	57,001	386,175	0.4	3.76
1988	346,535	145,025 ‡	491,560	27.3	3.98
1989	316,671	70,732 ‡	387,403	-21.2	3.00
1990	352,006	105,363 ‡	457,369	18.1	3.35
1991	402,204	82,853 ‡	485,057	6.1	3.25
1992	397,909	73,294 ‡	471,203	-2.9	2.97
1993	310,136	74,394	384,530 †	-18.4	2.26
1994	382,410	266,644	649,054 †	68.8	3.58
1995	406,378	91,817	498,195	-23.2	2.64
1996	436,044	99,760	535,804	7.5	2.71
1997	509,792	100,258	610,050	13.9	2.88
1998	553,980	102,454	656,434	7.6	2.90
1999	604,718	102,947	707,665	7.8	3.00
2000	601,605	104,395	706,000	-0.2	2.79
2001	608,982	107,187	716,169	1.4	2.63
2002	813,277	107,090	920,367	28.5	3.50
2003	936,882	108,118	1,045,000	13.5	4.00



SOURCES OF REVENUE GROWTH

LIQUEFIED GAS TAX

Revenue Objects 3009 and 3655

RATE & BASE

<i>State:</i>	\$0.15 per gallon
<i>Local:</i>	None
<i>Federal:</i>	\$0.136 per gallon — liquefied petroleum gas \$0.043 per gallon — compressed natural gas \$0.119 per gallon — liquefied natural gas
<i>Major Exemptions:</i>	Federal government, agricultural, industrial and commercial, public school districts, Texas counties, and various off-road uses

ADMINISTRATION

<i>Agency:</i>	Comptroller of Public Accounts
<i>Number of Taxpayers:</i>	3,406
<i>Payment Cycle:</i>	Licensed dealers, prepaid tax decal holders and interstate truckers (except IFTA licensed)—yearly IFTA (International Fuels Taxation Agreement) licensees—quarterly
<i>Due Date:</i>	January 25 for previous calendar year Prepaid decal holders — staggered
<i>Remitted By:</i>	Licensed dealers, prepaid tax decal holders, interstate truckers, and IFTA licensees

LEGAL CITATION(S)

Texas Tax Code, §§ 162.301, 162.3021, 162.304-162.306, 162.310

ENACTED

47th Legislature (1941) \$0.04 per gallon

RATE & BASE CHANGES

54th Legislature (1955) \$0.05 per gallon
68th Legislature (1984) \$0.10 per gallon (eff. 8/1/84)
69th Legislature (1986) \$0.15 per gallon (eff. 1/1/87 to 8/31/87)
70th Legislature (1987) \$0.15 per gallon (eff. 9/1/87)
71st Legislature (1989) Adjusted decal rate schedule (eff. 9/1/89)

ALLOCATION

After deducting for enforcement:
Available School Fund 0002 — 25 percent of balance
State Highway Fund 0006 — 75 percent of balance

† Less than one-tenth of 1 percent for all years.

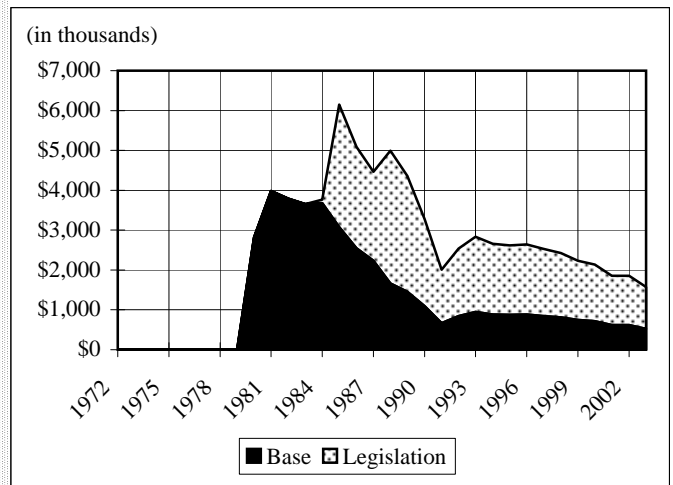
‡ Before 1980, Liquefied Gas tax receipts were deposited under object code 3008 for the Diesel Fuel tax.

Source(s): Carole Keeton Strayhorn, Texas Comptroller

NET COLLECTIONS

(amounts in thousands)

<u>Year</u>	<u>Base</u>	<u>Legislation</u>	<u>Total</u>	<u>Percent of</u>	
				<u>Change</u>	<u>Total Taxes</u>
1972	\$0 ‡	\$0	\$0		†
1973	0	0	0		
1974	0	0	0		
1975	0	0	0		
1976	0	0	0		
1977	0	0	0		
1978	0	0	0		
1979	0	0	0		
1980	2,820	0	2,820		
1981	3,979	0	3,979	41.1%	
1982	3,790	0	3,790	-4.7	
1983	3,655	0	3,655	-3.6	
1984	3,674	88	3,762	2.9	
1985	3,075	3,075	6,150	63.5	
1986	2,546	2,546	5,092	-17.2	
1987	2,230	2,230	4,460	-12.4	
1988	1,663	3,329	4,992	11.9	
1989	1,453	2,907	4,360	-12.7	
1990	1,092	2,186	3,278	-24.8	
1991	668	1,336	2,004	-38.9	
1992	846	1,693	2,539	26.7	
1993	944	1,890	2,834	11.6	
1994	886	1,772	2,658	-6.2	
1995	872	1,745	2,617	-1.5	
1996	881	1,762	2,643	1.0	
1997	841	1,684	2,525	-4.5	
1998	807	1,615	2,422	-4.1	
1999	743	1,488	2,231	-7.9	
2000	712	1,425	2,137	-4.2	
2001	617	1,236	1,853	-13.3	
2002	619	1,239	1,858	0.3	
2003	524	1,048	1,572	-15.4	



SOURCES OF REVENUE GROWTH

LIQUOR TAX

Revenue Objects 3253 and 3660

RATE & BASE

State: \$2.40 per gallon
 Local: None
 Federal: \$13.50 per proof gallon
 Major Exemptions: Federal military facility sales

ADMINISTRATION

Agency: Texas Alcoholic Beverage Commission
 Number of Taxpayers: 51
 Payment Cycle: Monthly
 Due Date: 15th day of the month for the preceding month
 Remitted By: Liquor wholesalers

LEGAL CITATION(S)

Texas Alcoholic Beverage Code, § 201.03
 (the "Distilled Spirits" tax)

ENACTED

44th Legislature (1935) \$0.80 per gallon

RATE & BASE CHANGES

44th Legislature (1936) \$0.96 per gallon
 47th Legislature (1941) \$1.28 per gallon
 51st Legislature (1950) \$1.408 per gallon (temporary)
 52nd Legislature (1951) \$1.408 per gallon
 56th Legislature (1959) \$1.68 per gallon
 62nd Legislature (1971) \$2.00 per gallon
 68th Legislature (1984) \$2.40 per gallon (eff. 10/2/84)

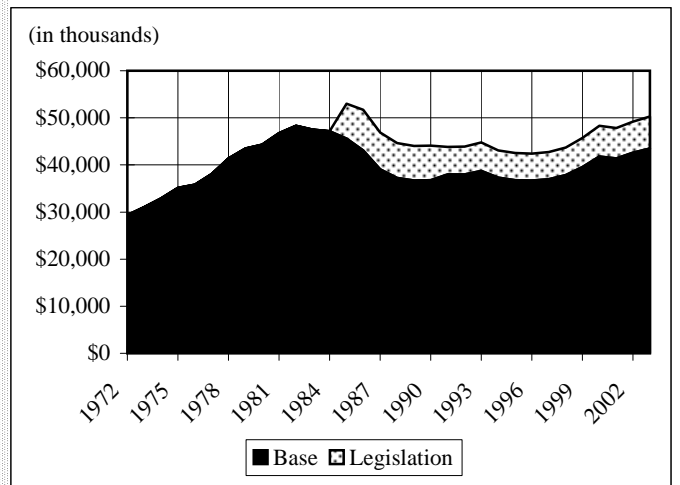
ALLOCATION

General Revenue Fund 0001 — 100 percent

NET COLLECTIONS

(amounts in thousands)

Year	Base	Legislation	Total	Percent of	
				Change	Total Taxes
1972	\$29,388	\$0	\$29,388		1.25 %
1973	31,038	0	31,038	5.6 %	1.20
1974	32,901	0	32,901	6.0	1.09
1975	35,125	0	35,125	6.8	1.04
1976	35,804	0	35,804	1.9	0.91
1977	38,026	0	38,026	6.2	0.86
1978	41,359	0	41,359	8.8	0.82
1979	43,519	0	43,519	5.2	0.81
1980	44,286	0	44,286	1.8	0.70
1981	46,741	0	46,741	5.5	0.60
1982	48,327	0	48,327	3.4	0.56
1983	47,506	0	47,506	-1.7	0.56
1984	47,171	0	47,171	-0.7	0.51
1985	45,623	7,358	52,981	12.3	0.49
1986	43,079	8,616	51,695	-2.4	0.51
1987	39,088	7,818	46,906	-9.3	0.46
1988	37,205	7,441	44,646	-4.8	0.36
1989	36,702	7,340	44,042	-1.4	0.34
1990	36,748	7,350	44,098	0.1	0.32
1991	37,952	5,906	43,858	-0.5	0.29
1992	38,004	5,914	43,918	0.1	0.28
1993	38,763	6,032	44,795	2.0	0.26
1994	37,278	5,801	43,079	-3.8	0.24
1995	36,789	5,725	42,514	-1.3	0.23
1996	36,716	5,714	42,430	-0.2	0.21
1997	36,972	5,753	42,725	0.7	0.20
1998	37,830	5,887	43,717	2.3	0.19
1999	39,553	6,155	45,708	4.6	0.19
2000	41,780	6,501	48,281	5.6	0.19
2001	41,375	6,438	47,813	-1.0	0.18
2002	42,576	6,625	49,201	2.9	0.19
2003	43,501	6,770	50,271	2.2	0.19



Source(s): Carole Keeton Strayhorn, Texas Comptroller; Texas Alcoholic Beverage Commission

SOURCES OF REVENUE GROWTH

LOTTERY PROCEEDS

Transfer Object 3922

RATE & BASE

State: \$1.00 per Lotto ticket; \$1.00 to \$20.00 per instant game ticket; \$0.50 to \$2.00 per ticket for other games
Local: None
Federal: None
Major Exemptions: None

ADMINISTRATION

Agency: Texas Lottery Commission
Number of Retailers: 16,299
Payment Cycle: Weekly
Due Date: Each Wednesday
Remitted By: Retailers

LEGAL CITATION(S)

Texas Government Code, Chapters 466 and 467

ENACTED

72nd Legislature, 1st C.S. (1991)

RATE & BASE CHANGES

None

ALLOCATION

Average allocations from gross lottery proceeds
 Prizes — 59 percent
 Administration — 7 percent
 Retailer Commission — 5 percent
 Foundation School Fund 0193 — 29 percent

NOTE: Unclaimed prize money is allocated to fund the Texas Department of Health's Multicategorical Teaching Hospital Account, in-patient hospital services in 15 border counties, and general revenue.

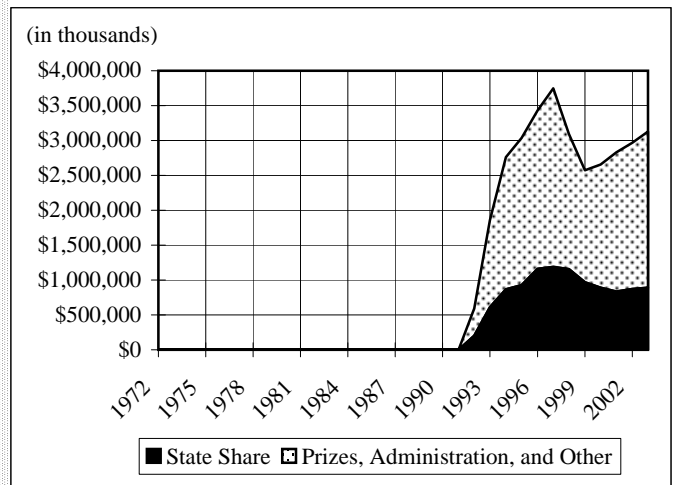
‡ Partial year: instant game ticket sales began May 29, 1992.

Source(s): Carole Keeton Strayhorn, Texas Comptroller; Texas Lottery Commission

NET COLLECTIONS

(amounts in thousands)

Year	Prizes, Administration, and Other		Gross Ticket Sales	Percent Change
	State Share			
1972	\$0	\$0	\$0	
1973	0	0	0	
1974	0	0	0	
1975	0	0	0	
1976	0	0	0	
1977	0	0	0	
1978	0	0	0	
1979	0	0	0	
1980	0	0	0	
1981	0	0	0	
1982	0	0	0	
1983	0	0	0	
1984	0	0	0	
1985	0	0	0	
1986	0	0	0	
1987	0	0	0	
1988	0	0	0	
1989	0	0	0	
1990	0	0	0	
1991	0	0	0	
1992	203,015 ‡	388,556	591,571	
1993	609,237	1,246,854	1,856,091	213.8%
1994	869,074	1,891,143	2,760,217	48.7
1995	927,335	2,109,182	3,036,517	10.0
1996	1,158,346	2,273,963	3,432,309	13.0
1997	1,189,404	2,556,065	3,745,469	9.1
1998	1,156,695	1,933,337	3,090,032	-17.5
1999	969,332	1,602,268	2,571,600	-16.8
2000	889,998	1,766,714	2,656,712	3.3
2001	835,875	1,993,325	2,829,200	6.5
2002	869,701	2,096,561	2,966,262	4.8
2003	888,192	2,242,501	3,130,693	5.5



SOURCES OF REVENUE GROWTH

MALT LIQUOR (ALE) TAX

Revenue Objects 3265 and 3660

RATE & BASE

State: \$0.198 per gallon
 Local: None
 Federal: \$18.00 per 31-gallon barrel (\$0.58 per gallon)
 Major Exemptions: Federal military facility sales

ADMINISTRATION

Agency: Texas Alcoholic Beverage Commission
 Number of Taxpayers: 198
 Payment Cycle: Monthly
 Due Date: 15th day of the month for the preceding month
 Remitted By: Ale wholesalers

LEGAL CITATION(S)

Texas Alcoholic Beverage Code, § 201.42
 (the "Ale and Malt Liquor" tax)

ENACTED

44th Legislature (1935) \$0.15 per gallon

RATE & BASE CHANGES

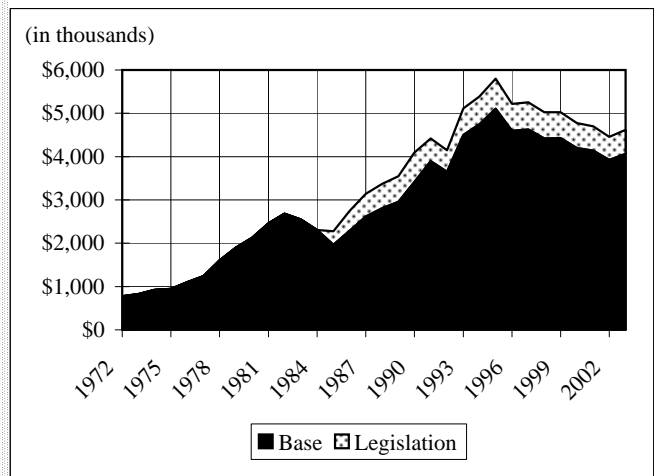
52nd Legislature (1951) \$0.165 per gallon
 68th Legislature (1984) \$0.198 per gallon (eff. 10/02/84)

ALLOCATION

General Revenue Fund 0001 — 100 percent

NET COLLECTIONS (amounts in thousands)

Year	Base	Legislation	Total	Percent of	
				Percent Change	Total Taxes
1972	\$774	\$0	\$774		†
1973	829	0	829	7.1%	
1974	920	0	920	11.0	
1975	946	0	946	2.8	
1976	1,099	0	1,099	16.2	
1977	1,244	0	1,244	13.2	
1978	1,604	0	1,604	28.9	
1979	1,896	0	1,896	18.2	
1980	2,126	0	2,126	12.1	
1981	2,461	0	2,461	15.8	
1982	2,680	0	2,680	8.9	
1983	2,552	0	2,552	-4.8	
1984	2,303	0	2,303	-9.8	
1985	1,963	316	2,279	-1.0	
1986	2,285	457	2,742	20.3	
1987	2,618	523	3,141	14.6	
1988	2,805	561	3,366	7.2	
1989	2,957	591	3,548	5.4	
1990	3,413	683	4,096	15.4	
1991	3,891	529	4,420	7.9	
1992	3,652	496	4,148	-6.2	
1993	4,500	612	5,112	23.2	
1994	4,745	645	5,390	5.4	
1995	5,105	694	5,799	7.6	
1996	4,593	625	5,218	-10.0	
1997	4,624	629	5,253	0.7	
1998	4,422	601	5,023	-4.4	
1999	4,424	601	5,025	0.0	
2000	4,200	571	4,771	-5.1	
2001	4,137	562	4,699	-1.5	
2002	3,921	533	4,454	-5.2	
2003	4,065	553	4,618	3.7	



† Less than one-tenth of 1 percent for all years.

Source(s): Carole Keeton Strayhorn, Texas Comptroller; Texas Alcoholic Beverage Commission

SOURCES OF REVENUE GROWTH

MANUFACTURED HOUSING SALES AND USE TAX

Revenue Object 3104

RATE & BASE

State: 5 percent of 65 percent of the manufacturer's selling price
Local: None
Federal: None
Major Exemptions: Sales to governments, certain non-profit entities

ADMINISTRATION

Agency: Comptroller of Public Accounts
Number of Taxpayers: 45
Payment Cycle: Monthly
Due Date: On or before the last day of the month for the preceding month
Remitted By: Manufacturers

LEGAL CITATION(S)

Texas Tax Code, §§ 158.051, 158.052, 158.057, 158.058

ENACTED

67th Legislature (1982) 6.5 percent of 65 percent of manufacturer's selling price from 3/1/82 to 8/31/83; 5 percent of 65 percent, beginning 9/1/83

RATE & BASE CHANGES

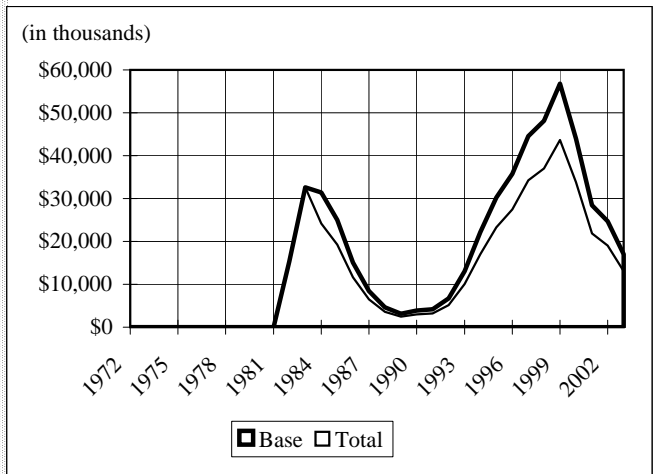
None

ALLOCATION

General Revenue Fund 0001 — 100 percent

NET COLLECTIONS
 (amounts in thousands)

Year	Base	Legislation	Total	Percent of	
				Percent Change	Total Taxes
1972	\$0 ‡	\$0	\$0		
1973	0	0	0		
1974	0	0	0		
1975	0	0	0		
1976	0	0	0		
1977	0	0	0		
1978	0	0	0		
1979	0	0	0		
1980	0	0	0		
1981	0	0	0		
1982	15,294	0	15,294		0.18 %
1983	32,583	0	32,583	113.0 %	0.38
1984	31,417	-7,250	24,167	-25.8	0.26
1985	25,033	-5,777	19,256	-20.3	0.18
1986	15,110	-3,487	11,623	-39.6	0.11
1987	8,424	-1,944	6,480	-44.2	0.06
1988	4,664	-1,076	3,588	-44.6	0.03
1989	3,171	-732	2,439	-32.0	0.02
1990	3,856	-890	2,966	21.6	0.02
1991	4,167	-962	3,205	8.1	0.02
1992	6,696	-1,545	5,151	60.7	0.03
1993	13,073	-3,017	10,056	95.2	0.06
1994	22,144	-5,110	17,034	69.4	0.09
1995	30,248	-6,980	23,268	36.6	0.12
1996	35,719	-8,243	27,476	18.1	0.14
1997	44,526	-10,275	34,251	24.7	0.16
1998	48,126	-11,106	37,020	8.1	0.16
1999	56,776	-13,102	43,674	18.0	0.18
2000	43,978	-10,149	33,829	-22.5	0.13
2001	28,421	-6,559	21,862	-35.4	0.08
2002	24,695	-5,699	18,996	-13.1	0.07
2003	16,980	-3,918	13,062	-31.2	0.05



‡ Before 1982, Manufactured Housing Sales and Use tax receipts were deposited under object code 3004 for the Motor Vehicle Sales and Use tax.
 Source(s): Carole Keeton Strayhorn, Texas Comptroller

SOURCES OF REVENUE GROWTH

MIXED BEVERAGE TAX

Revenue Objects 3250 and 3664

RATE & BASE

State: 14 percent of gross receipts
 Local: Counties and cities each receive 10.7143 percent of total collections from permittees within their boundaries
 Federal: None
 Major Exemptions: None

ADMINISTRATION

Agency: Comptroller of Public Accounts
 Number of Taxpayers: 10,272
 Payment Cycle: Monthly
 Due Date: 20th day of the month for the preceding month
 Remitted by: Permitted sellers of mixed drinks

LEGAL CITATION(S)

Texas Tax Code, § 183.021

ENACTED

62nd Legislature (1971) 10 percent

RATE & BASE CHANGES

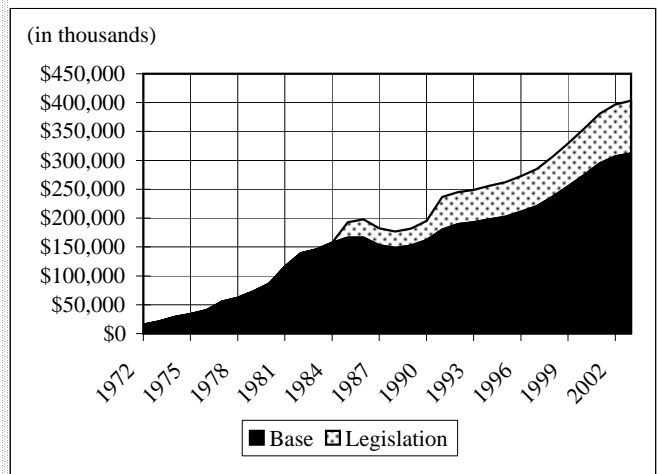
68th Legislature (1984) 12 percent (eff. 10/2/84)
 71st Legislature (1990) 14 percent (eff. 7/1/90)

ALLOCATION

General Revenue Fund 0001:
 10.7143 percent dedicated for rebates to counties
 10.7143 percent dedicated for rebates to cities
 Undedicated General Revenue — balance

NET COLLECTIONS (amounts in thousands)

Year	Base	Legislation	Total	Percent of	
				Percent Change	Total Taxes
1972	\$15,367	\$0	\$15,367		0.66 %
1973	20,799	0	20,799	35.3 %	0.81
1974	28,665	0	28,665	37.8	0.95
1975	33,869	0	33,869	18.2	1.00
1976	40,428	0	40,428	19.4	1.03
1977	55,300	0	55,300	36.8	1.25
1978	62,230	0	62,230	12.5	1.24
1979	73,103	0	73,103	17.5	1.36
1980	86,416	0	86,416	18.2	1.36
1981	115,795	0	115,795	34.0	1.50
1982	139,227	0	139,227	20.2	1.61
1983	145,750	0	145,750	4.7	1.72
1984	157,317	0	157,317	7.9	1.69
1985	166,487	26,359	192,846	22.6	1.80
1986	166,476	31,631	198,107	2.7	1.94
1987	153,160	29,101	182,261	-8.0	1.78
1988	148,775	28,267	177,042	-2.9	1.43
1989	152,525	28,980	181,505	2.5	1.41
1990	161,846	33,034	194,880	7.4	1.43
1991	180,119	56,526	236,645	21.4	1.59
1992	189,599	55,600	245,199	3.6	1.55
1993	192,597	56,476	249,073	1.6	1.46
1994	198,025	58,046	256,071	2.8	1.41
1995	202,540	59,360	261,900	2.3	1.39
1996	210,950	61,778	272,728	4.1	1.38
1997	220,537	64,513	285,050	4.5	1.35
1998	236,827	69,199	306,026	7.4	1.35
1999	254,671	74,327	328,998	7.5	1.39
2000	274,505	80,037	354,542	7.8	1.40
2001	294,670	85,916	380,586	7.3	1.40
2002	307,187	89,566	396,753	4.2	1.51
2003	312,244	91,040	403,284	1.6	1.54



Source(s): Carole Keeton Strayhorn, Texas Comptroller

SOURCES OF REVENUE GROWTH

MOTOR VEHICLE CERTIFICATE OF TITLE FEES

Revenue Object 3012

RATE & BASE

State: \$33 for each motor vehicle certificate of title issued in a non-attainment county, and \$28 for all other issues; \$8 for non-repairable vehicle title, or salvage vehicle title

Local: None, but counties retain \$5 from each title fee

Federal: None

Major Exemptions: None

ADMINISTRATION

Agency: Texas Department of Transportation (TXDOT)

Number of Feepayers: 254 counties and 42 TXDOT offices issued approximately 5.4 million titles in 2003

Payment Cycle: Daily, except for funds invested by counties, which may be retained for an additional 34 days

Due Date: See payment cycle above

Remitted By: County tax assessor-collectors and TXDOT regional offices

LEGAL CITATION(S)

Texas Transportation Code, Chapters 501 and 520

ENACTED

46th Legislature (1939) \$0.25 per certificate of title

RATE & BASE CHANGES

54th Legislature (1955) Increased fee to \$0.75

65th Legislature (1977) Increased fee to \$3.00

68th Legislature (1983) Increased fee to \$10.00

72nd Legislature (1991) Increased fee to \$13.00

78th Legislature (2003) Increased fee to \$33 in federally designated non-attainment counties, and \$28 in all other counties; imposed an \$8 application fee for non-repairable vehicle title or salvage vehicle title; imposed a \$65 rebuilder fee on an application for regular certificate of title for a salvage vehicle

ALLOCATION

\$28 or \$33 certificate of title fee:

- County tax assessor-collector — \$5.00
- General Revenue Fund 0001 — \$5.00
- State Highway Fund 0006 — \$3.00
- Texas Emissions Reduction Fund 5071—\$15 or \$20 depending on county of residence; beginning September 1, 2008 this allocation changes to the Texas Mobility Fund 0365

\$8 application fee for non-repairable or salvage vehicle title:

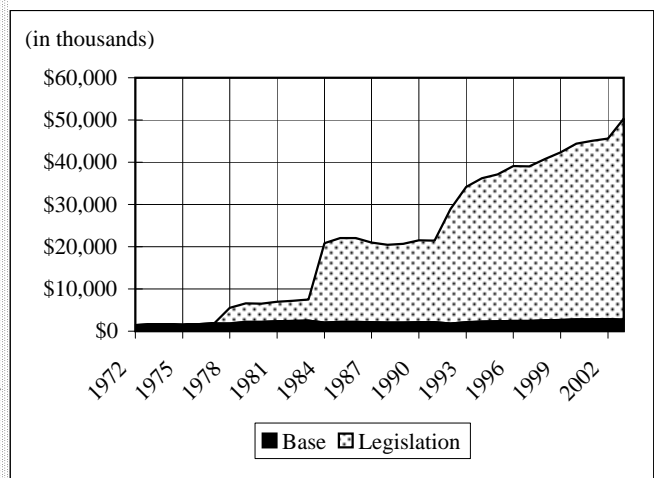
- State Highway Fund 0006—\$8

\$65 rebuilder fee:

- State Highway Fund 0006—\$50 to Texas Department of Public Safety
- General Revenue Fund 0001—\$15

NET COLLECTIONS (amounts in thousands)

<i>Year</i>	<i>Base</i>	<i>Legislation</i>	<i>Total</i>	<i>Percent Change</i>
1972	\$1,476	\$0	\$1,476	
1973	1,562	0	1,562	5.8 %
1974	1,561	0	1,561	-0.1
1975	1,500	0	1,500	-3.9
1976	1,703	0	1,703	13.5
1977	1,847	0	1,847	8.5
1978	1,853	3,706	5,559	201.0
1979	2,199	4,399	6,598	18.7
1980	2,164	4,327	6,491	-1.6
1981	2,326	4,653	6,979	7.5
1982	2,394	4,787	7,181	2.9
1983	2,494	4,987	7,481	4.2
1984	2,082	18,735	20,817	178.3
1985	2,202	19,816	22,018	5.8
1986	2,207	19,864	22,071	0.2
1987	2,099	18,892	20,991	-4.9
1988	2,046	18,409	20,455	-2.6
1989	2,070	18,628	20,698	1.2
1990	2,154	19,383	21,537	4.1
1991	2,145	19,305	21,450	-0.4
1992	1,808	27,122	28,930	34.9
1993	2,136	32,039	34,175	18.1
1994	2,262	33,929	36,191	5.9
1995	2,321	34,820	37,141	2.6
1996	2,443	36,649	39,092	5.3
1997	2,437	36,548	38,985	-0.3
1998	2,548	38,218	40,766	4.6
1999	2,648	39,726	42,374	3.9
2000	2,777	41,651	44,428	4.8
2001	2,818	42,275	45,093	1.5
2002	2,851	42,763	45,614	1.2
2003	2,764	47,532	50,296	10.3



Source(s): Carole Keeton Strayhorn, Texas Comptroller; Texas Department of Transportation

SOURCES OF REVENUE GROWTH

MOTOR VEHICLE DRIVER LICENSE FEES

Revenue Object 3025

RATE & BASE

State: \$4 per year for a four-, five-, or six-year operator license; \$60 for a four-year commercial license; \$10 duplicate license

Local: None

Federal: None

Major Exemptions: Disabled veterans

ADMINISTRATION

Agency: Texas Department of Public Safety (DPS)

Number of FeePAYERS: 4.4 million annually (new, renewal, and duplicate licenses)

Payment Cycle: Four-, five-, or six-year renewal

Due Date: Renewals — on or before birthday of vehicle operator

Remitted By: Vehicle operators

LEGAL CITATION(S)

Texas Transportation Code, Title 7, Subtitle B, Chapter 521

ENACTED

44th Legislature (1935)

RATE & BASE CHANGES

Various rate increases between 1935 and 1970

62nd Legislature (1971) Increased operator licenses to \$7, commercial license to \$10, chauffeurs license to \$13, and set occupational license at \$3

68th Legislature (1983) Increased operator licenses to \$10, motorcycle license to \$10, and occupational license to \$10

69th Legislature (1985) Increased operator and commercial licenses to \$16

71st Legislature (1989) Increased commercial license to \$40, increased motorcycle license to \$16

75th Legislature (1997) Increased operator license to \$24, motorcycle license to \$32, and commercial license to \$60 (license term extension—to six years—and corresponding fee increase to be phased in by DPS)

76th Legislature (1999) Increased certain reinstatement fees to \$100 from \$50

78th Legislature (2003) Changed the allocation of driver's license fees to Texas Mobility Fund 0365 (eff. 9/1/05)

ALLOCATION

Each motorcycle license:

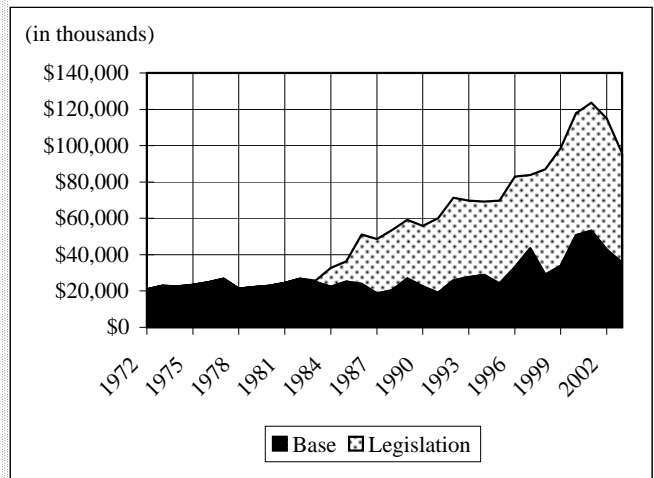
- General Revenue Fund 0001—remaining balance (thru 8/31/05)
- Texas Mobility Fund 0365—remaining balance (eff. 9/1/05)

All other driver license fees:

- General Revenue Fund 0001—100 percent (thru 8/31/05)
- Texas Mobility Fund 0365—remaining balance (eff. 9/1/05)

NET COLLECTIONS (amounts in thousands)

<i>Year</i>	<i>Base</i>	<i>Legislation</i>	<i>Total</i>	<i>Percent Change</i>
1972	\$21,016	\$0	\$21,016	
1973	22,841	0	22,841	8.7 %
1974	22,532	0	22,532	-1.4
1975	23,479	0	23,479	4.2
1976	24,860	0	24,860	5.9
1977	26,807	0	26,807	7.8
1978	21,327	0	21,327	-20.4
1979	22,168	0	22,168	3.9
1980	22,846	0	22,846	3.1
1981	24,542	0	24,542	7.4
1982	26,733	0	26,733	8.9
1983	24,989	735	25,724	-3.8
1984	22,423	10,393	32,816	27.6
1985	25,121	11,076	36,197	10.3
1986	23,909	27,248	51,157	41.3
1987	18,708	29,839	48,547	-5.1
1988	20,382	33,160	53,542	10.3
1989	27,019	32,171	59,190	10.5
1990	22,490	33,281	55,771	-5.8
1991	19,082	40,887	59,969	7.5
1992	25,827	45,432	71,259	18.8
1993	27,685	42,058	69,743	-2.1
1994	28,860	40,358	69,218	-0.8
1995	24,155	45,641	69,796	0.8
1996	33,044	49,850	82,894	18.8
1997	43,538	40,358	83,896	1.2
1998	29,007	57,998	87,005	3.7
1999	33,826	64,722	98,548	13.3
2000	50,760	67,136	117,896	19.6
2001	53,197	70,360	123,557	4.8
2002	42,738	72,235	114,973	-6.9
2003	35,581	60,137	95,718	-16.7



Source(s): Carole Keeton Strayhorn, Texas Comptroller;
Texas Department of Public Safety; U.S. Department of Transportation

SOURCES OF REVENUE GROWTH

MOTOR VEHICLE DRIVER RECORD INFORMATION FEES

Revenue Object 3027

RATE & BASE

State: \$4 per request for license status and accident report; \$6 per request for conviction and accident records; \$10 for certified reports; discounts for requests of 100 or more; \$7 for individual report; commercial license information is as above, plus \$2

Local: None

Federal: None

Major Exemptions: Law enforcement and other government agencies

ADMINISTRATION

Agency: Texas Department of Public Safety

Number of FeePAYERS: N/A

Payment Cycle: Daily

Due Date: Daily

Remitted By: Insurance carriers and other entities

LEGAL CITATION(S)

Texas Transportation Code, §§ 521.045 - 521.049, 521.053, 550.065

ENACTED

56th Legislature (1959) \$0.25 to \$1 per request

RATE & BASE CHANGES

61st Legislature (1970) \$2 per accident report

62nd Legislature (1971) Increased fees ranging from \$1 to \$3 per request; discounts for large volume

68th Legislature (1983) Increased accident report fee to \$4

69th Legislature (1985) Increased driver record fees

72nd Legislature (1991) Increased driver record fees

73rd Legislature (1993) Added fee for not releasing address; temporary 15 percent increase in accident report fees

75th Legislature (1997) Certain fees reduced by \$0.50 to \$1.50; created an interactive driver records data base

77th Legislature (2001) Increased fee for magnetic tape sales of driver record information to \$2,000 and to \$75 for weekly updates, eff. 9/1/01

78th Legislature (2003) Set fee of \$20 for certified abstract of complete driving record, eff. 9/01/03

ALLOCATION

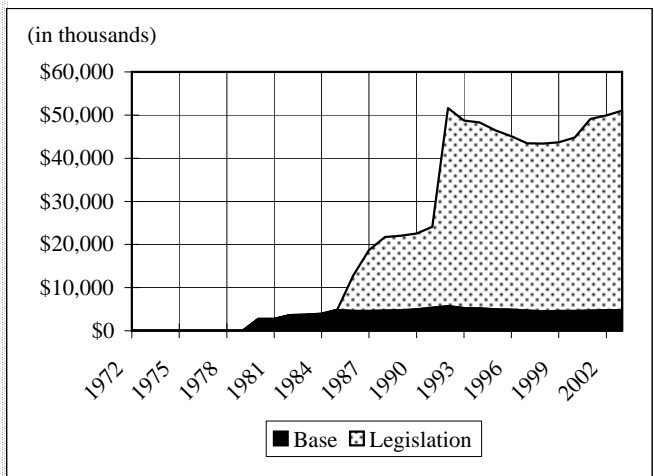
General Revenue Fund 0001 — 100 percent (thru 8/31/05)

Texas Mobility Fund 0365—100 percent (eff. 9/01/05)

NET COLLECTIONS

(amounts in thousands)

<i>Year</i>	<i>Base</i>	<i>Legislation</i>	<i>Total</i>	<i>Percent Change</i>
1972	\$0	\$0	\$0	
1973	0	0	0	
1974	0	0	0	
1975	0	0	0	
1976	0	0	0	
1977	0	0	0	
1978	0	0	0	
1979	0	0	0	
1980	2,724	0	2,724	
1981	2,752	0	2,752	1.0 %
1982	3,606	0	3,606	31.0
1983	3,707	0	3,707	2.8
1984	3,863	120	3,983	7.4
1985	4,803	127	4,930	23.8
1986	4,567	8,233	12,800	159.6
1987	4,601	14,110	18,711	46.2
1988	4,703	17,032	21,735	16.2
1989	4,763	17,288	22,051	1.5
1990	4,954	17,597	22,551	2.3
1991	5,312	18,795	24,107	6.9
1992	5,701	45,945	51,646	114.2
1993	5,243	43,454	48,697	-5.7
1994	5,162	43,130	48,292	-0.8
1995	4,963	41,467	46,430	-3.9
1996	4,870	40,186	45,056	-3.0
1997	4,699	38,732	43,431	-3.6
1998	4,535	38,858	43,393	-0.1
1999	4,580	39,135	43,715	0.7
2000	4,626	40,159	44,785	2.4
2001	4,672	44,448	49,120	9.7
2002	4,719	45,201	49,920	1.6
2003	4,766	46,227	50,993	2.1



Source(s): Carole Keeton Strayhorn, Texas Comptroller; Texas Department of Public Safety

SOURCES OF REVENUE GROWTH

MOTOR VEHICLE INSPECTION FEES

Revenue Object 3020

RATE & BASE

State: \$12.50 for annual sticker, plus \$13 if emissions testing is required; \$21.75 for new vehicle two-year sticker, \$50 for commercial vehicle annual sticker; \$30 biennial fee for each inspection station; \$10 biennial fee for each inspector; \$10 surcharge on commercial inspections

Local: None

Federal: None

Major Exemptions: None

ADMINISTRATION

Agency: Texas Department of Public Safety (DPS)

Number of FeePAYERS: 9,474

Payment Cycle: No cycle — payments made by inspection stations upon receipt of stickers from DPS

Due Date: Upon receipt of stickers from DPS

Remitted By: Vehicle inspection stations

LEGAL CITATION(S)

Texas Transportation Code, Chapter 548

Texas Health and Safety Code, § 382.0622(a)(2)

ENACTED

53rd Legislature (1953) \$1.00 for annual inspection sticker (\$0.25 to Texas Department of Public Safety)

RATE & BASE CHANGES

Various annual sticker fee increases between 1955 and 1985

70th Legislature (1987) Added two-year inspections for \$15.00

71st Legislature (1989) Annual sticker fee increased to \$8.50; two-year sticker fee increased to \$15.75

72nd Legislature (1991) Annual sticker fee increased to \$10.50

73rd Legislature (1993) Two-year sticker fee increased to \$19.75; added commercial inspection fee for \$50.00

76th Legislature (1999) Annual sticker fee increased to \$12.50; two-year sticker fee increased to \$21.75

77th Legislature (2001) Added \$10 inspection fee surcharge on commercial inspections (eff. 9/1/01 thru 8/31/08)

ALLOCATION

\$12.50 annual fee / \$21.75 two-year fee:

- Vehicle inspection station — \$7.00 annual / \$7.00 two-year
- General Revenue Fund 0001— \$3.50 annual / \$10.75 two-year (thru 8/31/05)
- Texas Mobility Fund 0365—\$3.50 annual/\$10.75 two-year (eff. 9/01/05)
- Clean Air Account 0151— \$2.00 annual / \$4.00 two-year

\$50 annual commercial vehicle fee:

- Vehicle inspection station — \$40.00
- General Revenue Fund 0001—\$10.00(thru 8/31/05)
- Texas Mobility Fund 0365—\$10.00(eff. 9/1/05)

\$13 emissions testing fee:

- Vehicle inspection station — \$11.25
- Clean Air Account 0151— \$0.44
- General Revenue Fund 0001 (for DPS) — \$1.31

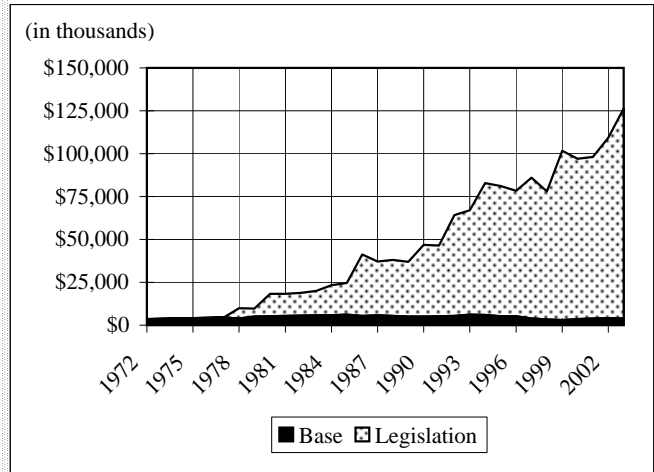
\$10 commercial inspection surcharge (expires 8/31/08):

- Texas Emissions Reduction Plan Fund 5071—100 percent

NET COLLECTIONS

(amounts in thousands)

<i>Year</i>	<i>Base</i>	<i>Legislation</i>	<i>Total</i>	<i>Percent Change</i>
1972	\$3,579	\$0	\$3,579	
1973	3,806	0	3,806	6.3 %
1974	3,883	0	3,883	2.0
1975	4,064	0	4,064	4.7
1976	4,237	0	4,237	4.3
1977	4,481	0	4,481	5.8
1978	3,958	5,937	9,895	120.8
1979	4,956	4,836	9,792	-1.0
1980	5,155	13,116	18,271	86.6
1981	5,378	12,953	18,331	0.3
1982	5,617	13,297	18,914	3.2
1983	5,731	14,169	19,900	5.2
1984	5,839	17,482	23,321	17.2
1985	6,074	18,494	24,568	5.3
1986	5,500	35,824	41,324	68.2
1987	5,716	31,473	37,189	-10.0
1988	5,450	32,579	38,029	2.3
1989	5,043	31,892	36,935	-2.9
1990	5,062	41,698	46,760	26.6
1991	5,198	41,290	46,488	-0.6
1992	5,490	58,631	64,121	37.9
1993	6,171	60,779	66,950	4.4
1994	5,945	76,818	82,763	23.6
1995	5,238	75,849	81,087	-2.0
1996	5,294	73,146	78,440	-3.3
1997	3,976	81,988	85,964	9.6
1998	3,349	74,663	78,012	-9.3
1999	2,979	98,767	101,746	30.4
2000	3,492	93,547	97,039	-4.6
2001	3,954	94,222	98,176	1.2
2002	4,017	105,398	109,415	11.4
2003	3,857	122,451	126,308	15.4



Source(s): Carole Keeton Strayhorn, Texas Comptroller; Texas Department of Public Safety

SOURCES OF REVENUE GROWTH

MOTOR VEHICLE REGISTRATION FEES

Revenue Object 3014

RATE & BASE

State: Various rates based on type, age or weight of a motor vehicle; passenger cars less than 6,000 lbs.—based on age of vehicle, ranging from \$40.50 to \$58.50; additional fees for personalized and collegiate plates

Local: Optional county road and bridge fee not to exceed \$10

Federal: None

Major Exemptions: Federal, state, and local governments; school districts

ADMINISTRATION

Agency: Texas Department of Transportation

Number of Feepayers: N/A (18.1 million non-exempt registrations)

Payment Cycle: Annually

Due Date: Each Monday unless invested per statute, then no later than 34 days after the due date

Remitted by: County tax assessor-collectors

LEGAL CITATION(S)

Texas Transportation Code, Chapter 502

ENACTED

35th Legislature (1917) \$0.35 per horsepower; minimum of \$7.50

RATE & BASE CHANGES

Numerous rate and base changes between 1917 and 1966

60th Legislature (1967) Various motor vehicle fee amounts changed

67th Legislature (1981) State/county share modified; various fee amounts changed

68th Legislature (1983) Various motor vehicle fee amounts changed

69th Legislature (1985) Various motor vehicle fee amounts changed

72nd Legislature (1991) County commission formula changed

76th Legislature (1999) Increased certain fees by \$1.00

77th Legislature (2001) Added and amended various specialty plates
Imposed a 10 percent surcharge on truck-tractor or commercial vehicle registration (eff. 9/1/01 thru 8/31/08)

78th Legislature (2003) Set most specialty plate fees to \$30; Added \$1 fee to every registration for certain Texas Department of Public Safety programs; Allows Texas Department of Transportation to issue souvenir plates for \$20; numerous changes to the cost or administration of specialty plates

ALLOCATION

Passenger vehicle registration:

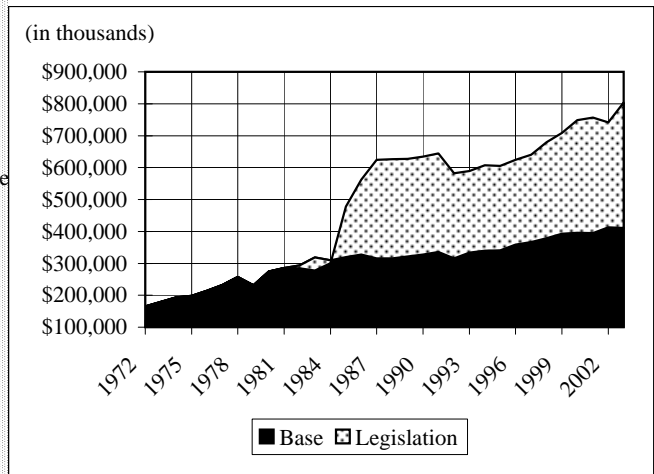
General Revenue Fund 0001 — \$38.75 from personalized prestige license plate fees; \$22 from designated specialty license plate fees; designated penalty fees; \$20 for personalized souvenir plates

State Highway Fund 0006 — Most fees collected on non-personalized prestige license plates, and all other passenger and commercial vehicle registrations; \$1.25 from personalized prestige license plate fees; \$8 on most specialty license plate fees; \$20 from souvenir license plate fees; \$1 additional registration fee dedicated to driver's license system reengineering and driver responsibility program ("Read to Succeed" license plate, "Big Bend National Park" license plate, and various other special issue plates may go to General Revenue or other dedicated accounts)

NET COLLECTIONS

(amounts in thousands)

<u>Year</u>	<u>Base</u>	<u>Legislation</u>	<u>Total</u>	<u>Percent Change</u>
1972	\$165,392	\$0	\$165,392	
1973	179,666	0	179,666	8.6 %
1974	193,546	0	193,546	7.7
1975	198,685	0	198,685	2.7
1976	214,441	0	214,441	7.9
1977	231,835	0	231,835	8.1
1978	257,164	0	257,164	10.9
1979	231,701	0	231,701	-9.9
1980	274,465	0	274,465	18.5
1981	285,244	0	285,244	3.9
1982	293,034	-8,900	284,134	-0.4
1983	318,212	-40,609	277,603	-2.3
1984	309,349	-8,915	300,434	8.2
1985	319,253	158,276	477,529	58.9
1986	327,276	234,545	561,821	17.7
1987	315,563	308,314	623,877	11.0
1988	315,515	310,473	625,988	0.3
1989	321,358	306,027	627,385	0.2
1990	327,398	307,338	634,736	1.2
1991	335,505	309,219	644,724	1.6
1992	315,833	265,877	581,710	-9.8
1993	333,933	255,599	589,532	1.3
1994	339,621	267,799	607,420	3.0
1995	340,918	264,067	604,985	-0.4
1996	358,889	265,356	624,245	3.2
1997	366,445	274,013	640,458	2.6
1998	378,984	300,056	679,040	6.0
1999	392,815	316,015	708,830	4.4
2000	395,773	353,053	748,826	5.6
2001	394,876	361,905	756,781	1.1
2002	413,061	328,986	742,047	-1.9
2003	410,503	392,826	803,329	8.3



Source(s): Carole Keeton Strayhorn, Texas Comptroller; Texas Department of Transportation

SOURCES OF REVENUE GROWTH

MOTOR VEHICLE REGISTRATION FEES (SPECIAL VEHICLES) (oversized and overweight motor vehicles; manufactured housing)

Revenue Object 3018

RATE & BASE

State: Varies by vehicle type, weight, dimension, and trip
Local: Varies by type of vehicle and number of counties entered
Federal: None
Major Exemptions: None

ADMINISTRATION

Agency: Texas Department of Transportation (TXDOT)
Number of FeePAYERS: 417,000 (approximately) permits issued in 2003
Payment Cycle: Some annually, others on an "as needed" basis
Due Date: At the time a permit is issued
Remitted By: County tax assessor-collectors, TXDOT, and various government entities

LEGAL CITATION(S)

Texas Transportation Code, §§ 502.277, 502.280
 Texas Transportation Code, Chapter 623

ENACTED

41st Legislature (1929) Various rates for oversized and overweight vehicles

RATE & BASE CHANGES

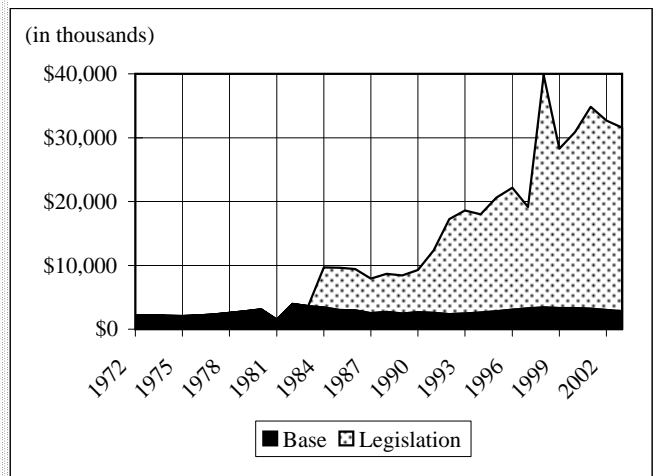
53rd Legislature (1953) Set rates for excess weight vehicles
 55th Legislature (1957) Set rates for transporting manufactured homes
 56th Legislature (1959) Set rates for transporting overlength poles
 58th Legislature (1963) Set rates for transporting oil well servicing equipment
 63rd Legislature (1973) Set rates for transporting unladen lift equipment
 67th Legislature (1981) Set rates for transporting portable buildings
 68th Legislature (1983) Various permit fees increased
 71st Legislature (1989) Various permit fees increased
 72nd Legislature (1991) Set highway maintenance fee; set rates for cotton vehicles and hay transporters
 74th Legislature (1995) Amended rates for manufactured homes
 75th Legislature (1997) Various permit fees increased

ALLOCATION

Allocation percentages vary depending upon the type of permit issued; the allocated funds include:
 General Revenue Fund 0001
 State Highway Fund 0006
 County and Road District Highway Fund 0057

NET COLLECTIONS (amounts in thousands)

<i>Year</i>	<i>Base</i>	<i>Legislation</i>	<i>Total</i>	<i>Percent Change</i>
1972	\$2,159	\$0	\$2,159	
1973	2,190	0	2,190	1.4 %
1974	2,105	0	2,105	-3.9
1975	2,068	0	2,068	-1.8
1976	2,178	0	2,178	5.3
1977	2,329	0	2,329	6.9
1978	2,574	0	2,574	10.5
1979	2,813	0	2,813	9.3
1980	3,117	0	3,117	10.8
1981	1,489	0	1,489	-52.2
1982	3,984	0	3,984	167.6
1983	3,586	0	3,586	-10.0
1984	3,392	6,297	9,689	170.2
1985	3,016	6,594	9,610	-0.8
1986	2,937	6,490	9,427	-1.9
1987	2,509	5,429	7,938	-15.8
1988	2,726	5,936	8,662	9.1
1989	2,474	5,934	8,408	-2.9
1990	2,651	6,635	9,286	10.4
1991	2,556	9,780	12,336	32.8
1992	2,334	14,900	17,234	39.7
1993	2,448	16,152	18,600	7.9
1994	2,631	15,360	17,991	-3.3
1995	2,820	17,806	20,626	14.6
1996	3,064	19,079	22,143	7.4
1997	3,243	15,899	19,142	-13.6
1998	3,391	36,415	39,806	108.0
1999	3,325	24,928	28,253	-29.0
2000	3,313	27,571	30,884	9.3
2001	3,218	31,636	34,854	12.9
2002	3,008	29,684	32,692	-6.2
2003	2,798	28,800	31,598	-3.3



Source(s): Carole Keeton Strayhorn, Texas Comptroller; Texas Department of Transportation

SOURCES OF REVENUE GROWTH

MOTOR VEHICLE RENTAL TAX

Revenue Object 3005

RATE & BASE

State: 10 percent of gross receipts on rentals of 30 days or less; 6.25 percent on rentals of 31 to 180 days
Local: May impose up to 5 percent on certain vehicles
Federal: None
Major Exemptions: Rentals to governments; rentals for re-rental

ADMINISTRATION

Agency: Comptroller of Public Accounts
Number of Taxpayers: 1,287
Payment Cycle: Monthly, quarterly, and annually with option to prepay
Due Date: 20th day of the month for the preceding month, quarter, or year; 15th day of the current month for monthly prepayers; 15th day of the second month of the quarter for quarterly prepayers
Remitted By: Rental companies

LEGAL CITATION(S)

Texas Tax Code, §§ 152.026, 152.045
 Texas Local Government Code, §§ 334.102 - 334.109, 335.071(e)

ENACTED

62nd Legislature (1971) 4 percent of gross receipts

RATE & BASE CHANGES

68th Legislature (1984) 5 percent (eff. 8/1/84)
 70th Legislature (1987) 6 percent (eff. 10/1/87)
 72nd Legislature (1991) 10 percent for rentals up to 30 days; 6.25 percent for rentals of 31 to 180 days (eff. 9/1/91)

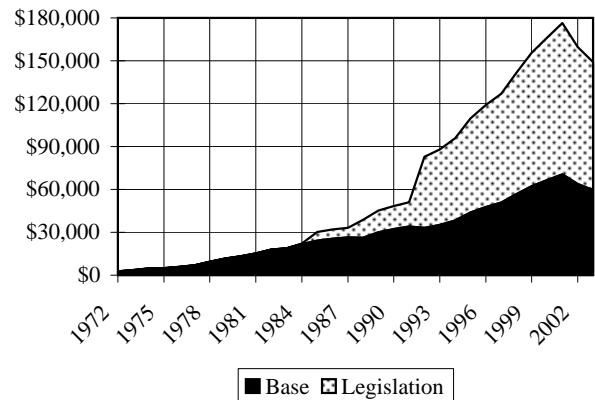
ALLOCATION

General Revenue Fund 0001 — 100 percent

NET COLLECTIONS (amounts in thousands)

Year	Base	Legislation	Total	Percent of	
				Percent Change	Total Taxes
1972	\$2,750	\$0	\$2,750		0.12 %
1973	3,603	0	3,603	31.0 %	0.14
1974	4,666	0	4,666	29.5	0.15
1975	4,954	0	4,954	6.2	0.15
1976	5,756	0	5,756	16.2	0.15
1977	6,937	0	6,937	20.5	0.16
1978	9,292	0	9,292	33.9	0.18
1979	11,686	0	11,686	25.8	0.22
1980	13,138	0	13,138	12.4	0.21
1981	15,153	0	15,153	15.3	0.20
1982	17,981	0	17,981	18.7	0.21
1983	18,723	0	18,723	4.1	0.22
1984	21,718	422	22,140	18.3	0.24
1985	24,228	6,057	30,285	36.8	0.28
1986	25,603	6,401	32,004	5.7	0.31
1987	26,445	6,611	33,056	3.3	0.32
1988	26,139	12,481	38,620	16.8	0.31
1989	30,086	15,043	45,129	16.9	0.35
1990	32,243	16,121	48,364	7.2	0.35
1991	34,056	17,028	51,084	5.6	0.34
1992	33,174	49,760	82,934	62.3	0.52
1993	35,163	52,744	87,907	6.0	0.52
1994	38,346	57,520	95,866	9.1	0.53
1995	43,899	65,848	109,747	14.5	0.58
1996	47,667	71,501	119,168	8.6	0.60
1997	50,783	76,175	126,958	6.5	0.60
1998	56,588	84,883	141,471	11.4	0.63
1999	62,252	93,378	155,630	10.0	0.66
2000	66,436	99,654	166,090	6.7	0.66
2001	70,610	105,916	176,526	6.3	0.65
2002	63,849	95,773	159,622	-9.6	0.61
2003	59,647	89,471	149,118	-6.6	0.57

(in thousands)



Source(s): Carole Keeton Strayhorn, Texas Comptroller

SOURCES OF REVENUE GROWTH

MOTOR VEHICLE SALES AND USE TAX

Revenue Objects 3004 and 3667

RATE & BASE

State: 6.25 percent of sales price, less value of trade-in
 Local: None
 Federal: None
 Major Exemptions: Sales to governments and motor vehicle rental companies

ADMINISTRATION

Agency: Comptroller of Public Accounts
 Number of Taxpayers: 254
 Payment Cycle: Within 20 days of delivery to purchaser
 Due Date: County tax assessor-collectors remit:
 Daily — previous year over \$10 million
 Weekly — previous year \$2 million to \$10 million
 Monthly — previous year under \$2 million
 Remitted By: County tax assessor-collectors

LEGAL CITATION(S)

Texas Tax Code, §§ 152.021, 152.028, 152.121

ENACTED

47th Legislature (1941) 1 percent

RATE & BASE CHANGES

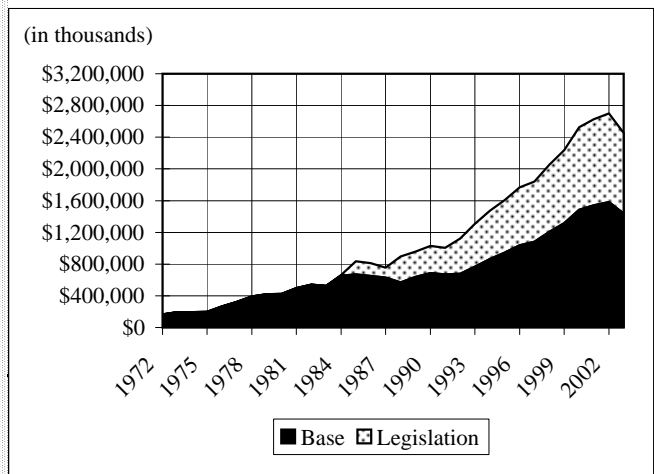
51st Legislature (1950) 1.1 percent (temporary)
 52nd Legislature (1951) 1.1 percent
 56th Legislature (1959) 1.5 percent
 58th Legislature (1963) 2 percent
 60th Legislature (1968) 3 percent
 62nd Legislature (1971) 4 percent
 68th Legislature (1984) 5 percent (eff. 8/1/84)
 70th Legislature (1987) 6 percent (eff. 10/1/87)
 72nd Legislature (1991) 6.25 percent (eff. 9/1/91); 5 percent county commission eliminated (eff. 1/1/92)
 77th Legislature (2001) Added 2.5 percent surcharge on sale, lease, or rental of certain diesel trucks, model years 1996 and earlier (eff. 9/1/01)
 78th Legislature (2003) Added 1 percent surcharge on each sale, lease, use, or rental of certain diesel trucks, model years 1997 and later (eff. 7/1/03)

ALLOCATION

General Revenue Fund 0001—100 percent thru 8/31/05, then decreasing over a 10-year period until fiscal 2016, when the GR allocation becomes 95 percent and counties receive 5 percent
 Texas Emissions Reduction Plan Fund 5071—100 percent of applicable surcharge

NET COLLECTIONS (amounts in thousands)

Year	Base	Legislation	Total	Percent of	
				Percent Change	Total Taxes
1972	\$164,371	\$0	\$164,371		7.01 %
1973	193,789	0	193,789	17.9 %	7.50
1974	193,170	0	193,170	-0.3	6.38
1975	197,684	0	197,684	2.3	5.86
1976	264,776	0	264,776	33.9	6.77
1977	321,155	0	321,155	21.3	7.27
1978	391,791	0	391,791	22.0	7.79
1979	421,648	0	421,648	7.6	7.82
1980	424,740	0	424,740	0.7	6.70
1981	495,779	0	495,779	16.7	6.40
1982	539,271	0	539,271	8.8	6.23
1983	526,169	0	526,169	-2.4	6.19
1984	652,235	10,962	663,197	26.0	7.13
1985	668,108	167,027	835,135	25.9	7.79
1986	650,409	162,602	813,011	-2.6	7.95
1987	629,774	125,955	755,729	-7.0	7.36
1988	567,096	328,319	895,415	18.5	7.24
1989	638,463	319,231	957,694	7.0	7.42
1990	686,017	343,009	1,029,026	7.4	7.55
1991	669,023	334,512	1,003,535	-2.5	6.73
1992	678,050	442,889	1,120,939	11.7	7.07
1993	767,161	538,937	1,306,098	16.5	7.68
1994	864,212	607,117	1,471,329	12.7	8.13
1995	942,790	662,319	1,605,109	9.1	8.51
1996	1,037,273	728,693	1,765,966	10.0	8.94
1997	1,079,654	758,467	1,838,121	4.1	8.68
1998	1,207,098	847,997	2,055,095	11.8	9.08
1999	1,313,988	923,088	2,237,076	8.9	9.47
2000	1,483,960	1,042,495	2,526,455	12.9	9.99
2001	1,543,464	1,084,297	2,627,761	4.0	9.65
2002	1,582,526	1,115,080	2,697,606	2.7	10.27
2003	1,436,408	1,015,678	2,452,086	-9.1	9.39



Source(s): Carole Keeton Strayhorn, Texas Comptroller

SOURCES OF REVENUE GROWTH

MOTOR VEHICLE SALES AND USE TAX — SELLER-FINANCED MOTOR VEHICLES

Revenue Object 3016

RATE & BASE

State: 6.25 percent of the seller's receipts
 Local: None
 Federal: None
 Major Exemptions: Sales to governments and motor vehicle rental companies

ADMINISTRATION

Agency: Comptroller of Public Accounts
 Number of Taxpayers: 6,865
 Payment Cycle: Monthly or quarterly (may be prepaid)
 Due Date: 20th day of the month for the preceding month or calendar quarter
 Remitted By: Sellers who finance

LEGAL CITATION(S)

Texas Tax Code, §§ 152.047 - 152.048

ENACTED

73rd Legislature (1993) 6.25 percent (eff. 10/1/93)

RATE & BASE CHANGES

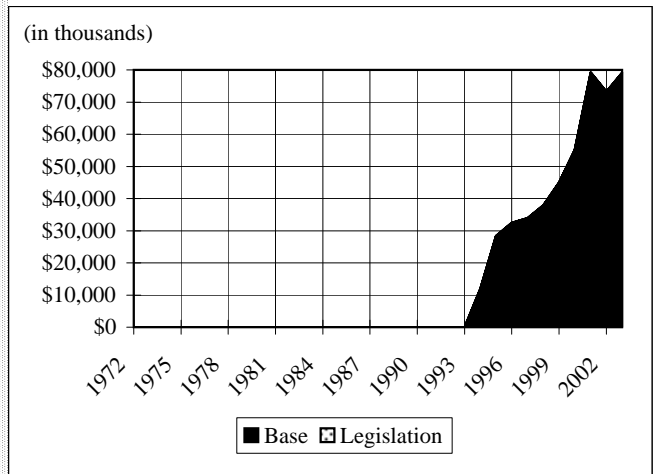
77th Legislature (2001) Added 2.5 percent surcharge on each sale, lease, or rental of certain diesel trucks, model years 1996 and earlier (eff. 9/1/01)
 78th Legislature (2003) Added 1 percent surcharge on each sale, lease, use, or rental of certain diesel trucks, model years 1997 and later (eff. 7/1/03)

ALLOCATION

General Revenue Fund 0001—100 percent of the sales taxes remitted
 Texas Emissions Reduction Plan Fund 5071—100 percent of applicable surcharge

NET COLLECTIONS (amounts in thousands)

Year	Base	Legislation	Total	Percent of	
				Percent Change	Total Taxes
1972	\$0 ‡	\$0	\$0		
1973	0	0	0		
1974	0	0	0		
1975	0	0	0		
1976	0	0	0		
1977	0	0	0		
1978	0	0	0		
1979	0	0	0		
1980	0	0	0		
1981	0	0	0		
1982	0	0	0		
1983	0	0	0		
1984	0	0	0		
1985	0	0	0		
1986	0	0	0		
1987	0	0	0		
1988	0	0	0		
1989	0	0	0		
1990	0	0	0		
1991	0	0	0		
1992	0	0	0		
1993	0	0	0		
1994	11,977	0	11,977	0.07 %	0.15
1995	28,324	0	28,324	136.5 %	0.16
1996	32,398	0	32,398	14.4	0.16
1997	33,924	0	33,924	4.7	0.17
1998	37,945	0	37,945	11.9	0.19
1999	44,946	0	44,946	18.5	0.22
2000	55,168	0	55,168	22.7	0.29
2001	79,198	0	79,198	43.6	0.28
2002	73,199	0	73,199	-7.6	0.30
2003	79,069	0	79,069	8.0	



‡ Before 1994, Seller-Financed Motor Vehicle Sales and Use tax receipts were deposited under object 3004 for the Motor Vehicle Sales and Use tax
 Source(s): Carole Keeton Strayhorn, Texas Comptroller

SOURCES OF REVENUE GROWTH

NATURAL GAS TAX

Revenue Objects 3291 and 3656

RATE & BASE

State: 7.5 percent of value of natural and casinghead gas produced and saved in the state; condensate is taxed at crude oil rate of 4.6 percent and included in natural gas tax revenues

Local: None

Federal: None

Major Exemptions: Production from gas wells that were previously inactive for at least two years; "high-cost" gas

ADMINISTRATION

Agency: Comptroller of Public Accounts

Number of Taxpayers: 2,429

Payment Cycle: Monthly

Due Date: 20th day of the second month succeeding production; on August 15 of each odd-numbered year, estimated tax is due for July production

Remitted By: Oil and gas producers and purchasers

LEGAL CITATION(S)

Texas Tax Code, §§ 201.052, 201.054-.055 (the "Gas Production" tax)

ENACTED

42nd Legislature (1931) 2.0 percent of value

RATE & BASE CHANGES

44th Legislature (1936) 3.0 percent of value

47th Legislature (1941) 5.2 percent of value

51st Legislature (1950) 5.72 percent until 8/31/51 (temporary)

52nd Legislature (1951) 5.72 percent after 9/1/51 (permanent)

53rd Legislature (1954) 9 percent until 1955, 8 percent until 1956, and 7 percent thereafter

61st Legislature (1969) 7.5 percent of value

71st Legislature (1989) Exemption for "high-cost" gas until 8/31/01

73rd Legislature (1993) Exemption for 3-year inactive wells, coproduction projects

74th Legislature (1995) Modification (rate reduction) and extension for "high-cost" gas

75th Legislature (1997) Exemption for 2-year inactive wells; exemption for flared / vented gas

76th Legislature (1999) Extension of modified "high-cost" gas program

78th Legislature (2003) Made "high-cost" gas program permanent

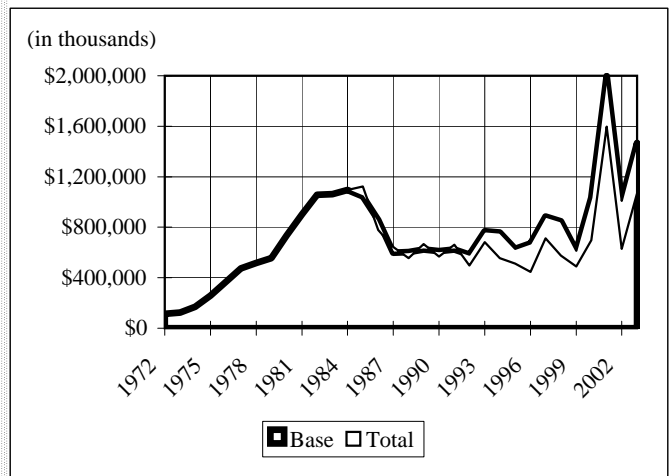
ALLOCATION

Foundation School Fund 0193 — 25 percent

General Revenue Fund 0001 — 75 percent

NET COLLECTIONS (amounts in thousands)

Year	Base	Legislation	Total	Percent of	
				Percent Change	Total Taxes
1972	\$114,380	\$0	\$114,380		4.88 %
1973	124,902	0	124,902	9.2 %	4.83
1974	171,068	0	171,068	37.0	5.65
1975	259,570	0	259,570	51.7	7.69
1976	364,588	0	364,588	40.5	9.32
1977	474,318	0	474,318	30.1	10.73
1978	517,844	0	517,844	9.2	10.29
1979	554,354	0	554,354	7.1	10.28
1980	734,247	0	734,247	32.5	11.57
1981	901,931	0	901,931	22.8	11.65
1982	1,057,057	0	1,057,057	17.2	12.22
1983	1,061,220	0	1,061,220	0.4	12.49
1984	1,095,485	0	1,095,485	3.2	11.77
1985	1,043,847	79,001	1,122,848	2.5	10.47
1986	857,704	-79,001	778,703	-30.6	7.61
1987	597,943	46,919	644,862	-17.2	6.28
1988	602,566	-46,919	555,647	-13.8	4.49
1989	624,478	42,018	666,496	19.9	5.16
1990	610,149	-42,018	568,131	-14.8	4.17
1991	624,270	38,329	662,599	16.6	4.44
1992	581,906	-84,777	497,129	-25.0	3.14
1993	767,441	-84,515	682,926	37.4	4.01
1994	758,854	-204,370	554,484	-18.8	3.06
1995	627,943	-115,532	512,411	-7.6	2.72
1996	672,522	-225,420	447,102	-12.7	2.26
1997	885,657	-173,434	712,223	59.3	3.36
1998	847,098	-272,514	574,584	-19.3	2.54
1999	614,233	-125,650	488,583	-15.0	2.07
2000	1,034,329	-336,663	697,666	42.8	2.76
2001	1,998,692	-401,806	1,596,886	128.9	5.86
2002	1,007,940	-379,443	628,497	-60.6	2.39
2003	1,468,772	-398,908	1,069,864	70.2	4.09



Source(s): Carole Keeton Strayhorn, Texas Comptroller

SOURCES OF REVENUE GROWTH

OIL PRODUCTION TAX

Revenue Objects 3290 and 3662

RATE & BASE

State: 4.6 percent of value of crude oil produced in the state
Local: None
Federal: None
Major Exemptions: Production from oil wells that were previously inactive for at least two years

ADMINISTRATION

Agency: Comptroller of Public Accounts
Number of Taxpayers: 160
Payment Cycle: Monthly
Due Date: 25th day of the month for the preceding month's production, except August 15 in each odd-numbered calendar year
Remitted By: Oil producers

LEGAL CITATION(S)

Texas Tax Code, § 202.052

ENACTED

29th Legislature (1905) 1 percent of value

RATE & BASE CHANGES

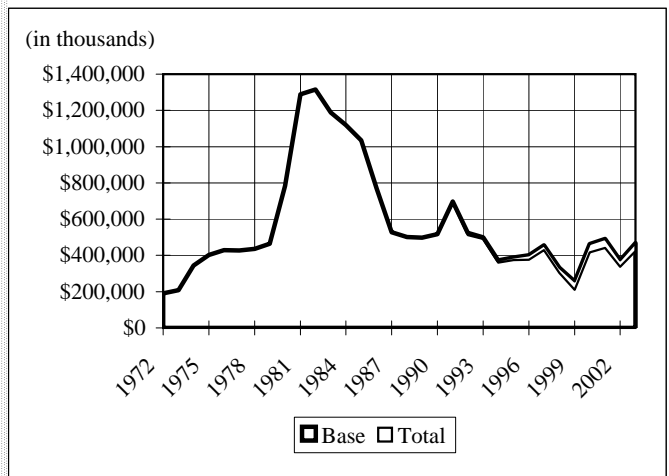
30th Legislature (1907) 0.5 percent of value
 36th Legislature (1919) 1.5 percent of value
 38th Legislature (1923) 2 percent of value
 43rd Legislature (1933) \$0.02 per barrel or 2 percent of value
 44th Legislature (1936) \$0.0275 per barrel
 47th Legislature (1941) \$0.04125 per barrel
 51st Legislature (1950) 4.5375 percent of value (temporary)
 52nd Legislature (1951) 4.6 percent of value
 71st Legislature (1989) Reduced rate to 2.3 percent of value on enhanced oil recovery projects
 73rd Legislature (1993) Exemption for 3-year inactive wells
 75th Legislature (1997) Exemption for 2-year inactive wells
 76th Legislature (1999) Low-price exemption for low-yield wells (temporary)

ALLOCATION

Foundation School Fund 0193 — 25 percent
 General Revenue Fund 0001 — 75 percent

NET COLLECTIONS (amounts in thousands)

Year	Base	Legislation	Total	Percent of	
				Percent Change	Total Taxes
1972	\$190,785	\$0	\$190,785		8.14 %
1973	207,522	0	207,522	8.8 %	8.03
1974	344,832	0	344,832	66.2	11.40
1975	402,553	0	402,553	16.7	11.93
1976	429,105	0	429,105	6.6	10.96
1977	426,373	0	426,373	-0.6	9.65
1978	435,223	0	435,223	2.1	8.65
1979	464,820	0	464,820	6.8	8.62
1980	783,772	0	783,772	68.6	12.35
1981	1,288,669	0	1,288,669	64.4	16.65
1982	1,315,131	0	1,315,131	2.1	15.20
1983	1,188,483	0	1,188,483	-9.6	13.99
1984	1,118,635	0	1,118,635	-5.9	12.02
1985	1,035,134	3,400	1,038,534	-7.2	9.69
1986	769,558	-2,000	767,558	-26.1	7.50
1987	528,671	3,200	531,871	-30.7	5.18
1988	500,624	-2,000	498,624	-6.3	4.03
1989	498,205	2,000	500,205	0.3	3.88
1990	517,050	-2,084	514,966	3.0	3.78
1991	697,525	-9,755	687,770	33.6	4.61
1992	524,378	-12,852	511,526	-25.6	3.23
1993	499,456	-8,200	491,256	-4.0	2.89
1994	372,159	-11,476	360,683	-26.6	1.99
1995	387,931	-13,722	374,209	3.8	1.98
1996	401,468	-25,510	375,958	0.5	1.90
1997	455,499	-27,359	428,140	13.9	2.02
1998	331,983	-29,084	302,899	-29.3	1.34
1999	256,028	-46,005	210,023	-30.7	0.89
2000	462,504	-46,704	415,800	98.0	1.64
2001	490,211	-48,289	441,922	6.3	1.62
2002	373,267	-35,410	337,857	-23.5	1.29
2003	467,134	-44,255	422,879	25.2	1.62



Source(s): Carole Keeton Strayhorn, Texas Comptroller

SOURCES OF REVENUE GROWTH

OIL REGULATION TAX

Revenue Object 3295

RATE & BASE

State: 3/16 of one cent per barrel of crude oil produced in the state
 Local: None
 Federal: None
 Major
 Exemptions: None

ADMINISTRATION

Agency: Comptroller of Public Accounts
 Number of Taxpayers: 160
 Payment Cycle: Monthly
 Due Date: 25th day of the month for the preceding month's production
 Remitted By: Oil producers

LEGAL CITATION(S)

Texas Natural Resources Code, § 81.111

ENACTED

35th Legislature (1917) 1/20 of 1 percent of value

RATE & BASE CHANGES

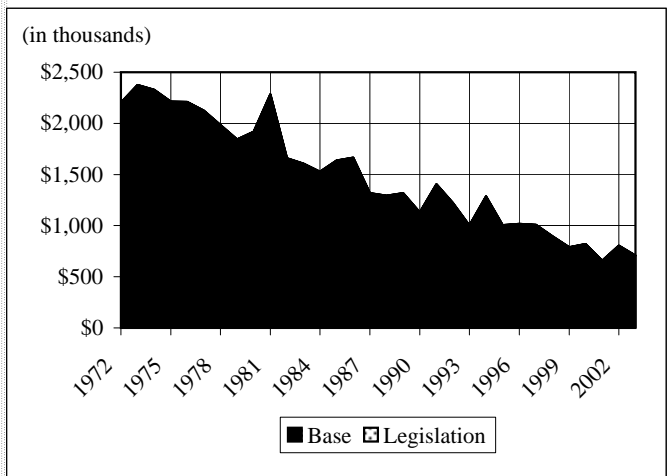
42nd Legislature (1931) 1/10 of 1 percent of value
 43rd Legislature (1933) 1/8 of 1 percent of value
 44th Legislature (1935) 3/16 of one cent per barrel of crude oil

ALLOCATION

General Revenue Fund 0001 — 100 percent

NET COLLECTIONS (amounts in thousands)

Year	Base	Legislation	Total	Percent of	
				Percent Change	Total Taxes
1972	\$2,203	\$0	\$2,203		†
1973	2,374	0	2,374	7.8	%
1974	2,329	0	2,329	-1.9	
1975	2,211	0	2,211	-5.1	
1976	2,210	0	2,210	0.0	
1977	2,125	0	2,125	-3.8	
1978	1,983	0	1,983	-6.7	
1979	1,843	0	1,843	-7.1	
1980	1,919	0	1,919	4.1	
1981	2,285	0	2,285	19.1	
1982	1,659	0	1,659	-27.4	
1983	1,604	0	1,604	-3.3	
1984	1,527	0	1,527	-4.8	
1985	1,636	0	1,636	7.1	
1986	1,665	0	1,665	1.8	
1987	1,318	0	1,318	-20.8	
1988	1,292	0	1,292	-2.0	
1989	1,317	0	1,317	1.9	
1990	1,130	0	1,130	-14.2	
1991	1,404	0	1,404	24.2	
1992	1,222	0	1,222	-13.0	
1993	1,002	0	1,002	-18.0	
1994	1,285	0	1,285	28.2	
1995	1,005	0	1,005	-21.8	
1996	1,017	0	1,017	1.2	
1997	1,009	0	1,009	-0.8	
1998	896	0	896	-11.2	
1999	789	0	789	-11.9	
2000	820	0	820	3.9	
2001	658	0	658	-19.8	
2002	804	0	804	22.2	
2003	708	0	708	-11.9	



† Less than one-tenth of 1 percent for all years.

Source(s): Carole Keeton Strayhorn, Texas Comptroller

SOURCES OF REVENUE GROWTH

OIL WELL SERVICE TAX

Revenue Object 3296

RATE & BASE

State: 2.42 percent of gross receipts for specific services to oil and gas wells
 Local: None
 Federal: None
 Major
 Exemptions: None

ADMINISTRATION

Agency: Comptroller of Public Accounts
 Number of Taxpayers: 104
 Payment Cycle: Monthly
 Due Date: 20th day of the month for the preceding month
 Remitted By: Oil and gas well servicers

LEGAL CITATION(S)

Texas Tax Code, § 191.083

ENACTED

47th Legislature (1941) 2.2 percent of value

RATE & BASE CHANGES

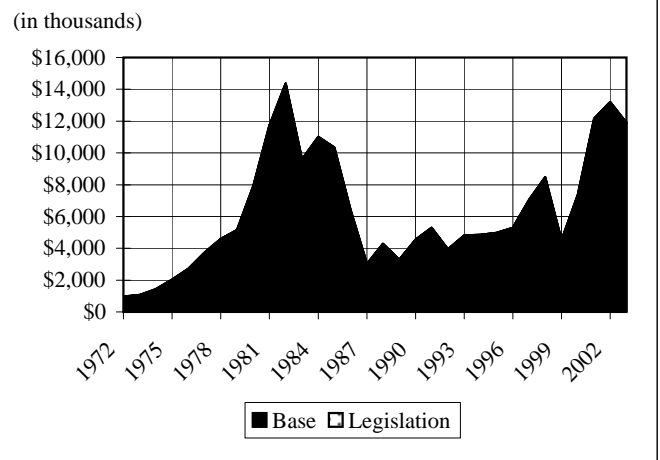
52nd Legislature (1951) 2.42 percent

ALLOCATION

Foundation School Fund 0193 — 25 percent
 General Revenue Fund 0001 — 75 percent

NET COLLECTIONS (amounts in thousands)

Year	Base	Legislation	Total	Percent of	
				Percent Change	Total Taxes
1972	\$963	\$0	\$963		0.04 %
1973	1,073	0	1,073	11.4 %	0.04
1974	1,426	0	1,426	32.9	0.05
1975	2,026	0	2,026	42.1	0.06
1976	2,718	0	2,718	34.2	0.07
1977	3,736	0	3,736	37.5	0.08
1978	4,595	0	4,595	23.0	0.09
1979	5,152	0	5,152	12.1	0.10
1980	7,930	0	7,930	53.9	0.13
1981	11,717	0	11,717	47.8	0.15
1982	14,372	0	14,372	22.7	0.17
1983	9,601	0	9,601	-33.2	0.11
1984	11,018	0	11,018	14.8	0.12
1985	10,341	0	10,341	-6.1	0.10
1986	6,404	0	6,404	-38.1	0.06
1987	3,018	0	3,018	-52.9	0.03
1988	4,281	0	4,281	41.8	0.03
1989	3,272	0	3,272	-23.6	0.03
1990	4,550	0	4,550	39.1	0.03
1991	5,285	0	5,285	16.2	0.04
1992	3,936	0	3,936	-25.5	0.02
1993	4,820	0	4,820	22.5	0.03
1994	4,842	0	4,842	0.5	0.03
1995	4,976	0	4,976	2.8	0.03
1996	5,285	0	5,285	6.2	0.03
1997	7,073	0	7,073	33.8	0.03
1998	8,480	0	8,480	19.9	0.04
1999	4,515	0	4,515	-46.8	0.02
2000	7,359	0	7,359	63.0	0.03
2001	12,156	0	12,156	65.2	0.04
2002	13,196	0	13,196	8.6	0.05
2003	11,899	0	11,899	-9.8	0.05



Source(s): Carole Keeton Strayhorn, Texas Comptroller

SOURCES OF REVENUE GROWTH

PARKS FEES (STATE)

Revenue Object 3461

RATE & BASE

State: Daily entrance fees: \$1 to \$5 per person aged 13 and older; campsites and cabins range from \$4 to \$100 per night; historic site tour fees range from \$0.50 to \$5; various other miscellaneous fees

Local: None

Federal: None

Major Exemptions: Children under the age of 13

ADMINISTRATION

Agency: Texas Parks and Wildlife Department (TPWD)

Number of FeePAYERS: 120 state parks and historic sites

Payment Cycle: Weekly

Due Date: Each week

Remitted by: Park visitors

LEGAL CITATION(S)

Texas Parks and Wildlife Code, §§ 13.015 - 13.019, 21.105 - 21.111(a), 22.221, 22.261, 11.053

ENACTED

60th Legislature (1967) Directed TPWD to charge and collect entrance fees at parks

RATE & BASE CHANGES

NOTE: Rates are set by TPWD and may be modified annually.

66th Legislature (1979) Established reservation fees for campsites

72nd Legislature (1991) Established annual Texas Conservation Permits (TCPs)

74th Legislature (1995) Amended the permit fee for TCPs

ALLOCATION

Entrance and campsite fees (excluding wildlife refuges): Deposited in Parks Fee Trust Fund 0965, then cleared to the Texas Park Development Bonds Interest and Sinking Fund 0409 to cover principle and interest during the life of the bonds; the remainder is then deposited to State Parks Account 0064

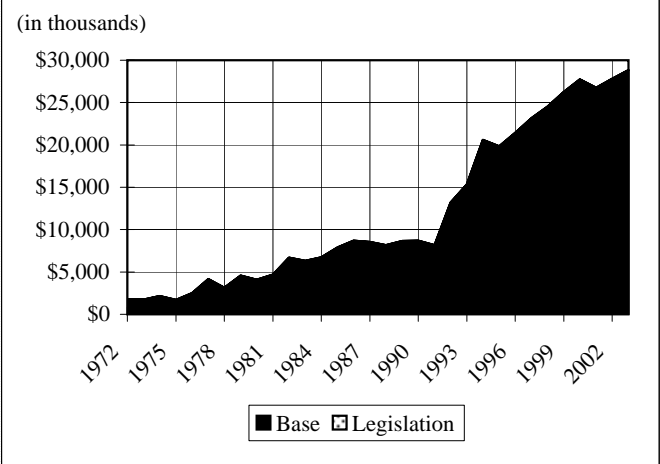
Wildlife refuges entrance fees: Non-Game and Endangered Species Conservation Account 0506

Conservation permits and Admiral Nimitz Museum entrance fee: General Revenue Fund 0001

NET COLLECTIONS

(amounts in thousands)

<i>Year</i>	<i>Base</i>	<i>Legislation</i>	<i>Total</i>	<i>Percent Change</i>
1972	\$1,787	\$0	\$1,787	
1973	1,722	0	1,722	-3.6 %
1974	2,147	0	2,147	24.7
1975	1,689	0	1,689	-21.3
1976	2,492	0	2,492	47.5
1977	4,160	0	4,160	66.9
1978	3,145	0	3,145	-24.4
1979	4,559	0	4,559	45.0
1980	4,096	0	4,096	-10.2
1981	4,683	0	4,683	14.3
1982	6,674	0	6,674	42.5
1983	6,300	0	6,300	-5.6
1984	6,730	0	6,730	6.8
1985	7,915	0	7,915	17.6
1986	8,701	0	8,701	9.9
1987	8,556	0	8,556	-1.7
1988	8,175	0	8,175	-4.5
1989	8,637	0	8,637	5.7
1990	8,682	0	8,682	0.5
1991	8,161	0	8,161	-6.0
1992	13,187	0	13,187	61.6
1993	15,340	0	15,340	16.3
1994	20,578	0	20,578	34.1
1995	19,825	0	19,825	-3.7
1996	21,418	0	21,418	8.0
1997	23,152	0	23,152	8.1
1998	24,516	0	24,516	5.9
1999	26,249	0	26,249	7.1
2000	27,720	0	27,720	5.6
2001	26,743	0	26,743	-3.5
2002	27,809	0	27,809	4.0
2003	28,831	0	28,831	3.7



Source(s): Carole Keeton Strayhorn, Texas Comptroller; Texas Parks and Wildlife Department

SOURCES OF REVENUE GROWTH

PETROLEUM PRODUCT DELIVERY FEES

Revenue Object 3080

RATE & BASE

State: Various rates on each delivery based on cargo tank capacity, ranging from \$10 for tanks less than 2,500 gallons to \$40 for tanks between 8,000 and 10,000 gallons, plus additional charges for tanks over 10,000 gallons. Rates are scheduled to decrease in fiscal years 2006 thru 2007 and will no longer be collected after fiscal 2007

Local: None

Federal: None

Major

Exemptions: None

ADMINISTRATION

Agency: Comptroller of Public Accounts

Number of Feepayers: 145

Payment Cycle: Monthly

Due Date: 25th day of the month for the preceding month

Remitted By: Petroleum bulk facility operators

LEGAL CITATION(S)

Texas Water Code, § 26.3574

ENACTED

71st Legislature (1989)
Various rates on each delivery based on cargo tank capacity, ranging from \$12.50 for tanks less than 2,500 gallons to \$50 for tanks between 8,000 and 10,000 gallons, plus additional charges for tanks over 10,000 gallons

RATE & BASE CHANGES

74th Legislature (1995) All existing rates doubled, new rates ranging from \$25 for tanks less than 2,500 gallons to \$100 for tanks between 8,000 and 10,000 gallons, plus additional charges for tanks over 10,000

76th Legislature (1999) All existing rates reduced by 25 percent, new rates ranging from \$18.75 for tanks less than 2,500 gallons to \$75 for tanks between 8,000 and 10,000 gallons, plus additional charges for tanks over 10,000

77th Legislature (2001) All existing rates reduced by one-third, new rates ranging from \$12.50 for tanks less than 2,500 gallons to \$50 for tanks between 8,000 and 10,000 gallons, plus additional charges for tanks over 10,000; rates will be reduced in 2003, 2006, and 2007; fees will not be collected after 2007

ALLOCATION

General Revenue Fund 0001 — 2 percent (service fee)

Petroleum Storage Tank Remediation Account 0655 — balance

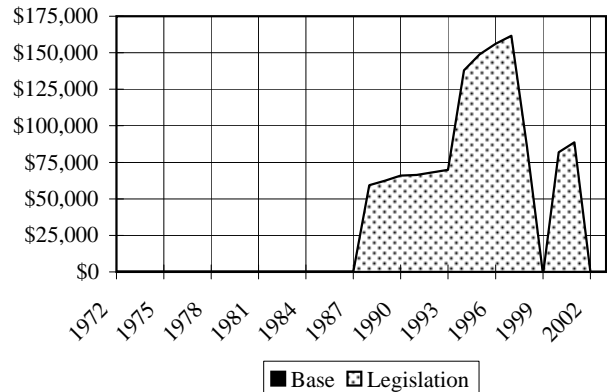
NOTE: If the unobligated balance in Account 0655 exceeds \$100 million, the fee becomes dormant until the balance falls below \$25 million.

NET COLLECTIONS

(amounts in thousands)

<u>Year</u>	<u>Base</u>	<u>Legislation</u>	<u>Total</u>	<u>Percent Change</u>
1972	\$0	\$0	\$0	
1973	0	0	0	
1974	0	0	0	
1975	0	0	0	
1976	0	0	0	
1977	0	0	0	
1978	0	0	0	
1979	0	0	0	
1980	0	0	0	
1981	0	0	0	
1982	0	0	0	
1983	0	0	0	
1984	0	0	0	
1985	0	0	0	
1986	0	0	0	
1987	0	0	0	
1988	0	0	0	
1989	0	0	0	
1990	0	59,369	59,369	
1991	0	62,387	62,387	5.1 %
1992	0	66,017	66,017	5.8
1993	0	66,402	66,402	0.6
1994	0	68,185	68,185	2.7
1995	0	69,976	69,976	2.6
1996	0	137,986	137,986	97.2
1997	0	148,868	148,868	7.9
1998	0	156,078	156,078	4.8
1999	0	161,667	161,667	3.6
2000	0	85,366	85,366	-47.2
2001	0	-1,647	-1,647	-101.9
2002	0	81,958	81,958	N/A
2003	0	88,758	88,758	8.3

(in thousands)



Source(s): Carole Keeton Strayhorn, Texas Comptroller

SOURCES OF REVENUE GROWTH

PROFESSIONAL FEES (includes business regulation and health-related professions)

Revenue Objects 3171, 3175, 3181-3187, 3560-3562, 3565-3567, and 3572

RATE & BASE

State: Varies by agency and profession
 Local: None
 Federal: None
 Major
 Exemptions: None

ADMINISTRATION

Agency: See Appendix E-1
 Number of FeePAYERS: Approximately 1,884,000
 Payment Cycle: Annual renewals (some biennial or multi-year renewals)
 Due Date: Staggered
 Remitted By: Licensed professionals

LEGAL CITATION(S)

See Appendix E-1

ENACTED

See Appendix E-1

RATE & BASE CHANGES

70th Legislature (1987) \$110 temporary fee increase on selected professions
 72nd Legislature (1991) \$200 fee increase on selected professions
 78th Legislature (2003) \$200 fee increase on selected professions

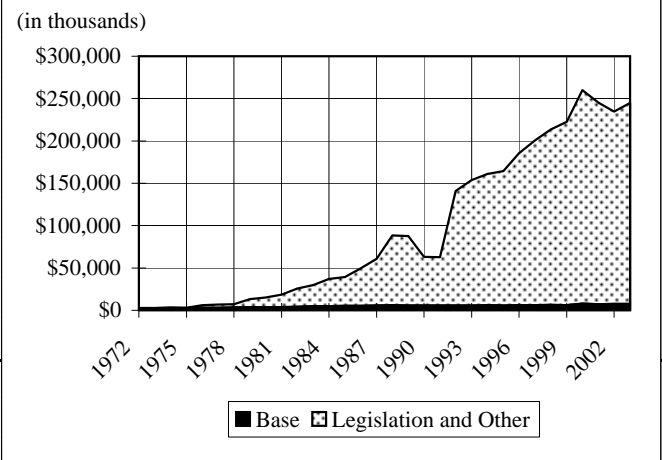
ALLOCATION

\$200 increases enacted by the 72nd and 78th Legislatures:
 General Revenue Fund 0001 — 100 percent
 All other professional fees:
 General Revenue Fund 0001 and various dedicated accounts

NET COLLECTIONS

(amounts in thousands)

Year	Base	Legislation and Other	Total	Percent Change
1972	\$2,466	\$0	\$2,466	
1973	2,514	31	2,545	3.2 %
1974	2,718	502	3,220	26.5
1975	2,792	171	2,963	-8.0
1976	2,978	2,931	5,909	99.4
1977	3,205	3,601	6,806	15.2
1978	3,452	3,723	7,175	5.4
1979	3,652	9,570	13,222	84.3
1980	3,722	11,229	14,951	13.1
1981	3,951	14,675	18,626	24.6
1982	4,221	21,490	25,711	38.0
1983	4,779	24,936	29,715	15.6
1984	4,984	31,866	36,850	24.0
1985	5,239	34,028	39,267	6.6
1986	5,397	43,954	49,351	25.7
1987	5,499	55,235	60,734	23.1
1988	5,897	82,338	88,235	45.3
1989	5,562	82,107	87,669	-0.6
1990	5,640	57,562	63,202	-27.9
1991	5,711	57,162	62,873	-0.5
1992	5,662	135,131	140,793	123.9
1993	5,640	148,305	153,945	9.3
1994	6,043	154,840	160,883	4.5
1995	5,542	158,649	164,191	2.1
1996	6,004	179,599	185,603	13.0
1997	6,159	194,483	200,642	8.1
1998	6,236	207,124	213,360	6.3
1999	6,134	216,445	222,579	4.3
2000	7,802	252,253	260,055	16.8
2001	7,356	237,838	245,194	-5.7
2002	7,458	227,363	234,821	-4.2
2003	7,507	237,223	244,730	4.2



Source(s): Carole Keeton Strayhorn, Texas Comptroller

SOURCES OF REVENUE GROWTH

PUBLIC UTILITY GROSS RECEIPTS ASSESSMENT

Revenue Objects 3230 and 3669

RATE & BASE

State: One-sixth of 1 percent of gross receipts
 Local: None
 Federal: None
 Major Exemptions: None

ADMINISTRATION

Agency: Comptroller Of Public Accounts
 Number of Taxpayers: 468
 Payment Cycle: Annually
 (may be paid quarterly)
 Due Date: August 15
 Remitted By: Each public utility, retail electric provider,
 and electric cooperative within jurisdiction
 of the Public Utility Commission of Texas,
 including interchange telecommunications
 carriers

LEGAL CITATION(S)

Texas Utilities Code, §§ 16.001 - 16.004

ENACTED

64th Legislature (1975) One-sixth of 1 percent of gross receipts
 (first due 8/31/76)

RATE & BASE CHANGES

None

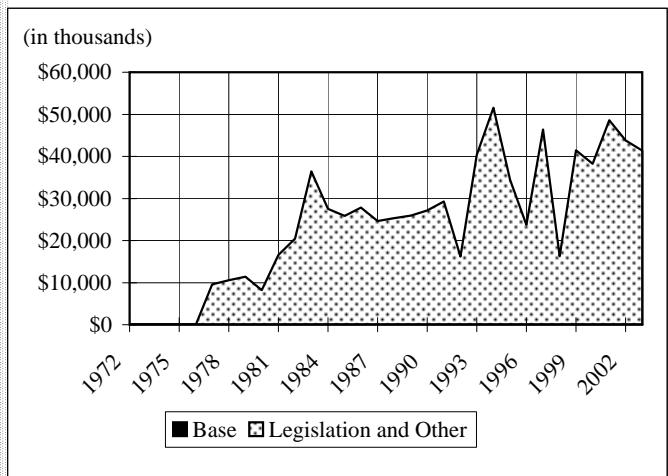
ALLOCATION

General Revenue Fund 0001 — 100 percent

† Adjustment for deposit posting errors: \$11.8 million in 1992-93;
 \$10.1 million in 1996-97 (see Gas, Electric & Water Utility tax);
 and \$3.5 million in 1998-99.
 ‡ Fiscal 1994 includes \$17.4 million in speed-up; fiscal 1998 excludes
 \$19.8 million for expiration of speed-up.
 Source(s): Carole Keeton Strayhorn, Texas Comptroller

NET COLLECTIONS (amounts in thousands)

Year	Base	Legislation and Other	Total	Percent of	
				Percent Change	Total Taxes
1972	\$0	\$0	\$0		
1973	0	0	0		
1974	0	0	0		
1975	0	0	0		
1976	0	0	0		
1977	0	9,547	9,547		0.22 %
1978	0	10,587	10,587	10.9 %	0.21
1979	0	11,369	11,369	7.4	0.21
1980	0	8,245	8,245	-27.5	0.13
1981	0	16,612	16,612	101.5	0.21
1982	0	20,433	20,433	23.0	0.24
1983	0	36,390	36,390	78.1	0.43
1984	0	27,509	27,509	-24.4	0.30
1985	0	25,859	25,859	-6.0	0.24
1986	0	27,810	27,810	7.5	0.27
1987	0	24,660	24,660	-11.3	0.24
1988	0	25,321	25,321	2.7	0.20
1989	0	25,966	25,966	2.5	0.20
1990	0	27,157	27,157	4.6	0.20
1991	0	29,262	29,262	7.8	0.20
1992	0	16,203 †	16,203	-44.6	0.10
1993	0	40,375 †	40,375	149.2	0.24
1994	0	51,596 ‡	51,596 ‡	27.8	0.28
1995	0	34,413	34,413	-33.3	0.18
1996	0	23,697 †	23,697	-31.1	0.12
1997	0	46,422 †	46,422	95.9	0.22
1998	0	16,311 †	16,311 ‡	-64.9	0.07
1999	0	41,423 †	41,423	154.0	0.18
2000	0	38,234	38,234	-7.7	0.15
2001	0	48,597	48,597	27.1	0.18
2002	0	43,791	43,791	-9.9	0.17
2003	0	41,347	41,347	-5.6	0.16



SOURCES OF REVENUE GROWTH

SALES AND USE TAX

Revenue Objects 3010, 3100 - 3103, 3105, 3127, 3658, and 3798

RATE & BASE

State: 6.25 percent of purchase price on taxable tangible personal property and certain services

Local: Cities, MTAs, counties, and other local taxing jurisdictions may levy local sales taxes subject to the restriction that the total local rate cannot exceed 2 percent

Federal: None

Major Exemptions: Sales for resale, food for home consumption, residential and manufacturing gas and electricity

ADMINISTRATION

Agency:

Number of Taxpayers: Comptroller of Public Accounts

Payment Cycle: 674,769
Monthly, quarterly, and annually with option to prepay

Due Date: 20th day of the month for the preceding month
15th day of the current month for prepayers

Remitted By: Permitted retailers and users of taxable items

LEGAL CITATION(S)

Texas Tax Code, §§ 151.051 and 151.101 ("the Limited Sales, Excise, and Use" tax)

Texas Tax Code, § 161.002 (the "Fireworks" tax)

Texas Tax Code, §§ 321.103, 321.104 (cities)

Texas Tax Code, §§ 322.101, 322.102 (special districts)

Texas Tax Code, §§ 323.103, 323.104, 323.105 (counties and crime control districts)

Texas Tax Code, §§ 324.021, 324.022 (hospital districts)

Texas Tax Code, §§ 325.021, 325.022 (county landfill and criminal detention center)

Texas Tax Code, §§ 327.003, 327.004 (municipal street maintenance)

ENACTED

57th Legislature (1961) 2 percent (eff. 9/1/61)

RATE & BASE CHANGES

See Appendix C for base changes

60th Legislature (1968) 3 percent (eff. 10/2/68)

61st Legislature (1969) 3.25 percent (eff. 10/1/69)

62nd Legislature (1971) 4 percent (eff. 7/1/71)

68th Legislature (1984) 4.125 percent (eff. 10/2/84)

69th Legislature (1986) 5.25 percent (eff. 1/1/87 - temporary)

70th Legislature (1987) 6 percent (eff. 10/1/87)

71st Legislature (1990) 6.25 percent (eff. 7/1/90)

77th Legislature (2001) Additional 2 percent sales tax on fireworks (eff. 10/31/01)

ALLOCATION

State Highway Fund 0006 — Sales tax on motor lubricants

State Parks Fund Account 0064 — \$15.5 million from tax on sporting goods sales

Texas Recreation & Parks Fund Account 0467 — \$15.5 million from tax on sporting goods sales

Texas Parks & Wildlife Capital Account 5004 — \$1 million from tax on sporting goods sales

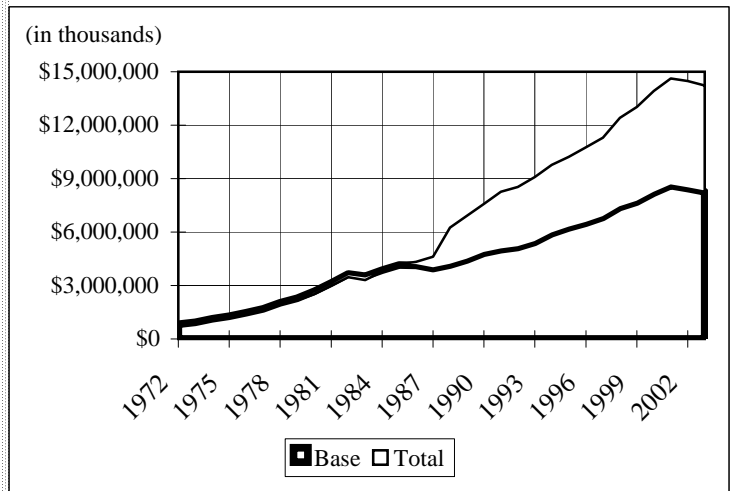
General Revenue Fund 0001 — remaining balance

Rural Volunteer Fire Department Insurance Account 5066—additional 2 percent sales tax on fireworks

NET COLLECTIONS

(amounts in thousands)

Year	Base	Legislation	Total	Percent Change	Percent of Total Taxes
1972	\$824,024	\$0	\$824,024		35.15 %
1973	926,211	0	926,211	12.4 %	35.85
1974	1,126,239	0	1,126,239	21.6	37.22
1975	1,266,637	0	1,266,637	12.5	37.53
1976	1,478,372	0	1,478,372	16.7	37.77
1977	1,689,043	0	1,689,043	14.3	38.21
1978	2,023,721	0	2,023,721	19.8	40.21
1979	2,275,307	-101,041	2,174,266	7.4	40.34
1980	2,668,422	-147,048	2,521,374	16.0	39.75
1981	3,148,207	-165,349	2,982,858	18.3	38.53
1982	3,647,019	-185,927	3,461,092	16.0	40.01
1983	3,513,681	-209,067	3,304,614	-4.5	38.89
1984	3,866,451	-81,686	3,784,765	14.5	40.67
1985	4,155,337	36,507	4,191,844	10.8	39.10
1986	4,133,094	196,777	4,329,871	3.3	42.32
1987	3,954,421	662,112	4,616,533	6.6	44.97
1988	4,151,033	2,091,874	6,242,907	35.2	50.49
1989	4,430,713	2,483,982	6,914,695	10.8	53.58
1990	4,808,595	2,780,839	7,589,434	9.8	55.67
1991	5,012,591	3,243,087	8,255,678	8.8	55.33
1992	5,131,104	3,403,408	8,534,512	3.4	53.85
1993	5,427,982	3,668,946	9,096,928	6.6	53.48
1994	5,916,332	3,864,020	9,780,352	7.5	54.02
1995	6,228,363	3,994,321	10,222,684	4.5	54.21
1996	6,503,190	4,252,403	10,755,593	5.2	54.42
1997	6,825,116	4,478,333	11,303,449	5.1	53.35
1998	7,387,037	5,030,717	12,417,754	9.9	54.86
1999	7,684,167	5,343,046	13,027,213	4.9	55.17
2000	8,185,629	5,744,594	13,930,223	6.9	55.10
2001	8,596,128	6,024,801	14,620,929	5.0	53.69
2002	8,435,072	6,041,544	14,476,616	-1.0	53.09
2003	8,262,312	5,971,848	14,234,160	-1.7	54.48



Source(s): Carole Keeton Strayhorn, Texas Comptroller

SOURCES OF REVENUE GROWTH

SULPHUR PRODUCTION TAX

Revenue Objects 3299 and 3668

RATE & BASE

State: \$1.03 per long ton or fractional part
 Local: None
 Federal: None
 Major
 Exemptions: None

ADMINISTRATION

Agency: Comptroller of Public Accounts
 Number of Taxpayers: 26
 Payment Cycle: Quarterly
 Due Date: Last day of the month succeeding each calendar quarter
 Remitted By: Sulphur producers

LEGAL CITATION(S)

Texas Tax Code, § 203.003

ENACTED

41st Legislature (1930) \$0.55 per long ton

RATE & BASE CHANGES

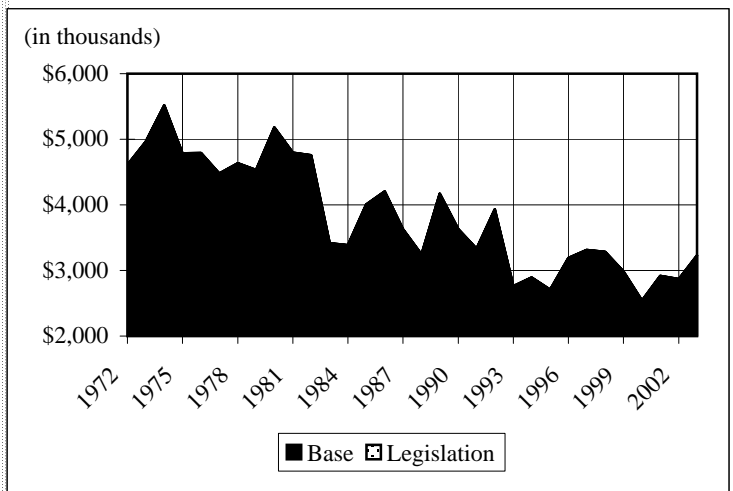
42nd Legislature (1931) \$0.75 per long ton
 44th Legislature (1936) \$1.03 per long ton
 47th Legislature (1941) \$1.272 per long ton
 52nd Legislature (1951) \$1.40 per long ton
 58th Legislature (1963) \$1.03 per long ton

ALLOCATION

Foundation School Fund 0193 — 25 percent
 General Revenue Fund 0001 — 75 percent

NET COLLECTIONS (amounts in thousands)

Year	Base	Legislation	Total	Percent of	
				Change	Taxes
1972	\$4,611	\$0	\$4,611		0.20 %
1973	4,959	0	4,959	7.5 %	0.19
1974	5,516	0	5,516	11.2	0.18
1975	4,787	0	4,787	-13.2	0.14
1976	4,790	0	4,790	0.1	0.12
1977	4,479	0	4,479	-6.5	0.10
1978	4,636	0	4,636	3.5	0.09
1979	4,533	0	4,533	-2.2	0.08
1980	5,181	0	5,181	14.3	0.08
1981	4,796	0	4,796	-7.4	0.06
1982	4,754	0	4,754	-0.9	0.05
1983	3,414	0	3,414	-28.2	0.04
1984	3,383	0	3,383	-0.9	0.04
1985	4,007	0	4,007	18.4	0.04
1986	4,204	0	4,204	4.9	0.04
1987	3,628	0	3,628	-13.7	0.04
1988	3,245	0	3,245	-10.6	0.03
1989	4,169	0	4,169	28.5	0.03
1990	3,628	0	3,628	-13.0	0.03
1991	3,331	0	3,331	-8.2	0.02
1992	3,933	0	3,933	18.1	0.02
1993	2,760	0	2,760	-29.8	0.02
1994	2,895	0	2,895	4.9	0.02
1995	2,706	0	2,706	-6.5	0.01
1996	3,189	0	3,189	17.8	0.02
1997	3,313	0	3,313	3.9	0.02
1998	3,282	0	3,282	-0.9	0.01
1999	2,985	0	2,985	-9.0	0.01
2000	2,543	0	2,543	-14.8	0.01
2001	2,916	0	2,916	14.7	0.01
2002	2,866	0	2,866	-1.7	0.01
2003	3,229	0	3,229	12.7	0.01



Source(s): Carole Keeton Strayhorn, Texas Comptroller

SOURCES OF REVENUE GROWTH

SYSTEM BENEFIT FUND / NON-BYPASSABLE UTILITY FEE

Revenue Object 3244

RATE & BASE

State: A rate set annually by the Texas Utility Commission, not to exceed \$0.65 per megawatt hour
Local: None
Federal: None
Major Exemptions: None

ADMINISTRATION

Agency: Texas Public Utility Commission
Number of FeePAYERS: 6
Payment Cycle: Monthly (eff. 2/1/02)
Due Date: 20th day of the month for the preceding month
Remitted By: Transmission and distribution electric utilities participating in competitive markets

LEGAL CITATION(S)

Texas Utilities Code, § 39.903

ENACTED

76th Legislature (1999) Not to exceed \$0.50 per megawatt hour, except beginning 1/1/02 and ending 12/31/06, not to exceed \$0.65 per megawatt hour to the extent necessary to collect sufficient revenue to fund the initial 10 percent discount for low-income electric customers

RATE & BASE CHANGES

77th Legislature (2001) Not to exceed \$0.65 per megawatt hour

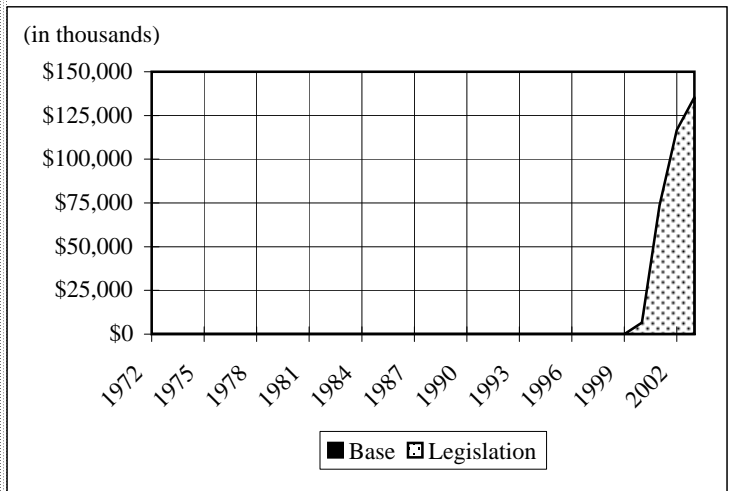
ALLOCATION

System Benefit Account 5100—100 percent

NET COLLECTIONS

(amounts in thousands)

<u>Year</u>	<u>Base</u>	<u>Legislation</u>	<u>Total</u>	<u>Percent Change</u>
1972	\$0	\$0	\$0	
1973	0	0	0	
1974	0	0	0	
1975	0	0	0	
1976	0	0	0	
1977	0	0	0	
1978	0	0	0	
1979	0	0	0	
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1992	0	0	0	
1993	0	0	0	
1994	0	0	0	
1995	0	0	0	
1996	0	0	0	
1997	0	0	0	
1998	0	0	0	
1999	0	0	0	
2000	0	6,603	6,603	
2001	0	73,596	73,596	1,014.6 %
2002	0	116,670	116,670	58.5
2003	0	135,312	135,312	16.0



Source(s): Carole Keeton Strayhorn, Texas Comptroller

SOURCES OF REVENUE GROWTH

TEACHER CERTIFICATION FEES

Revenue Object 3511

RATE & BASE

State: \$75 for a standard teaching certificate; \$30 for a standard educational aide certificate; and other fees associated with the educational vocation

Local: None

Federal: None

Major Exemptions: Educators holding a lifetime educator certification

ADMINISTRATION

Agency: State Board for Educator Certification

Number of FeePAYERS: 103,598 annual credentials

Payment Cycle: Every five years for certification

Due Date: At time of the exam and upon application for certificate

Remitted By: Educators and school districts

LEGAL CITATION(S)

Texas Education Code, §21.041

ENACTED

54th Legislature (1955) Fee amount set by rule

RATE & BASE CHANGES

66th Legislature (1979) Repealed

67th Legislature (1981) Re-enacted; fee amount set by rule

ALLOCATION

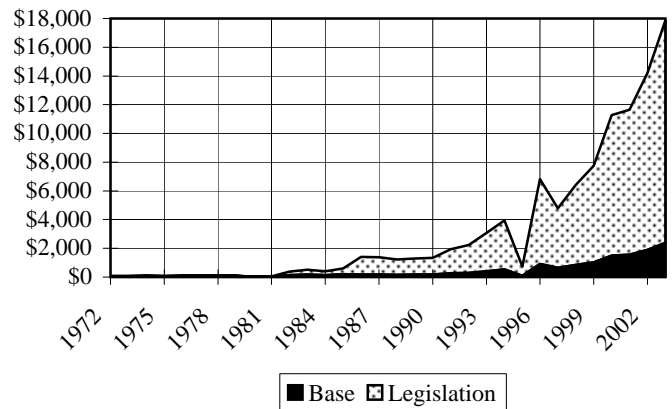
General Revenue Fund 0001—100 percent

NET COLLECTIONS

(amounts in thousands)

<u>Year</u>	<u>Base</u>	<u>Legislation</u>	<u>Total</u>	<u>Percent Change</u>
1972	\$58	\$0	\$58	
1973	66	0	66	13.8 %
1974	83	0	83	25.8
1975	72	0	72	-13.3
1976	89	0	89	23.6
1977	95	0	95	6.7
1978	87	0	87	-8.4
1979	83	0	83	-4.6
1980	27	0	27	-67.5
1981	15	29	44	63.0
1982	126	252	378	759.1
1983	170	341	511	35.2
1984	132	264	396	-22.5
1985	197	394	591	49.2
1986	188	1,223	1,411	138.7
1987	185	1,202	1,387	-1.7
1988	162	1,056	1,218	-12.2
1989	171	1,110	1,281	5.2
1990	177	1,151	1,328	3.7
1991	257	1,672	1,929	45.3
1992	296	1,922	2,218	15.0
1993	410	2,667	3,077	38.7
1994	525	3,410	3,935	27.9
1995	97	632	729 †	-81.5
1996	908	5,900	6,808	833.9
1997	639	4,151	4,790	-29.6
1998	856	5,561	6,417	34.0
1999	1,034	6,719	7,753	20.8
2000	1,503	9,770	11,273 ‡	45.4
2001	1,553	10,095	11,648	3.3
2002	1,896	12,327	14,223	22.1
2003	2,382	15,484	17,866	25.6

(in thousands)



† Percentage of processed payments delayed until fiscal 1996 due to the creation of SBEC in 1995.

‡ Policy change in fiscal 2000 due to S.B. 177, 76th Legislature: testing vendors must remit money collected for exams to the State Treasury.

Source(s): Carole Keeton Strayhorn, Texas Comptroller

SOURCES OF REVENUE GROWTH

TELECOMMUNICATIONS INFRASTRUCTURE FUND (TIF) ASSESSMENT

Revenue Object 3238

RATE & BASE

State: 1.25 percent of the taxable telecommunications receipts of each telecommunications utility and commercial mobile service provider

Local: None

Federal: None

Major Exemptions: None

ADMINISTRATION

Agency: Comptroller of Public Accounts

Number of FeePAYERS: 3,000

Payment Cycle: Annual assessment, payable quarterly

Due Date: October 31, January 31, April 30, and July 31

Remitted By: Telecommunications utilities and commercial mobile service providers

LEGAL CITATION(S)

Texas Utilities Code, § 57.048

ENACTED

74th Legislature (1995) Assessment to total \$75 million annually each from telecommunications utilities and commercial mobile service providers

RATE & BASE CHANGES

75th Legislature (1997) 1.25 percent of taxable telecommunications receipts

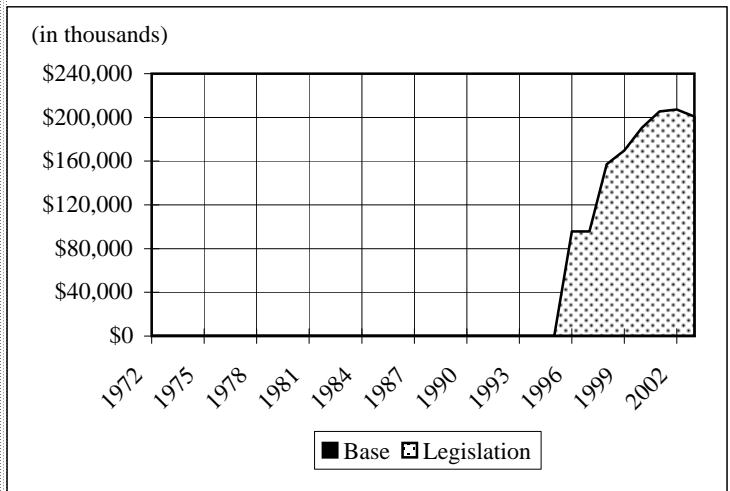
ALLOCATION

Telecommunications Infrastructure Account 0345 — 100 percent

NET COLLECTIONS

(amounts in thousands)

<u>Year</u>	<u>Base</u>	<u>Legislation</u>	<u>Total</u>	<u>Percent Change</u>
1972	\$0	\$0	\$0	
1973	0	0	0	
1974	0	0	0	
1975	0	0	0	
1976	0	0	0	
1977	0	0	0	
1978	0	0	0	
1979	0	0	0	
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1989	0	0	0	
1990	0	0	0	
1991	0	0	0	
1992	0	0	0	
1993	0	0	0	
1994	0	0	0	
1995	0	0	0	
1996	0	95,755	95,755	
1997	0	95,613	95,613	-0.1 %
1998	0	157,258	157,258	64.5
1999	0	169,685	169,685	7.9
2000	0	190,414	190,414	12.2
2001	0	205,516	205,516	7.9
2002	0	207,245	207,245	0.8
2003	0	200,679	200,679	-3.2



Source(s): Carole Keeton Strayhorn, Texas Comptroller

SOURCES OF REVENUE GROWTH

WASTE DISPOSAL FACILITIES, GENERATORS & TRANSPORTERS FEES

Revenue Object 3592

RATE & BASE

State: Various permits and fees for storing, transporting, or disposing hazardous waste, solid waste, industrial solid waste, sewage, landfills, and waste tire disposal facilities; rates are generally set by the administering agency to cover regulatory costs

Local: None

Federal: None

Major Exemptions: None

ADMINISTRATION

Agency: Texas Commission on Environmental Quality, Texas Department of State Health Services, and Texas Railroad Commission

Number of Feepayers: 15,776

Payment Cycle: Various

Due Date: Various

Remitted By: Operators of waste disposal or storage facilities and waste transporters

LEGAL CITATION(S)

Texas Health and Safety Code, Ch. 361, §§ 361.013, 361.091, 361.131 - 361.139, 361.4725, 366.058 - 366.059, 367.010

Texas Natural Resources Code, § 91.604

Texas Water Code, §§ 26.0301, 26.031, 29.015

ENACTED

69th Legislature (1985) Various permits and fees on the storage, processing or disposal of hazardous waste, solid waste, industrial solid waste, and private sewage facilities

RATE & BASE CHANGES

70th Legislature (1987) Added permit fees for on-site sewage, wastewater treatment, and putrescible waste facilities

71st Legislature (1989) Added solid waste disposal fees on transporters and use of municipal solid waste landfills

72nd Legislature (1991) Added fees and permits for hauling or disposal of oil and gas waste

73rd Legislature (1993) Added permit fees for operating a waste tire storage facility

ALLOCATION

Private sewage facility fees: Water Quality Account 0153

Landfill solid waste disposal fee: Solid Waste Disposal Fee Account 5000

Oil and Gas Waste: Oil-Field Cleanup Account 0145

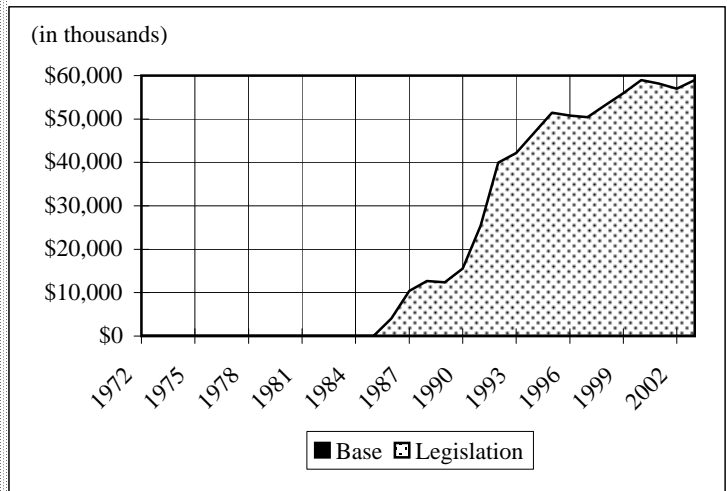
Other hazardous and nonhazardous waste disposal fees and penalties:

- Hazardous and Solid Waste Fee Account 0549
- Hazardous and Solid Waste Remediation Fee Account 0550
- General Revenue Fund 0001

NET COLLECTIONS

(amounts in thousands)

<u>Year</u>	<u>Base</u>	<u>Legislation</u>	<u>Total</u>	<u>Percent Change</u>
1972	\$0	\$0	\$0	
1973	0	0	0	
1974	0	0	0	
1975	0	0	0	
1976	0	0	0	
1977	0	0	0	
1978	0	0	0	
1979	0	0	0	
1980	0	0	0	
1981	0	0	0	
1982	0	0	0	
1983	0	0	0	
1984	0	0	0	
1985	0	0	0	
1986	0	4,019	4,019	
1987	0	10,429	10,429	159.5 %
1988	0	12,698	12,698	21.8
1989	0	12,387	12,387	-2.4
1990	0	15,562	15,562	25.6
1991	0	25,400	25,400	63.2
1992	0	39,932	39,932	57.2
1993	0	42,137	42,137	5.5
1994	0	46,782	46,782	11.0
1995	0	51,459	51,459	10.0
1996	0	50,813	50,813	-1.3
1997	0	50,435	50,435	-0.7
1998	0	53,204	53,204	5.5
1999	0	55,942	55,942	5.1
2000	0	58,987	58,987	5.4
2001	0	58,159	58,159	-1.4
2002	0	56,963	56,963	-2.1
2003	0	58,954	58,954	3.5



Source(s): Carole Keeton Strayhorn, Texas Comptroller; Texas Commission on Environmental Quality

SOURCES OF REVENUE GROWTH

WINE TAX

Revenue Objects 3259 and 3660

RATE & BASE

<i>State:</i>	14 percent or less alcohol — \$0.204 per gallon
	Greater than 14 percent — \$0.408 per gallon
	Sparkling wine — \$0.516 per gallon
<i>Local:</i>	None
<i>Federal:</i>	14 percent or less alcohol — \$1.07 per gallon
	Greater than 14 to under 21 percent alcohol— \$1.57 per gallon
	21 to not more than 24 percent — \$3.15 per gallon
	Naturally sparkling wine — \$3.40 per gallon
	Artificially carbonated wine — \$3.30 per gallon
<i>Major Exemptions:</i>	Federal military facility sales

ADMINISTRATION

<i>Agency:</i>	Texas Alcoholic Beverage Commission
<i>Number of Taxpayers:</i>	257
<i>Payment Cycle:</i>	Monthly
<i>Due Date:</i>	15th day of the month for the preceding month
<i>Remitted By:</i>	Wine wholesalers

LEGAL CITATION(S)

Texas Alcoholic Beverage Code, § 201.04
(the "Vinous Liquor" tax)

ENACTED

44th Legislature (1935)
14 percent or less alcohol — \$0.02 per gallon; greater than 14 percent, but not more than 24 percent — \$0.05 per gallon; greater than 24 percent alcohol — \$0.50 per gallon; Sparkling wine — \$0.25 per gallon

RATE & BASE CHANGES

44th Legislature (1936) Over 14 percent — \$0.20; 14 percent and under — \$0.10
52nd Legislature (1951) Over 14 percent — \$0.22; 14 percent and under — \$0.11; sparkling wine — \$0.275
56th Legislature (1959) Over 14 percent — \$0.264; 14 percent and under — \$0.132; sparkling wine — \$0.33
62nd Legislature (1971) Over 14 percent — \$0.34; 14 percent and under — \$0.17; sparkling wine — \$0.43
68th Legislature (1984) Over 14 percent — \$0.408; 14 percent and under — \$0.204; sparkling wine — \$0.516 (eff. 10/2/84)

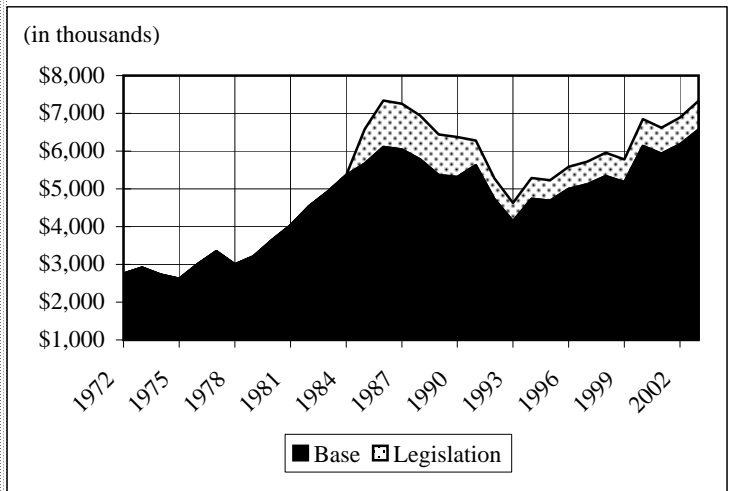
ALLOCATION

General Revenue Fund 0001 — 100 percent

NET COLLECTIONS

(amounts in thousands)

<u>Year</u>	<u>Base</u>	<u>Legislation</u>	<u>Total</u>	<u>Percent Change</u>	<u>Percent of Total Taxes</u>
1972	\$2,751	\$0	\$2,751		0.12 %
1973	2,918	0	2,918	6.1 %	0.11
1974	2,729	0	2,729	-6.5	0.09
1975	2,622	0	2,622	-3.9	0.08
1976	3,005	0	3,005	14.6	0.08
1977	3,349	0	3,349	11.4	0.08
1978	3,004	0	3,004	-10.3	0.06
1979	3,209	0	3,209	6.8	0.06
1980	3,645	0	3,645	13.6	0.06
1981	4,038	0	4,038	10.8	0.05
1982	4,544	0	4,544	12.5	0.05
1983	4,926	0	4,926	8.4	0.06
1984	5,367	0	5,367	9.0	0.06
1985	5,669	914	6,583	22.7	0.06
1986	6,114	1,222	7,336	11.4	0.07
1987	6,046	1,209	7,255	-1.1	0.07
1988	5,783	1,156	6,939	-4.4	0.06
1989	5,367	1,073	6,440	-7.2	0.05
1990	5,313	1,062	6,375	-1.0	0.05
1991	5,627	653	6,280	-1.5	0.04
1992	4,727	549	5,276	-16.0	0.03
1993	4,143	481	4,624	-12.4	0.03
1994	4,741	550	5,291	14.4	0.03
1995	4,687	544	5,231	-1.1	0.03
1996	5,003	581	5,584	6.7	0.03
1997	5,122	595	5,717	2.4	0.03
1998	5,339	620	5,959	4.2	0.03
1999	5,175	601	5,776	-3.1	0.02
2000	6,132	712	6,844	18.5	0.03
2001	5,928	688	6,616	-3.3	0.02
2002	6,176	717	6,893	4.2	0.03
2003	6,565	762	7,327	6.3	0.03



Source(s): Carole Keeton Strayhorn, Texas Comptroller; Texas Alcoholic Beverage Commission

Sources of Revenue Growth

APPENDICES

Sources of Revenue Growth

Appendix A Disposition of State Tax Revenue Fiscal 2004

<u>Description</u>	<u>Disposition</u>	<u>Authority</u>
Airline/Passenger Train Beverage Tax	100 percent to the General Revenue Fund (non-dedicated)	Statutory
Attorney Occupation Tax	25 percent to the Foundation School Fund 75 percent to the General Revenue Fund (non-dedicated)	Constitutional
Bedding Stamp	100 percent to the General Revenue Fund (non-dedicated)	Statutory
Beer Tax	100 percent to the General Revenue Fund (non-dedicated)	Statutory
Bingo Rental Tax	100 percent to the General Revenue Fund (non-dedicated)	Statutory
Boat and Boat Motor Sales and Use Tax	If paid to a county tax assessor-collector: 5 percent to the county 95 percent to the General Revenue Fund (non-dedicated) If paid to the Texas Parks and Wildlife Department: 5 percent to the Game, Fish, and Water Safety Fund Account 95 percent to the General Revenue Fund (non-dedicated)	Statutory
Boxing Admissions Tax	100 percent to the General Revenue Fund (non-dedicated)	Statutory
Cement Production Tax	25 percent to the Foundation School Fund 75 percent to the General Revenue Fund (non-dedicated)	Constitutional
Cigars and Tobacco Products Tax	100 percent to the General Revenue Fund (non-dedicated)	Statutory
Cigarette Tax	100 percent to the General Revenue Fund (non-dedicated)	Statutory
Coin-Operated Machine Tax	25 percent to the Foundation School Fund 75 percent to the General Revenue Fund (non-dedicated)	Constitutional
Diesel Fuel Tax	Administration/Enforcement/Regulation (approximately 1 percent) Remainder: 25 percent to the Available School Fund 75 percent to the State Highway Fund	Constitutional
Fireworks Tax	100 percent to the Rural Volunteer Fire Department Insurance Fund Account	Statutory
Franchise Tax	100 percent to the General Revenue Fund (non-dedicated)	Statutory
Gas, Electric & Water Utility Tax	25 percent to the Foundation School Fund 75 percent to the General Revenue Fund (non-dedicated)	Constitutional
Gas Utility Pipeline Tax	100 percent to the General Revenue Fund (non-dedicated)	Statutory
Gasoline Tax	Administration/Enforcement/Regulation (approximately 1 percent) Remainder: 25 percent to the Available School Fund 75 percent to the State Highway Fund (the first \$7.3 million goes to the County and Road District Highway Fund)	Constitutional
Hotel Occupancy Tax	1/12 (8.33 percent) to the Hotel Occupancy Tax for Economic Development Account Remainder to the General Revenue Fund (non-dedicated)	Statutory
Inheritance Tax	100 percent to the General Revenue Fund (non-dedicated)	Statutory
Insurance Maintenance Taxes	100 percent to the Texas Department of Insurance or Texas Workers' Compensation Commission, as applicable	Statutory

Appendix A (continued)
Disposition of State Tax Revenue
Fiscal 2004

Description	Disposition	Authority
Insurance Premium Taxes	25 percent to the Foundation School Fund 75 percent to the General Revenue Fund (non-dedicated)	Constitutional
Liquefied Gas Tax	Administration/Enforcement/Regulation (approximately 1 percent) Remainder: 25 percent to the Available School Fund 75 percent to the State Highway Fund	Constitutional
Liquor Tax	100 percent to the General Revenue Fund (non-dedicated)	Statutory
Malt Liquor (Ale) Tax	100 percent to the General Revenue Fund (non-dedicated)	Statutory
Manufactured Housing Sales and Use Tax	100 percent to the General Revenue Fund (non-dedicated)	Statutory
Mixed Beverage Tax	10.7143 percent from permittees within a county to that county 10.7143 percent from permittees within a city to that city Remainder to the General Revenue Fund (non-dedicated)	Statutory
Motor Fuel Lubricants Sales Tax	100 percent to the State Highway Fund	Constitutional
Motor Vehicle Rental Tax	100 percent to the General Revenue Fund (non-dedicated)	Statutory
Motor Vehicle Sales and Use Tax	100 percent to the General Revenue Fund (non-dedicated) decreasing to 95 percent by FY2016, (counties receive difference) 100 percent of applicable surcharge to Texas Emissions Reduction Plan Fund	Statutory
Motor Vehicle Sales and Use Tax – Seller Financed	100 percent to the General Revenue Fund (non-dedicated) 100 percent of applicable surcharge to Texas Emissions Reduction Plan Fund	Statutory
Natural Gas Tax	25 percent to the Foundation School Fund 75 percent to the General Revenue Fund (non-dedicated)	Constitutional
Oil Production Tax	25 percent to the Foundation School Fund 75 percent to the General Revenue Fund (non-dedicated)	Constitutional
Oil Regulation Tax	100 percent to the General Revenue Fund (non-dedicated)	Statutory
Oil Well Service Tax	25 percent to the Foundation School Fund 75 percent to the General Revenue Fund (non-dedicated)	Constitutional
Public Utility Gross Receipts Assessment	100 percent to the General Revenue Fund (non-dedicated)	Statutory
Sales and Use Tax	Tax on sporting goods sales (not to exceed \$32 million): \$15.5 million to the State Parks Fund \$15.5 million to the Texas Recreation and Parks Fund \$1 million to the Parks & Wildlife Capital Account Remainder to the General Revenue Fund (non-dedicated)	Statutory
Sulphur Production Tax	25 percent to the Foundation School Fund 75 percent to the General Revenue Fund (non-dedicated)	Constitutional
Wine Tax	100 percent to the General Revenue Fund (non-dedicated)	Statutory

Source: Carole Keeton Strayhorn, Texas Comptroller.

Sources of Revenue Growth

Appendix B Change in Major Texas Tax Rates, 1930-Current

Year	Sales Taxes		Motor Fuels Taxes		Severance Taxes		State Property Tax
	Sales Tax	Motor Vehicle Sales Tax	Gasoline Tax	Diesel Fuel Tax	Oil Production Tax	Natural Gas Tax	
1930	No tax	No tax	4¢/gal	No tax	2.0% of value	No tax	\$0.69/\$100 value; no exemptions
1931	"	"	"	"	"	2.0% of value	\$0.74/\$100
1932	"	"	"	"	"	\$0.69/\$100	"
1933	"	"	"	"	"	"	\$0.77/\$100 value; homestead exemption
1934	"	"	"	"	"	"	"
1935	"	"	"	"	"	"	\$0.62/\$100
1936	"	"	"	"	2.75%	3.0%	"
1937	"	"	"	"	"	"	\$0.49/\$100
1938	"	"	"	"	"	"	"
1939	"	"	"	"	"	"	\$0.77/\$100
1940	"	"	"	"	"	"	\$0.69/\$100
1941	"	1.0%	"	8¢/gal	4.125%	5.2%	\$0.58/\$100
1942	"	"	"	"	"	"	\$0.75/\$100
1943	"	"	"	6¢/gal	"	"	\$0.47/\$100
1944	"	"	"	"	"	"	\$0.55/\$100
1945	"	"	"	"	"	"	\$0.72/\$100
1946	"	"	"	"	"	"	\$0.37/\$100
1947	"	"	"	"	"	"	\$0.72/\$100
1948	"	"	"	"	"	"	\$0.77/\$100
1949	"	"	"	"	"	"	\$0.72/\$100
1950	"	1.1% (t)	"	"	4.53756%	5.72% (t)	"
1951	"	1.1%	"	"	4.6%	5.72%	\$0.42/\$100
1952	"	"	"	"	"	"	"
1953	"	"	"	"	"	"	"
1954	"	"	"	"	"	9.0%	"
1955	"	"	5¢/gal	6.5¢/gal	"	8.0%	"
1956	"	"	"	"	"	7.0%	"
1957	"	"	"	"	"	"	"
1958	"	"	"	"	"	"	"
1959	"	1.5%	"	"	"	"	"
1960	"	"	"	"	"	"	"
1961	2.0%	"	"	"	"	"	"
1962	"	"	"	"	"	"	"
1963	"	2.0%	"	"	"	"	"
1964	"	"	"	"	"	"	"
1965	"	"	"	"	"	"	"
1966	"	"	"	"	"	"	\$0.47/\$100
1967	"	"	"	"	"	"	"
1968	3.0%	3.0%	"	"	"	"	"
1969	3.25%	"	"	"	"	7.5%	\$0.42/\$100
1970	"	"	"	"	"	"	\$0.37/\$100
1971	4.0%	4.0%	"	"	"	"	\$0.32/\$100
1972	"	"	"	"	"	"	\$0.27/\$100
1973	"	"	"	"	"	"	\$0.22/\$100
1974	"	"	"	"	"	"	\$0.17/\$100
1975	"	"	"	"	"	"	\$0.12/\$100
1976	"	"	"	"	"	"	"
1977	"	"	"	"	"	"	\$0.10/\$100
1978	"	"	"	"	"	"	"
1979	"	"	"	"	"	"	"
1980	"	"	"	"	"	"	Negligible
1981	"	"	"	"	"	"	"
1982	"	"	"	"	"	"	Abolished
1983	"	"	"	"	"	"	"
1984	4.125%	5.0%	10¢/gal	10¢/gal	"	"	"
1985	"	"	"	"	"	"	"
1986	5.25% (t)	"	15¢/gal (t)	15¢/gal (t)	"	"	"
1987	6.0%	6.0%	15¢/gal	15¢/gal	"	"	"
1988	"	"	"	"	"	"	"
1989	"	"	"	"	"	"	"
1990	6.25%	"	"	"	"	"	"
1991	"	6.25%	20¢/gal	20¢/gal	"	"	"
1992	"	"	"	"	"	"	"
1993	"	"	"	"	"	"	"
1994	"	"	"	"	"	"	"
1995	"	"	"	"	"	"	"
1996 through 1999: No Changes							
2000	"	"	"	"	"	"	"
2001 through 2003: No Changes							

Note: (t) temporary

Sources: House Ways Means Committee, "Texas Tax Facts," February 1993; Texas Department of Insurance; and Carole Keeton Strayhorn, Texas Comptroller.

Appendix B (continued)
Change in Major Texas Tax Rates, 1930-Current

Year	Cigarette Tax	Alcoholic Beverage Taxes			Franchise Tax		
		Beer Tax	Liquor Tax	Mixed Beverage Tax	Base Rate	Applicable Surtax	Total Franchise Tax Rate
1930	No tax	No tax	No tax	No tax	65¢/45¢/35¢/\$1,000	No surtax	65¢/45¢/35¢/\$1,000
1931	"	"	"	"	of taxable capital	"	"
1932	"	"	"	"	"	"	"
1933	"	\$1.50/31 gal bbl	"	"	"	"	"
1934	"	"	"	"	"	"	"
1935	3.0¢/pack	\$1.24/bbl	\$0.80 gal	"	"	"	"
1936	"	"	\$0.96 gal	"	"	"	"
1937	"	"	"	"	"	"	"
1938	"	"	"	"	"	"	"
1939	"	"	"	"	"	"	"
1940	"	"	"	"	"	"	"
1941	"	"	\$1.28 gal	"	"	"	"
1942	"	"	"	"	\$1.00/\$1,000	"	\$1.00/\$1,000
1943	"	"	"	"	"	"	"
1944	"	"	"	"	"	"	"
1945	"	"	"	"	"	"	"
1946	"	"	"	"	"	"	"
1947	"	"	"	"	"	"	"
1948	"	"	"	"	"	"	"
1949	"	"	"	"	"	\$0.10/\$1,000	\$1.10/\$1,000
1950	4.0¢/pack	\$1.364/bbl (t)	\$1.408 gal (t)	"	\$1.25/\$1,000	No surtax	\$1.25/\$1,000
1951	"	\$1.37/bbl	\$1.408 gal	"	"	"	"
1952	"	"	"	"	"	"	"
1953	"	"	"	"	"	"	"
1954	"	\$2.00 bbl	"	"	\$2.00/\$1,000	"	\$2.00/\$1,000
1955	5.0¢/pack	\$4.30 bbl	"	"	\$2.25/\$1,000	"	\$2.25/\$1,000
1956	"	"	"	"	"	"	"
1957	"	"	"	"	"	"	"
1958	"	"	"	"	"	"	"
1959	8.0¢/pack	"	\$1.68 gal	"	"	"	"
1960	"	"	"	"	"	\$0.75/\$1,000	\$3.00/\$1,000
1961	"	"	"	"	"	\$0.50/\$1,000	\$2.75/\$1,000
1962	"	"	"	"	"	"	"
1963	"	"	"	"	"	"	"
1964	"	"	"	"	"	"	"
1965	11.0¢/pack	"	"	"	"	No surtax	"
1966	"	"	"	"	"	"	"
1967	"	"	"	"	"	"	"
1968	"	"	"	"	"	"	"
1969	15.5¢/pack	"	"	"	\$2.75/\$1,000	\$0.50/\$1,000	\$3.25/\$1,000
1970	"	"	"	"	"	"	"
1971	18.5¢/pack	\$5.00 bbl	\$2.00 gal	10.0%	"	\$1.75/\$1,000	\$4.50/\$1,000
1972	"	"	"	"	"	\$1.50/\$1,000	\$4.25/\$1,000
1973	"	"	"	"	"	"	"
1974	"	"	"	"	"	"	"
1975	"	"	"	"	\$4.25/\$1,000	No surtax	"
1976	"	"	"	"	"	"	"
1977	"	"	"	"	"	"	"
1978	"	"	"	"	"	"	"
1979	"	"	"	"	"	"	"
1980	"	"	"	"	"	"	"
1981	"	"	"	"	"	"	"
1982	"	"	"	"	"	"	"
1983	"	"	"	"	"	"	"
1984	19.5¢/pack	\$6.00 bbl	\$2.40 gal	12.0%	\$5.25/\$1,000	"	\$5.25/\$1,000
1985	20.5¢/pack	"	"	"	"	"	"
1986	"	"	"	"	"	"	"
1987	26¢/pack	"	"	"	"	"	"
1988	"	"	"	"	"	\$1.45/\$1,000	\$6.70/\$1,000
1989	"	"	"	"	"	"	"
1990	41¢/pack	"	"	14.0%	"	No surtax	\$5.25/\$1,000
1991	"	"	"	"	"	"	"
1992	"	"	"	"	"	"	"
1993	"	"	"	"	\$2.50/\$1,000 or, 4.5% of earned surplus	"	\$2.50/\$1,000 or, 4.5% of earned surplus
1994	"	"	"	"	"	"	"
1995	"	"	"	"	"	"	"
1996 through 1999: No Changes							
2000	"	"	"	"	"	"	"
2001 through 2003: No Changes							

Note: (t) temporary

Sources: House Ways Means Committee, "Texas Tax Facts," February 1993; Texas Department of Insurance; and Carole Keeton Strayhorn, Texas Comptroller.

Sources of Revenue Growth

Appendix B (continued) Change in Major Texas Tax Rates, 1930-Current

Year	Gas, Electric & Water Utility Tax			Insurance Premium Taxes			
	Cities with 1,001-2,499 Population	Cities with 2,500-9,999 Population	Cities with over 9,999 Population	Property and Casualty		Life, Accident & Health	
				Texas-Based	Out-of-State	Texas-Based	Out-of-State
1930	No tax	0.5% of receipts	1.0% of receipts	0.5-2.6%	0.5-2.6%	No tax	1.5-3.0%
1931	"	"	"	"	"	"	"
1932	"	"	"	"	"	"	"
1933	"	"	"	"	"	"	"
1934	"	"	"	"	"	"	"
1935	"	"	"	"	"	"	"
1936	"	0.7%	1.375%	0.625-3.25%	0.625-3.25%	0.5%	2.5-3.75%
1937	"	"	"	"	0.5 - 3.25%	"	"
1938	"	"	"	"	"	"	"
1939	"	"	"	"	"	"	"
1940	"	"	"	"	"	"	"
1941	0.44% of receipts	0.81%	1.5125	0.75-4.05%	0.5-4.05%	0.625%	3.1-4.65%
1942	"	"	"	"	"	"	"
1943	"	"	"	"	"	"	"
1944	"	"	"	"	"	"	"
1945	"	"	"	1.0-3.5%	1.0-3.5%	0.95-3.5%	0.95-3.5%
1946	"	"	"	"	"	"	"
1947	"	"	"	"	"	"	"
1948	"	"	"	"	"	"	"
1949	"	"	"	"	"	1.0%	1.75-3.0%
1950	0.484% (t)	0.891% (t)	1.66375% (t)	"	"	"	"
1951	0.484%	0.891%	1.66375%	1.1-3.85%	1.1-3.85%	1.1%	"
1952	"	"	"	"	"	"	"
1953	"	"	"	"	"	"	"
1954	"	"	"	"	"	"	"
1955	"	"	"	"	"	"	"
1956	"	"	"	"	"	"	"
1957	"	"	"	"	"	"	"
1958	"	"	"	"	"	"	"
1959	0.581%	1.07%	1.997%	"	"	"	"
1960	"	"	"	"	"	"	"
1961	"	"	"	"	"	"	"
1962	"	"	"	"	"	"	"
1963	"	"	"	"	"	"	"
1964	"	"	"	"	"	"	"
1965	"	"	"	"	"	"	"
1966	"	"	"	"	"	"	"
1967	"	"	"	"	"	"	"
1968	"	"	"	"	"	"	"
1969	"	"	"	"	"	"	"
1970	"	"	"	"	"	"	"
1971	"	"	"	"	"	"	"
1972	"	"	"	"	"	"	"
1973	"	"	"	"	"	"	"
1974	"	"	"	"	"	"	"
1975	"	"	"	"	"	"	"
1976	"	"	"	"	"	"	"
1977	"	"	"	"	"	"	"
1978	"	"	"	"	"	"	"
1979	"	"	"	"	"	"	"
1980	"	"	"	"	"	"	"
1981	"	"	"	1.2-3.5%	1.2-3.5%	"	"
1982	"	"	"	"	"	"	"
1983	"	"	"	"	"	"	1.925-3.3%
1984	"	"	"	"	"	1.1-2.5%	1.1-2.5%
1985	"	"	"	"	"	"	"
1986	"	"	"	"	"	"	"
1987	"	"	"	"	"	"	"
1988	"	"	"	"	"	"	"
1989	"	"	"	1.6-3.5%	1.6-3.5%	"	"
1990	"	"	"	"	"	1.3-2.4%	1.3-2.4%
1991	"	"	"	"	"	1.4-2.3%	1.4-2.3%
1992	"	"	"	"	"	1.5-2.2%	1.5-2.2%
1993	"	"	"	"	"	1.6-2.1%	1.6-2.1%
1994	"	"	"	"	"	1.7-2.0%	1.7-2.0%
1995	"	"	"	"	"	1.75%	1.75%
1996 through 1999: No Changes							
2000	"	"	"	1.6%	1.6%	"	"
2001 through 2003: No Changes							

Note: (t) temporary

Sources: House Ways Means Committee, "Texas Tax Facts," February 1993; Texas Department of Insurance; and Carole Keeton Strayhorn, Texas Comptroller.

Appendix C
Summary of Legislative Changes to the
Texas Sales and Use Tax Rate and Base

1961 The 57th Legislature, First Called Session

Enacted the Texas Limited Sales, Excise, and Use Tax Act and imposed a 2 percent tax on all retail sales of tangible personal property, except those specifically exempted. Effective September 1, 1961.

1963 The 58th Legislature

Reenacted the Limited Sales, Excise, and Use Tax Act to add amendments that clarified and simplified administration of the tax. Authorized direct payment procedures. Effective July 1, 1963.

1967 The 60th Legislature

Enacted the Local Sales and Use Tax Act and authorized cities to impose a 1 percent local tax on all retail sales of tangible personal property taxed under the state Sales and Use tax. Effective January 1, 1968.

Provided exemptions for sales of certain casing and drill pipe. Effective July 1, 1967.

1968 The 60th Legislature, First Called Session

Increased the state Sales and Use tax rate on retail sales to 3 percent. Effective October 2, 1968.

1969 The 61st Legislature

Restored in the Tax Code the definitions for contractor and repairman, which were inadvertently omitted by the 60th Legislature, First Called Session. Effective June 10, 1969.

1969 The 61st Legislature, Second Called Session

Increased the state Sales and Use tax rate to 3.25 percent. Made beer and wine subject to the Sales and Use tax. Effective October 1, 1969.

1971 The 62nd Legislature

Increased the state Sales and Use tax rate to 4 percent. Effective July 1, 1971.

Exempted the leasing or licensing of motion picture films to licensed television stations. Effective February 5, 1971.

Exempted certain commercial vessels of 50 tons or more displacement. Effective August 30, 1971.

1971 The 62nd Legislature, First Called Session

Exempted the sale, preparation, or serving of mixed beverages, ice, or nonalcoholic beverages taxed under the Texas Liquor Control Act. Effective June 8, 1971.

1973 The 63rd Legislature

No longer required beer distributors to secure resale certificates. Effective May 18, 1973.

Required delinquent taxpayers and new permit holders to post bond to ensure payment of taxes. Effective January 1, 1974.

Required taxpayers collecting in excess of \$750 per month in Sales and Use taxes to file tax returns and make payments monthly. Effective September 1, 1974.

Exempted volunteer fire departments. Effective August 27, 1973.

1975 The 64th Legislature

Exempted certain agricultural machinery and equipment. Effective September 1, 1975.

Sources of Revenue Growth

Appendix C (continued) Summary of Legislative Changes to the Texas Sales and Use Tax Rate and Base

Excluded from the definition of “sales price” voluntary tips and gratuities. Effective April 30, 1975.

Exempted component parts for newspapers. Effective September 1, 1975.

Exempted food sales by Parent-Teacher Associations and by youth athletic organization members aged 18 years old or younger. Effective September 1, 1975.

Exempted solar energy devices, bicentennial organizations, aircraft used for flight instruction, and vessels of eight tons or more displacement used exclusively for commercial purposes. Effective September 1, 1975.

Excluded excise tax on tires and fishing equipment from the definition of “sales price.” Effective September 1, 1975.

1977 The 65th Legislature

Excluded from the definition of “sales price” mandatory gratuities disbursed to qualified employees. Effective April 25, 1977.

Authorized exempt religious, educational, or charitable organizations to hold a single one-day, tax-free sale or auction during each calendar year. Effective May 24, 1977.

Exempted the leasing or licensing of motion picture films by theaters and television stations. Effective June 10, 1977.

Authorized retailers to seek a refund or credit for Sales and Use tax paid on an account subsequently charged off for federal income tax purposes as a bad debt. Effective June 15, 1977.

Exempted organizations qualifying for exemption from income tax under Internal Revenue Code Section 501(c)(3). Effective August 29, 1977.

Exempted film, tapes, photographs, and other materials used in broadcasting operations by radio and television stations. Effective August 29, 1977.

Exempted newspapers and semi-annual or longer subscriptions to magazines. Effective August 29, 1977.

Exempted syringes and hypodermic needles. Effective August 29, 1977.

Added emergency medical services to the exemption provided for volunteer fire departments. Effective August 29, 1977.

Required liquor permit holders to obtain a certificate of good standing from the Comptroller whenever a new permit is granted or an existing permit is renewed by the Texas Alcoholic Beverage Commission. Effective August 29, 1977.

Eliminated the requirement that a resale certificate be issued by a licensed beverage retailer to a licensed wholesaler or local distributor on purchases of liquor and wine. Originally, only beer or malt liquor could be purchased without a resale certificate. Effective August 29, 1977.

1978 The 65th Legislature, Second Called Session

Repealed the state and local taxes on the residential use of natural gas and electricity. Provided cities the option of continuing the 1 percent city tax on residential use of natural gas and electricity. Effective October 1, 1978.

Appendix C (continued)
Summary of Legislative Changes to the
Texas Sales and Use Tax Rate and Base

1979 The 66th Legislature

Clarified the procedure for collecting and reporting city tax. Added a new requirement that retailers located outside taxing cities assume the same responsibilities as out-of-state retailers to collect and report the city use tax. Effective June 13, 1979.

Exempted special printing or signaling equipment used by the deaf for communication through a telephone. Effective August 27, 1979.

Repealed Article 20.10 concerning overpayments and refunds and transferred the language into Chapter 111 so that the same procedures govern all taxes. Effective August 27, 1979.

Raised the interest rate charged by the state on delinquent taxes to 7 percent. Effective January 1, 1980.

1981 The 67th Legislature

Repealed Chapter 20, Title 122A, and adopted Title 2 of the Tax Code, a nonsubstantive revision of the Sales and Use tax law. Chapter 20 became Subtitle E, Chapter 151. Effective January 1, 1982.

Taxed items purchased under resale or exemption certificates and put to personal use on the rental value for the time used, not on the original purchase price of the item. Effective July 1, 1981.

Effective July 1, 1981, required the following charges to be separately stated to the customer in order to be excluded from the taxable sales price of an item:

- gratuities;
- cash discounts;
- trade-ins;
- repair charges;
- installation charges;
- returned merchandise;
- finance and credit charges;
- transportation, carrying, or service charges; and
- federal excise tax on tires and fishing equipment.

Exempted all therapeutic equipment prescribed for an individual by a doctor. Effective October 1, 1981.

Required all taxpayers who owe more than \$1,500 in tax a month to file monthly returns. Effective January 1, 1982.

Exempted shipments outside a metropolitan transit authority (MTA) from the MTA sales tax. If a retailer located in an MTA ships items to a customer outside the MTA, the MTA sales tax does not apply. MTA use tax is due if the item is shipped into another authority. Effective August 31, 1981.

Exempted purchases by certain civic, fraternal, and veteran organizations qualifying for exemption from federal income tax under Internal Revenue Code Sections 501(c)(4), (c)(8), (c)(10), or (c)(19). Effective June 16, 1981.

Exempted purchases by non-profit chambers of commerce. Effective June 16, 1981.

Exempted sales of handicrafts by senior citizen organizations. Effective June 16, 1981.

Required retailers to report interest charges on Sales and Use tax. If a "cash basis" seller charged interest on tax, part of the interest charges must be paid to the state. Effective January 1, 1982.

Appendix C (continued) Summary of Legislative Changes to the Texas Sales and Use Tax Rate and Base

Raised the interest rate on delinquent taxes to 10 percent. Allowed the state to pay 10 percent interest on refund claims. Effective January 1, 1982.

1983 The 68th Legislature

Changed the due date for Sales and Use tax returns to the 20th day of the month following the end of a reporting period. Effective October 1, 1983.

Required all taxpayers owing more than \$1,500 in tax a quarter to file monthly returns. Effective October 1, 1983.

Reduced the prepayment discount to 1.25 percent and required a prepayment estimate to be at least 90 percent of the amount of tax due for the reporting period or that amount of tax due in the same reporting period of the preceding year. Effective October 1, 1983.

Required all direct payment permit holders to file monthly direct payment returns on or before the 20th day of the month following the end of the reporting period. Effective October 1, 1983.

Required applicants for a direct payment permit to purchase at least \$800,000 a year in taxable items in order to qualify for a permit. Effective May 24, 1983.

Repealed the provision that allowed certain manufacturers to file annual returns. Effective October 1, 1983.

Limited the exemption for solar energy devices to site-built solar energy devices and those that meet the rating and certification standards set by the Public Utility Commission of Texas. Effective August 29, 1983.

Exempted bins used to transport fruit or vegetables from the field to the location where the items are processed, packaged, or marketed. Effective August 29, 1983.

Exempted the sale of gold, silver, or numismatic coins or platinum, gold, or silver bullion when the sales price of the transaction equals \$10,000 or more. Effective September 1, 1983.

Exempted certain equipment used by the blind to enable them to function more independently. Effective September 1, 1983.

Exempted certain sales to or by Indian tribes that have a reservation in Texas. Effective September 1, 1983.

Exempted purchases by non-profit convention and tourist promotional agencies. Effective September 1, 1983.

Exempted publications distributed by licensed and certified carriers to customers traveling on the carrier. Effective August 29, 1983.

Exempted certain purchases by Texas Hospital Equipment Financing Councils. Effective August 29, 1983.

Exempted certain materials and equipment used by qualified businesses in a Texas Enterprise Zone and allowed cities to refund city sales tax paid by qualified businesses in a Texas Enterprise Zone. Effective September 1, 1983.

1984 The 68th Legislature, Second Called Session

(All changes effective October 2, 1984.)

Increased the state Sales and Use tax rate to 4.125 percent.

Appendix C (continued)
Summary of Legislative Changes to the
Texas Sales and Use Tax Rate and Base

Taxed certain services, including amusement services, cable television services, personal services, motor vehicle parking and storage services, plus the repair, remodeling, maintenance, and restoration of certain tangible personal property.

Excluded from tax the labor to repair, remodel, maintain, and restore aircraft and commercial vessels, plus the repair, maintenance, and restoration of motor vehicles.

Exempted the sale of a taxable service for resale.

Exempted services performed on an exempt item of tangible personal property or for an exempt entity, performed directly on a product being manufactured for sale for the purpose of making the product more marketable, or performed by an employee for that employee's employer in the regular course of the employee's regularly-compensated duties.

Exempted repair, remodeling, maintenance, or restoration services performed on tangible personal property if the services are required by law to protect the environment or to conserve energy.

Exempted amusement and personal services provided through coin-operated machines that are operated by the consumer.

Exempted amusement services provided by governmental entities and certain non-profit organizations.

Taxed tangible personal property used by a contractor in performing a contract to improve realty for the federal government.

Provided a prior-contract exemption for taxable services, contracts to improve realty for the federal government, and the increase in the state tax rate.

Taxed cigarettes, cigars, and tobacco products under the Sales and Use tax as well as under the existing tobacco taxes.

Taxed canned computer programs and exempted custom computer programs.

Taxed all food sold ready for immediate consumption through a vending machine for 17 cents or more.

Taxed newspapers sold by individual copy or by subscription.

Taxed magazines sold by individual copy or by subscription.

Deleted the "segregation of tangible personal property" from the definition of "sale."

Taxed charges for transportation occurring before the transfer of title or possession of tangible personal property.

Made resale and exemption certificates the only acceptable proof of resale or exemption. Required a seller to obtain a certificate at the time the transaction occurs or within 60 days from the date the Comptroller requires the seller to produce the certificates. If not obtained within the 60 days, the seller's deduction is disallowed.

Required a lessor to collect Sales and Use tax on the entire sale price, including all lease payments, of a financing lease at the time the lessee takes possession of the property or when the first payment is due, whichever is earlier.

Sources of Revenue Growth

Appendix C (continued) Summary of Legislative Changes to the Texas Sales and Use Tax Rate and Base

Excluded rentals and leases from the occasional sale exemption. Prohibited a person who holds a permit issued under Chapter 151 from making an occasional sale under Section 151.304(b)(1). Added an occasional sale exemption for certain sales of amusement services.

Limited the six-month useful life exemption to machinery, equipment, replacement parts, or accessories that are entirely consumed or without value within six months after the date purchased new. Excluded taxable items that are rented or leased to a manufacturer from the manufacturing exemption.

Limited the exemption for fertilizer to that used on a farm or ranch in the production of an agricultural product held for sale.

Exempted the master tape of an audio or audiovisual work that is used to manufacture copies of the work.

Exempted certain flight simulators used exclusively for flight training in a licensed course of instruction.

1985 The 69th Legislature

Taxed certain telecommunications services. Effective October 1, 1985. Permitted cities and metropolitan transit authorities to impose city and MTA tax on intrastate telecommunications services. Effective October 1, 1987.

Provided stricter requirements for proof of export for items purchased in Texas and exported outside the United States. Effective August 26, 1985.

Repealed the use tax exemption for tangible personal property acquired outside Texas and moved into Texas for use as a licensed and certificated carrier of persons or property (Section 151.330(c)). Effective October 1, 1985.

Added a provision allocating the city and MTA tax due on amusement services to the city or MTA in which the event takes place. Effective August 26, 1985.

Exempted gold and silver medallions designated as official sesquicentennial commemorative medallions by the Texas 1986 Sesquicentennial Commission. Effective August 26, 1985.

Amended the exemption for certain sales to or by Indian tribes to include the Kickapoo Indians. Effective September 1, 1985.

Allowed taxpayers to voluntarily contribute all or part of the timely filing discount earned on the Sales and Use tax return to a fund for student financial assistance grants. Effective June 14, 1985.

Made divergent use of tangible personal property purchased under a resale certificate subject to local sales tax rather than use tax. Effective August 26, 1985.

Transferred the language concerning the required date payment and the additional 10 percent penalty assessed under a deficiency determination to the General Provisions, Section 111.0081, and changed the date payment as required. Effective August 26, 1985.

Exempted tangible personal property used by a contractor in performing a contract for the improvement of realty for the U.S. Department of Defense in connection with a significant new naval military facility. Effective July 30, 1985.

Appendix C (continued)
Summary of Legislative Changes to the
Texas Sales and Use Tax Rate and Base

Granted the Comptroller the authority to refuse to issue or renew any permit or license to a person who is delinquent in any tax collected by the Comptroller, Section 111.0046. Effective April 30, 1985.

1986 The 69th Legislature, Second Called Session

Repealed the provision requiring the state to pay interest on refunds of state tax overpayments. Effective December 4, 1986.

Credited to the General Revenue Fund interest earned on local taxes collected by the state and held in financial institutions before distribution to the local governments. The change in the law applied to interest earned before or after the clarifying amendment. Effective September 7, 1986.

1986 The 69th Legislature, Third Called Session

Until August 31, 1987, increased the state Sales and Use tax rate to 5.25 percent, with the rate reverting to 4.125 percent on September 1, 1987. Effective January 1, 1987. *(Note: The rate did not revert in 1987. Instead, the rate was raised on October 1, 1987 to 6 percent.)*

Provided a prior-contract exemption from the increase in the state tax rate. The exemption expired on September 30, 1987. Effective January 1, 1987.

Enacted the County Sales and Use Tax Act authorizing qualifying counties to impose a tax at a rate of 0.5 percent, or 1 percent if no incorporated city exists within the county. Revenues must be used to reduce property taxes. Effective January 1, 1987.

Provided for an additional 0.5 percent city tax to be imposed by cities for property tax relief. Effective January 1, 1987.

Provided for an additional 0.25 percent or 0.5 percent sales and use tax to be imposed by qualifying cities to fund a metropolitan transit department. Effective January 1, 1987.

1987 The 70th Legislature

Provided a prior-contract exemption for the county sales and use tax, the additional city sales and use tax, and the metropolitan transit department sales and use tax. The exemption expires three years after the effective date of the imposition of the local tax option. Effective April 2, 1987.

Allowed cities that do not impose a property tax to adopt the additional 0.5 percent city sales and use tax. Effective April 2, 1987.

Provided for refunds for Sales and Use taxes paid by enterprise projects on certain items. Effective August 31, 1987.

1987 The 70th Legislature, Second Called Session

(All changes effective October 1, 1987 unless otherwise indicated.)

Increased the state Sales and Use tax rate to 6 percent.

Provided a prior-contract exemption from the increase in the state tax rate. Effective July 21, 1987. The exemption expired on July 1, 1990. Provided a separate prior-contract exemption for services added to the tax base, also effective July 21, 1987. This exemption expired on January 1, 1990.

Added the following services to the tax base: credit reporting services, debt collection services, insurance services, information services, real property services, and security services.

Sources of Revenue Growth

Appendix C (continued) Summary of Legislative Changes to the Texas Sales and Use Tax Rate and Base

Added data processing services and real property repair and remodeling services to the tax base. Effective January 1, 1988.

Added for-profit country clubs to amusement services.

Provided that food sales through a vending machine are taxable at 50 percent of total gross receipts, except soft drinks and candy, which are taxable at 100 percent of total gross receipts.

Made taxable transportation both before and after the sale of a taxable item by deleting references to “transportation after the sale” from the exclusion from the definition of “sales price” in Section 151.007(c). Taxed repair and remodeling labor in the same way.

Taxed charges for installation of tangible personal property in connection with the sale of the property whether or not the charges were separately stated from the charge for the property.

Exempted newspapers and the sale of magazines sold on subscription for a semi-annual or longer period.

Imposed a \$25 fee for Sales and Use tax permits and renewals.

Expanded the definition of “engaged in business” in Texas.

Added a definition of repair services.

Exempted ice used by commercial fishing boats.

Exempted newly taxable service transactions among affiliated entities.

Exempted lawn and yard services performed by persons younger than 18 years of age.

Exempted cooperative research and development ventures.

Provided a phased-in tax refund or reduced tax rate for certain equipment with a useful life in excess of six months and used in manufacturing. The tax refund began with property purchased in 1991.

Repealed the following exemptions:

- | | |
|--------------------|---|
| Sec. 151.011 | Deleted the definition that allowed tangible personal property purchased in Texas under a resale or exemption certificate to be taken out of state without Texas tax being due. |
| Sec. 151.0032 | Custom computer programs. |
| Sec. 151.028 | Federal excise tax information. |
| Sec. 151.056 | Deleted references to repairman. |
| Sec. 151.151 | “Unable to ascertain” language deleted from section on who may issue a resale certificate. |
| Sec. 151.305 | Coin-operated machine sales. |
| Sec. 151.314(d) | Food and drink served by common carriers. |
| Sec. 151.317(c)(2) | Restaurants and others preparing and storing food ready for immediate consumption. |
| Sec. 151.323 | Basic local exchange service and telephone cooperatives. |
| Sec. 151.325 | Solar energy devices. |
| Sec. 151.326 | Broadcasting stations. |
| Sec. 151.3261 | Original visual or audiovisual materials. |

Appendix C (continued)
Summary of Legislative Changes to the
Texas Sales and Use Tax Rate and Base

Sec. 151.327	Motion picture films.
Sec. 151.330(b)	Sales to common carriers.
Sec. 151.330(e)	Repair parts for common carriers.
Sec. 151.333	Equipment used in enterprise zones.
Sec. 151.334	Lone Star medallions.
Sec. 151.336	Certain coins and precious metals.

1989 The 71st Legislature

Accelerated the effective date of the phased-in tax refund for certain manufacturing machinery and equipment with a useful life of more than six months. Provided an exemption for pollution control equipment. Effective August 28, 1989.

Provided an exemption for purchases by certain cooperative research and development ventures (MCC and Sematech of Austin). Effective August 28, 1989.

Provided special export procedures for maquiladora enterprises. Effective June 14, 1989.

Provided an exemption for temporary help services. Effective October 1, 1989.

Provided an exclusion from the definition of taxable services for the creation of computer software and for the maintenance and repair of software owned by a third party. (Exempted contract programmers already exempt by rule.) Effective October 1, 1989.

Provided an exemption for sales of certain items through coin-operated bulk vending machines for 25 cents or less. Effective October 1, 1989.

Granted an exemption for amusement services provided in a place designated as a Recorded Texas Historic Landmark by the Texas Historical Commission or included in the National Register of Historic Places. Effective October 1, 1989.

Added provisions for nonresidents (mail-order firms) to collect use tax and a formula for allocation of local tax. Effective on the first day of the first month following the effective date of the federal legislation, if and when passed.

Reinstated the "storage and use" exclusion to Section 151.011. Effective October 1, 1989.

Provided an exemption for lawn care services provided by certain individuals 65 years and older. Effective October 1, 1989.

Provided an exemption for component parts, machinery, tools, and equipment used or consumed in retrofitting or repairing jet aircraft engines. This exemption is subject to the phased-in refund provisions for items purchased beginning in 1990. Effective August 28, 1989. A separate exemption was provided for these same items used in repair, remodeling, or maintenance of aircraft for or by a licensed or certificated carrier. Effective September 1, 1989.

Provided an exemption for the sale of platinum, gold, silver, coins, and so forth in transactions of \$1,000 or more. Effective August 28, 1989.

Provided for a one-time refund of Sales and Use taxes paid by certified businesses in enterprise zones, not to exceed \$5,000 per business. Effective September 1, 1991.

Sources of Revenue Growth

Appendix C (continued) Summary of Legislative Changes to the Texas Sales and Use Tax Rate and Base

Expanded the exemption for writings and periodicals of religious organizations to include writings published by philanthropic, charitable, historical, scientific, and similar organizations. Effective August 28, 1989.

Allowed the San Saba Hospital District, the Parker County Hospital District, and county crime control and prevention districts to impose local tax if approved by voters. Effective August 28, 1989 for the two hospital districts; June 14, 1989 for crime control and prevention districts.

Allowed cities to impose local tax to benefit certain industrial development corporations. Effective January 1, 1990.

1989 The 71st Legislature, First Called Session

Allowed all hospital districts to impose local tax if approved by voters. Effective September 1, 1989.

1990 The 71st Legislature, Sixth Called Session

Increased the state Sales and Use tax rate to 6.25 percent from 6 percent. Provided a prior-contract exemption. Effective July 1, 1990.

1991 The 72nd Legislature

Provided motor vehicle repairers operating under separated contracts a resale exemption for consumable supplies resold to customers. Effective October 1, 1991.

Established June 30, 1993 as the expiration date for the prior-contract exemption on the 6.25 percent rate increase.

Provided a Sales and Use tax exemption for corporations formed by the Texas National Research Laboratory Commission (TNRLC). Provided an exemption for taxable items purchased or leased from a corporation established by the TNRLC (non-profit financing corporations issuing revenue bonds for the super-conducting super collider research facility). Effective September 1, 1991.

1991 The 72nd Legislature, First Called Session

(All changes effective October 1, 1991 unless otherwise indicated.)

Amended Section 151.429 requiring jobs in the enterprise project to be permanent, and requiring the Texas Department of Economic Development to certify annually that the required level of employment has been maintained. Directed the Comptroller to assess the amount refunded plus penalty and interest if the job level is not maintained.

Broadened the “engaged in business” provisions under Sections 151.008(b)(5) and 151.007(a)(4).

Added to the list of taxable services telephone answering services where the messages are taken by a human operator.

Repealed the Sales and Use tax permit fee.

Repealed the exemption for wrapping and packaging supplies.

Taxed charges for membership in non-profit country clubs described under Section 501(c)(7) of the Internal Revenue Code.

Taxed musical concerts given by those entities listed under Subsection 151.3101(a) if provided jointly with a person not listed under (a).

Appendix C (continued)
Summary of Legislative Changes to the
Texas Sales and Use Tax Rate and Base

Limited the exemption under Section 151.311 to school districts and public and private non-profit hospitals licensed under Chapters 241 or 577 of the Health and Safety Code. (Materials sold by separated contractors to exempt entities still qualify for the sale for resale exemption. Lump-sum contractors owe tax on materials.)

Excluded boats and motors defined by Chapter 160 from the exemption in Section 151.3111.

Delayed the manufacturing exemption for machinery and equipment until October 1, 1993.

Amended Section 151.0048 to exclude from “garbage” hazardous waste, industrial solid waste, waste from oil fields, and sewage. Effective September 1, 1991.

Provided a prior-contract exemption for the change to Section 151.311 only for contracts signed on or before August 14, 1991. The exemption expired August 14, 1994.

1993 The 73rd Legislature

Amended Section 151.0048 to exclude from the definition of “garbage” industrial discharges subject to regulation by permit issued pursuant to Chapter 26 of the Water Code.

Expanded Section 151.058 to cover all services rather than just repair services and further defined “sales price” of services. Effective September 1, 1993.

Amended Section 151.103 (Use tax) to make it the same as Section 151.052 (Sales tax). Effective October 1, 1993.

Changed “tangible personal property” to “taxable item” in Section 151.104. Effective September 1, 1993.

Added Sections 151.157, 151.158, 151.159, 151.160, 151.307(c) and (d), 151.3071, and 151.713 to cover customs brokers and exports. Provided an exemption for exported audio equipment, even if installed in Texas before export. Effective June 19, 1993.

Added subsection (g) to Section 151.304 so that persons holding permits would owe use tax when purchasing tangible personal property from a person making an occasional sale under Section 151.304(b)(1). Effective September 1, 1993.

Amended Section 151.308 to put mobile offices under Chapter 151. Effective October 1, 1993.

Added subsection (6) to Section 151.309 providing a reciprocal Sales and Use tax exemption for bordering states. Effective July 1, 1993.

Amended Section 151.310(c) to allow organizations under Section 151.310(a)(2) (as well as (a)(1)) and each chapter of such organizations to hold two (increased from one) tax-free sales or auctions during a calendar year. Also added guidelines for charitable care requirements that non-profit hospitals must meet to qualify for exemption from the Sales and Use tax. Effective August 30, 1993.

Amended Section 151.311 to allow contractors an exemption for incorporated materials, consumable supplies, and certain services when improving realty for organizations covered by Sections 151.309 and 151.310. Taxed the contractor’s equipment. Provided a three-year prior-contract exemption for machinery and equipment used in a contract to improve realty for school districts and certain non-profit hospitals if the contract was signed before October 1, 1993. The prior-contract exemption was not made a part of the Tax Code but was part of the enabling legislation. Effective October 1, 1993.

Sources of Revenue Growth

Appendix C (continued) Summary of Legislative Changes to the Texas Sales and Use Tax Rate and Base

Added subsection (b) to Section 151.316 to provide an exemption for components of underground irrigation systems sold or used to be installed on farms and ranches. Effective September 1, 1993.

Added subsection (p) to Section 151.318 making the production of a motion picture, video, or audio recording “manufacturing.” Also allowed an exemption for the machinery and equipment rented for use in production. Effective October 1, 1993.

Repealed Section 151.318(c)(5) on wrapping and packaging. Effective October 1, 1993.

Clarified that “magazine” does not mean the publication of current information that is taxable pursuant to Section 151.0038 as an “information service.” Added to Section 151.320(b). Effective September 1, 1993.

Amended Section 151.328 to allow an exemption certificate to be issued for aircraft purchased by nonresidents. Effective October 1, 1993.

Amended Section 151.330 by adding subsections (h) and (i) to allow an exemption for certain sales to and purchases by common carriers. (Previously covered by subsections (b) and (e) of 151.330; subsections (b) and (e) were repealed effective October 1, 1987). Effective October 1, 1993.

Added Section 151.350 to exempt labor to restore real or personal property damaged in a disaster area. (The materials used remained taxable.) Effective October 1, 1993.

Amended Sections 151.401 and 151.402 requiring electronic filers to file by August 20 on all sales made between August 1 and August 15. Effective September 1, 1994, it expired on January 1, 1996. (The Legislature gave the Comptroller authority to waive this requirement for all affected taxpayers.)

Amended Section 151.429 to include a “qualified hotel project” as an enterprise project if the hotel is owned by a municipality or non-profit municipally-sponsored local government corporation. The amendment refunds 100 percent of the Sales and Use tax collected at the project to the hotel owner. Effective August 30, 1993.

Repealed Sections 151.502 and 151.706 concerning penalties. Effective September 1, 1993.

Added Section 151.7031 to impose a \$50 penalty if a person fails to file timely reports on two or more occasions. Effective September 1, 1993.

Amended Section 151.707 to increase penalties for intentionally giving invalid resale or exemption certificates. Effective September 1, 1993.

Amended Section 151.801 to allocate Sales and Use taxes collected from the sale of sporting goods to the State Parks Account in the General Revenue Fund. Defined “sporting goods.” Effective September 1, 1993.

1995 The 74th Legislature

Senate Bill 640—effective October 1, 1995

Amended Section 151.0036, the definition of “debt collection service,” to allow a person handling or collecting on a non-sufficient funds check to collect tax from the drawer or endorser of the check.

Amended Section 151.0038 to exclude from the definition of “information service” the furnishing of information to a member of a homeowners association of a residential subdivision or condominium development by or on behalf of the association.

Appendix C (continued)
Summary of Legislative Changes to the
Texas Sales and Use Tax Rate and Base

Amended Section 151.0047 to exclude from the definition of “real property repair or remodeling” an improvement to a processing unit that increases capacity at a petrochemical refinery or chemical plant.

Amended Section 151.0048 to exclude from the definition of a “real property service” such services purchased by a contractor as part of the improvement of new residential structures.

Amended Section 151.027, on confidentiality of tax information, to allow the Comptroller to provide information to an eligible city, as prescribed in the new Section 321.3022.

Amended Section 151.154 to clarify the liability of a purchaser making a divergent use of taxable items purchased with a resale certificate. Substituted “taxable items” for “tangible personal property.” Defined the value of a taxable service as the amount a purchaser would pay on the open market to obtain the service for use.

Amended Section 151.155 to clarify the liability of a purchaser making a divergent use of taxable items purchased with an exemption certificate. Substituted “taxable items” for “tangible personal property.” Defined the value of a taxable service as the amount a purchaser would pay on the open market to obtain the service for use.

Amended Section 151.313, concerning health care supplies, to clarify that hospital beds are exempt medical equipment.

Amended Section 151.314(e), which exempts certain sales of food and non-food products by young people, to raise the maximum qualifying age of the seller from 17 to 18 years old.

Amended Section 151.316, on agricultural items:

- to define “machinery and equipment” used in the processing, packing, and marketing of agricultural products to include required pollution control equipment;
- to enable closely-held related corporations to qualify as an “original producer”;
- to allow a producer to qualify as an “original producer” so long as more than 95 percent of the products processed belong to that producer;
- to codify the definition of “farm or ranch” in Rule 3.296; and
- to define “original producer.”

Added a new Section 151.3161 to exempt the first \$50,000 of equipment purchased for exclusive use in commercial timber operations. Excluded from the exemption: equipment rented for a term of less than 12 months; repair parts, accessories, and components; and hand-held tools.

Amended Section 151.3111, which exempts services performed on tangible personal property that is exempt, to exclude from the exemption services performed on machinery and equipment with a purchase price greater than \$50,000.

Amended Section 151.317(c) to clarify the definition of “residential use” for purposes of the gas and electricity exemption. Clarified the exemption for gas and electricity used in producing and transporting a material extracted from the earth by changing “exploring for, or producing and transporting” to “exploring for, producing, or transporting.” Exempted electricity used in jet engine repair work for licensed carriers.

Amended Section 151.318, on property used in manufacturing:

- to limit the exclusion in subsection (e) for taxable items rented or leased to those leased for less than a year;

Appendix C (continued) Summary of Legislative Changes to the Texas Sales and Use Tax Rate and Base

- to correct subsection (m) to make it clear that the reduction in state taxes paid on machinery purchased in 1994 did not affect local taxes;
- to extend the exemption in subsection (n) to certain consumable supplies used by persons overhauling jet turbine engines; and
- to clarify the existing manufacturing exemptions and add additional exemptions for semiconductor “cleanroom equipment” and supplies.

Amended Section 151.319, the exemption for newspapers and property used in newspaper publication, to delete subsection (e)(5), which excluded from the exemption wrapping and packaging supplies used by newspapers.

Amended Section 151.342, relating to agribusiness items, to exempt poultry cages used as containers in transporting poultry from a poultry farm to a location where the poultry is processed, packaged, or marketed.

Amended Section 151.350 to clarify that the exemption for labor performed on real or tangible personal property damaged in a “disaster area” is not limited to repair labor, but includes labor performed in connection with cleaning, restoration, and remodeling.

Senate Bill 1658—effective September 1, 1995

Added Section 111.110 to allow the owner of certain real estate transferred to the University of Houston on or before August 31, 1996, to qualify for a tax credit to reduce the owner’s Sales and Use tax liability if the owner is a direct pay permit holder.

Senate Bill 345—effective September 1, 1995

Added Section 111.301 to provide certain eligible persons a refund of state Sales and Use taxes for ad valorem taxes paid to a school district on certain property. The property must be located in a reinvestment zone created under Chapter 312, exempt in whole or in part from the payment of ad valorem taxes imposed by a city or county under a tax abatement agreement, and not subject to a tax abatement agreement entered into with a school district.

Senate Bill 793—effective September 1, 1995

Amended Section 151.0036 to exclude from the definition of debt collection service the collection of court-ordered child-support payments or medical child-support payments.

House Bill 462—effective October 1, 1995

Amended Section 151.314, on food and food products, to exclude from the exemption meals, soft drinks, and candy sold to inmates of correctional facilities operated under the authority of or under contract with the State of Texas or a political subdivision of the state.

Senate Bill 833—effective July 1, 1995

Amended Section 151.328 to exempt purchases by a person with a Sales and Use tax permit of aircraft used in flight instruction approved by the Federal Aviation Administration (FAA) and provided under the supervision of an FAA-certified flight instructor.

Exempted parts and labor as well as machinery, tools, supplies, and equipment exclusively used to repair, remodel, or maintain flight-training aircraft, engines, or component parts of the flight-training aircraft. The exemption includes tangible property that is permanently affixed or attached as a component part of the flight-training aircraft or that is necessary for the normal operation of the aircraft and is pumped, poured, or otherwise placed in the aircraft.

Appendix C (continued)
Summary of Legislative Changes to the
Texas Sales and Use Tax Rate and Base

Exempted supplies used exclusively in the repair, remodeling, or maintenance of aircraft, aircraft engines, or component parts for a certificated or licensed carrier. Provided an exemption for materials or substances necessary for the normal operation of aircraft and pumped, poured, or otherwise placed in an aircraft used by carriers.

House Bill 1611—effective July 1, 1995

Amended Section 151.329 to exempt materials and supplies purchased by a person providing stevedoring services for a ship or vessel that is operating exclusively in foreign or interstate coastal commerce if the supplies are loaded aboard the vessel and remain on the vessel when it departs.

House Bill 467—effective October 1, 1995

Amended Section 151.331 to exempt natural gas, electricity, and other fuels used or consumed predominantly in the repair, maintenance, or restoration of rolling stock.

House Bill 1583—effective July 1, 1995

Amended Section 151.347 to exempt lawn care or landscaping services provided by a person who is self-employed if the service provider earned no more than a total of \$5,000 from his or her lawn care or landscaping business during the previous four calendar quarters. Increased the limit for receipts for lawn care or landscaping services provided by a person younger than 18 to a total of \$5,000 or less for landscaping or lawn care during the last four calendar quarters.

House Bill 2065—effective September 1, 1995

Amended Section 151.429, on tax refunds for enterprise projects, to allow for the refund of tax paid by an enterprise project on labor to remodel or rehabilitate a structure in an enterprise zone. Also allowed a project to claim a refund on electricity and natural gas it purchased and used in the normal course of business in the enterprise zone. Changed the definition of a “new permanent job” from at least 1,040 hours of employment a year to at least 1,820 hours of employment a year.

Senate Bill 1629—effective August 26, 1995

Amended Section 151.429(h) to extend the time during which a qualified hotel project can receive a rebate, refund, or payment of the Sales and Use tax paid or collected by the hotel or by businesses located in the hotel to 10 years after the hotel opens from seven years.

House Bill 596—effective October 1, 1995

Added a new Section 151.321 to allow certain qualifying college and university student organizations to hold a single, one-day tax-free fund-raising sale each month.

Senate Bill 982—effective September 1, 1995

Amended Section 151.006, on sales for resale, to authorize a purchaser to give a properly completed resale certificate to a Texas seller if acquiring a taxable item for the purpose of selling, leasing, or renting the item in Mexico in the normal course of business.

Amended Section 151.152, on resale certificates, to require that a resale certificate issued by a purchaser engaged in business in Mexico show the purchaser’s Mexican federal identification number in addition to other information required.

Amended Sections 151.027 and 111.006, on confidentiality of tax information, to allow the Comptroller to share information with a Mexican tax official.

Appendix C (continued) Summary of Legislative Changes to the Texas Sales and Use Tax Rate and Base

Senate Bill 737—effective October 1, 1995

Added Section 151.353 to exempt certain court reporting services whether the service is provided as a paper transcript, audio or video tape, or in a computer readable format. Excluded from the exemption are charges for copies of transcripts (paper, diskettes, and video or audio tapes) sold to a person who is not a participant in the suit.

Senate Bill 1190—effective September 1, 1995

Amended the provisions of Section 151.310 that require most non-profit hospitals to provide a prescribed level of charity care in order to retain their Sales and Use tax exemptions. The amendments allow hospital systems to elect to satisfy charity care standards on a system-wide basis rather than on an individual-facility basis as previously required. The amendments also provide that a hospital will be in compliance with the charity-care standards if it has been designated as a “Medicaid disproportionate share” hospital in either of its two previous fiscal years or during the current fiscal year.

1997 The 75th Legislature

House Bill 92—effective September 1, 1997

Created two new chapters in the Local Government Code authorizing, among other items, voters in cities and/or counties to create community venue districts and to impose a local sales and use tax for the construction, renovation, operation, or maintenance of a sports stadium or other approved facility. The maximum sales and use tax rate is 0.5 percent, to be imposed in increments of 1/8th percent. [It is possible that enacting a sales and use tax under this new law would require either reducing the rate of one or more other local sales and use taxes (to prevent the total local sales and use tax rate from exceeding 2 percent), or repealing an existing local sales and use tax.]

Senate Bill 226—effective May 19, 1997

Provided for the creation of Defense Economic Readjustment Zones. Businesses designated as defense readjustment projects are eligible for Sales and Use tax refunds, on certain purchases, of \$2,500 for each new permanent job or job retained. A firm would not be able to receive more than \$250,000 in refunds annually.

House Bill 1855—effective October 1, 1997

Amended Section 151.318 to state that the exemption for tangible personal property used in the manufacturing process is limited to property used directly in the process and that makes or causes a chemical or physical change in the product being manufactured for sale or in an intermediate or preliminary product that becomes a part of the product being manufactured for sale. The bill clarified that intraplant transportation equipment—specifically including piping and conveyor systems—is taxable.

House Bill 1445—effective September 1, 1997

Clarified that a totalisator service—a service used by racetracks to process wagering information—is data processing for the purposes of the Sales and Use tax.

Senate Bill 862—effective September 1, 1997 and October 1, 1997

Defined telephone prepaid calling cards as tangible personal property, effective September 1, 1997. Amended the exemption for certain tax-free fund raising functions to limit the exemption to items costing \$5,000 or less, effective October 1, 1997.

This bill also clarified numerous other Sales and Use tax issues, including an exemption from tax on gas and electricity used by companies doing certain defense and security-related contract work on behalf of the U.S. government or foreign governments, effective September 1, 1997.

Senate Bill 1—effective July 1, 1997

Included in Chapter 151 a provision to allow manufacturers to claim a Sales and Use tax exemption for

Appendix C (continued)
Summary of Legislative Changes to the
Texas Sales and Use Tax Rate and Base

water conservation equipment purchased to reduce water use and wastewater flow volumes from the manufacturing operation; to reuse and recycle wastewater streams generated within the manufacturing operation; or to treat wastewater from another industrial or municipal source to replace existing freshwater sources in the manufacturing operation.

House Bill 2157—effective October 1, 1997

Allowed a credit to resellers of tickets for amusement services for the Sales and Use tax paid on the original purchase of the ticket.

Various bills were enacted relating to local government sales and use taxation, including Senate Bill 1674 (effective September 1, 1997), which authorized the creation of library districts and the imposition of a sales and use tax not to exceed 0.5 percent; and House Bill 758 (effective May 20, 1997), which allowed hospital districts to impose sales taxes in additional increments of 1/8th percent, up to 2 percent.

1999 The 76th Legislature

House Bill 652—effective July 1, 1999

Amended Section 151.313 to provide an exemption for the purchase of an adjustable utensil that facilitates independent eating. The specialized utensil must be purchased for use by an individual who does not have full use or control of his or her hands or arms.

House Bill 871—effective July 1, 1999

Added Section 151.343 to exempt the sale of an animal by a non-profit animal shelter, including the acceptance of a fee for adoption. Defined “animal shelter” as a facility that keeps or legally impounds stray, homeless, abandoned, or unwanted animals.

House Bill 2146—effective July 1, 1999

Amended Section 151.305 to increase the threshold for exemption for toys designed primarily for children, food (but not beverages), candy, and chewing gum—if they are sold through a coin-operated bulk vending machine. Increased threshold to 50 cents or less, from 25 cents or less.

House Bill 3623—effective October 1, 1999

Amended Section 151.0048 to exclude surveying as a taxable real property service if purchased by the owner of real property as a part of the improvement of the real property with a new structure to be used as a residence or other improvement immediately adjacent to the new structure and used in the residential occupancy of the structure. To expire on October 1, 2001.

Senate Bill 441

Internet Access—effective October 1, 1999

Added Section 151.325 to exempt up to the first \$25 of the monthly charge for Internet access from tax, regardless of the billing period used by the service provider or whether the Internet access service is bundled with another service.

Information and Data Processing Services—effective October 1, 1999

Added Section 151.351 to exempt 20 percent of the value of information and data processing services from tax. As a result, tax will be owed on 80 percent of taxable data processing and information services.

Over-the-Counter Drugs and Medicines—effective April 1, 2000

Amended Section 151.313 to exempt from tax over-the-counter drugs that are labeled with a national drug code issued by the federal Food and Drug Administration. Also exempted from tax blood glucose monitoring test strips.

Appendix C (continued) Summary of Legislative Changes to the Texas Sales and Use Tax Rate and Base

Three-Day Tax-Free Clothing Holiday—effective June 3, 1999

Added Section 151.326 to provide an annual three-day period during which purchases of certain clothing and footwear become exempt from tax. The tax holiday will be held every year on the first Friday, Saturday, and Sunday of August. In August 1999, the exemption applied to both state and local sales and use taxes. In subsequent years local taxing entities will have the choice of participating in the holiday.

During the tax holiday, certain clothing and footwear priced at less than \$100 will be exempt from the Sales and Use tax. Customers will receive the exemption on individual items, regardless of the total amount of purchase. Clothing and footwear used primarily for athletic activities or for protective wear will not be eligible for the exemption unless the athletic wear is commonly worn other than while participating in an athletic activity, such as tennis shoes, baseball caps, and jogging suits.

Senate Bill 977—effective October 1, 2001

Amended several sections of Chapter 151 (including Section 151.316) to exempt a variety of items, including seedlings, certain chemicals, and machinery and equipment used in the production of timber.

On October 1, 2001, state and local sales and use taxes will be due on the covered items, but the purchaser will be entitled to a credit for or a refund of a portion of the taxes paid. Initially, the amount of the credit or refund will be 33 percent of the amount of tax paid, increasing to 50 percent and then 75 percent. On January 1, 2008, the relevant items will become completely exempt.

2001 The 77th Legislature

House Bill 82—effective October 1, 2001

Amended Section 151.321 to provide an exemption for the first \$5,000 of otherwise taxable receipts each calendar year from fund-raising sales or auctions made by qualified university and student organizations that are tax exempt. This exemption is in addition to the one-day tax-free sale or auction such organizations may have each calendar month.

House Bill 1098—effective September 1, 2001

Amended 151.052 to allow a purchaser of printed materials, delivered by the printer to the postal service or mail fulfillment house, to issue an exemption certificate to the printer in lieu of tax. The materials must be distributed by mail to individual recipients, both in-state and out-of-state, other than the purchaser.

House Bill 1845—effective June 15, 2001

Created Chapter 142 of the Tax Code to authorize the Comptroller to represent Texas in national efforts to simplify the states' sales tax structures. The intent of such efforts is to modernize sales and use tax administration and substantially reduce the burden on taxpayers.

House Bill 2686—effective September 1, 2001

Amended Section 151.429 and 151.4291 for enterprise projects designated after September 1, 2001 to increase the sales tax refund for each new or retained job to \$5,000 from \$2,000. Expanded the list of qualifying taxable items for refund to include any tangible personal property and any taxable services used by the project in the zone.

Senate Bill 2 and Senate Bill 312—effective September 1, 2001

Added Section 151.355 to exempt various types of equipment and services used for rainwater harvesting, water recycling, water use reduction, desalination, precipitation enhancement, regional water and wastewater systems; and by partnerships of public and private entities to construct or operate water supply or waste water systems.

Appendix C (continued)
Summary of Legislative Changes to the
Texas Sales and Use Tax Rate and Base

Senate Bill 5—effective September 1, 2001

Added Section 151.0515 to include a surcharge of 1.0 percent on the purchase, rental, or lease of off-road, heavy-duty, diesel-powered construction equipment.

Senate Bill 1125—effective September 1, 2001 and October 1, 2001

Made several changes to Chapter 151 to establish more stringent criminal penalties for failure to remit tax collected, selling taxable items without a sales tax permit, and failure to file a sales tax report (effective September 1, 2001).

Added Section 151.3021 to exempt certain wrapping and packaging supplies when purchased by laundries or dry cleaners and used to package items that have been pressed, dry cleaned, or laundered (effective October 1, 2001).

Added Section 151.3181 to change the calculation used to determine taxable divergent use for tangible personal property qualifying for manufacturing exemptions (effective October 1, 2001).

Clarified numerous other tax issues, including:

- charges for the installation of tangible personal property are part of the taxable sales price;
- the sale or use of a taxable item in an electronic form instead of on physical media does not alter the item's tax status;
- temporary services may be taxable unless the services are provided by a temporary employment service as defined by Section 93.001 of the Labor Code;
- services provided by a staff leasing company may be taxable unless the staff leasing company is licensed under Chapter 91 of the Labor Code or exempt from the licensing requirements of that chapter;
- the sale of motion picture, video, and audio masters is not subject to tax;
- the exemption for equipment used by a manufacturer in the quality-control process is limited to equipment used to test the product manufactured for sale; and
- photographic props are not taxable when sold to professional photographers or printers.

Senate Bill 1497—effective August 1, 2002

Added Section 151.061 to base sales and use taxes for mobile telecommunications service upon the location where the customer's use primarily occurs.

Various bills were enacted related to local sales and use taxation. These bills included House Bill 445 (effective June 11, 2001), to allow cities to impose a 0.25 percent sales and use tax for street maintenance; and House Bill 1096 (effective June 16, 2001), to allow a city with a population of 25,000 to 550,000 and a city with a population over 1.9 million to create a fire control, prevention, and emergency medical services district and impose a local sales and use tax of 0.125 percent to 0.5 percent (in 0.125 percent increments).

2003 The 78th Legislature

House Bill 109—effective January 1, 2004

Added Section 151.1575 to allow customs brokers to issue export documentation after examining a passport or other acceptable foreign photo ID; to require the purchaser to produce the property and original receipt; and to require the purchaser to certify in writing the applicable export information, such as place and time of export.

Amended Section 151.157 to require brokers to post a \$5,000 bond and pay an annual license fee of \$300 for each place of business from which they will issue export certifications and file quarterly reports. Amended Section 151.158 to set export certification stamps at \$1.60 each.

Sources of Revenue Growth

Appendix C (continued) Summary of Legislative Changes to the Texas Sales and Use Tax Rate and Base

House Bill 2425—effective June 20, 2003

Amended Section 151.318 to exempt materials used to construct or build a pharmaceutical biotechnology cleanroom and equipment used in the cleanroom when installed during the construction of a new facility with a value of at least \$150 million, provided the construction began after July 1, 2003 and before August 31, 2004.

House Bill 2425—effective June 20, 2003

Amended Section 151.011 to make tangible personal property, such as a raw material, that is purchased and processed out of state subject to use tax when used in Texas after processing or manufacturing. (Not applicable to printed materials.)

House Bill 2425—effective July 1, 2004

Added Section 151.103 to require a retailer to collect and remit applicable local use taxes regardless of whether the retailer is engaged in business in a particular local taxing jurisdiction.

House Bill 2425—effective October 1, 2003

Amended Section 151.314 to exempt as food products fruit drinks containing more than 50 percent juice and to exempt individual-sized bakery items, such as doughnuts and cookies sold without plates or eating utensils even if sold in quantities of five or less.

Amended Section 151.314 to require retailers who mix two or more food ingredients for sale by weight or volume (e.g., salad) as a single item to collect sales tax unless the mixture has raw animal foods (eggs, fish, meat or poultry) that require cooking by the consumer per FDA recommendations. (The provision does not include bakery items and food that is only cut, repackaged, or pasteurized.)

House Bill 2425—effective July 1, 2004

Amended Sections 321.203 and 323.203 to require retailers providing taxable services to collect local (city, county, special purpose district, or transit) tax based on the location at which the service is performed or otherwise delivered to the purchaser.

House Bill 2519—effective January 1, 2004

Added Section 151.3105 to exempt qualifying bingo equipment when purchased by an organization licensed to conduct bingo under Chapter 2001 of the Occupations Code. The organization must be exempt under IRS Section 501(c)(3), (4), (8), (10), or (19). ♣

Source: Carole Keeton Strayhorn, Texas Comptroller.

Sources of Revenue Growth

Appendix D-1 Interstate Tax Comparisons State Tax Collections - Fiscal 2002

Rank	State	State Tax Collections (in millions)	Population (in thousands)	Per Capita Collections
1	Hawaii	\$3,421	1,245	\$2,748
2	Delaware	2,174	807	2,693
3	Connecticut	9,033	3,461	2,610
4	Minnesota	12,936	5,020	2,577
5	Vermont	1,534	617	2,486
6	Massachusetts	14,820	6,428	2,306
7	New York	43,262	19,158	2,258
8	California	77,755	35,116	2,214
9	Wyoming	1,094	499	2,193
10	Michigan	21,864	10,050	2,176
11	Wisconsin	11,814	5,441	2,171
12	New Jersey	18,329	8,590	2,134
13	Washington	12,629	6,069	2,081
14	Maine	2,627	1,294	2,030
15	Rhode Island	2,128	1,070	1,988
16	Maryland	10,821	5,458	1,983
17	West Virginia	3,552	1,802	1,971
18	New Mexico	3,628	1,855	1,956
19	Kentucky	7,975	4,093	1,948
20	North Carolina	15,535	8,320	1,867
21	Arkansas	5,034	2,710	1,858
22	Nevada	3,945	2,173	1,816
23	Pennsylvania	22,136	12,335	1,795
24	Illinois	22,460	12,601	1,782
25	Kansas	4,808	2,716	1,770
26	North Dakota	1,117	634	1,762
27	Virginia	12,781	7,294	1,752
28	Oklahoma	6,053	3,494	1,732
29	Nebraska	2,993	1,729	1,731
30	Ohio	19,617	11,421	1,718
31	Iowa	5,006	2,937	1,705
32	Utah	3,925	2,316	1,695
33	Idaho	2,271	1,341	1,694
34	Alaska	1,090	644	1,692
35	Mississippi	4,729	2,872	1,647
36	Louisiana	7,346	4,483	1,639
37	Indiana	9,995	6,159	1,623
38	Georgia	13,772	8,560	1,609
39	Montana	1,443	909	1,587
40	Arizona	8,477	5,456	1,554
41	Colorado	6,923	4,507	1,536
42	Alabama	6,879	4,487	1,533
43	Missouri	8,679	5,673	1,530
44	Florida	24,816	16,713	1,485
45	New Hampshire	1,884	1,275	1,478
46	Oregon	5,139	3,522	1,459
47	South Carolina	5,749	4,107	1,400
48	Tennessee	7,798	5,797	1,345
49	Texas	28,662	21,780	1,316
50	South Dakota	977	761	1,283
	All States	\$533,432	287,799	\$1,853
	U.S. Average	\$10,669	5,756	\$1,853

Source: U.S. Bureau of the Census.

Sources of Revenue Growth

Appendix D-2 Interstate Tax Comparisons State Tax Rates - January 2004

State	Sales		Motor Vehicle Sales		Motor Vehicle Rental		Cigarette (per 20 cig.)		Gasoline (per gal.)		Diesel Fuel (per gal.)	
	Rate	Rank	Rate	Rank	Rate	Rank	Rate	Rank	Rate	Rank	Rate	Rank
Alabama	4.000%	38	2.000%	46	5.500%	35	16.50¢	46	18.00¢	36	19.00¢	34
Alaska	None	-	None	-	10.000	8	100.00	13	8.00	49	8.00	49
Arizona	5.600	21	5.600	19	13.350	2	118.00	12	18.00	36	18.00	37
Arkansas	5.125	24	5.125	22	10.000	8	59.00	26	21.50	22	22.50	20
California	6.000	9	7.250	1	7.250	21	87.00	18	18.00	36	18.00	37
Colorado	2.900	45	2.900	44	2.900	47	20.00	42	22.00	20	20.50	28
Connecticut	6.000	9	6.000	9	6.000	25	151.00	3	25.00	9	26.00	8
Delaware	None	-	2.750	45	1.920	49	55.00	29	23.00	18	22.00	23
Florida	6.000	9	6.000	9	6.000	25	33.90	40	14.30	47	27.00	6
Georgia	4.000	38	4.000	35	7.000	22	37.00	37	7.50	50	7.50	50
Hawaii	4.000	38	4.000	35	4.000	43	130.00	8	16.00	44	16.00	41
Idaho	6.000	9	6.000	9	6.000	25	57.00	27	26.00	5	26.00	8
Illinois	6.250	7	6.250	7	5.000	37	98.00	16	19.80	31	22.30	22
Indiana	6.000	9	6.000	9	10.000	8	55.50	28	18.00	36	16.00	41
Iowa	5.000	25	5.000	23	5.000	37	36.00	38	20.10	26	22.50	20
Kansas	5.300	23	5.300	22	8.800	14	79.00	20	24.00	13	26.00	8
Kentucky	6.000	9	6.000	9	6.000	25	3.00	49	16.40	43	13.40	48
Louisiana	4.000	38	4.000	35	4.000	43	36.00	38	20.00	27	20.00	29
Maine	5.000	25	5.000	23	10.000	8	100.00	13	24.60	10	25.70	12
Maryland	5.000	25	5.000	23	11.500	5	100.00	13	23.50	17	24.25	17
Massachusetts	5.000	25	5.000	23	5.000	37	151.00	3	21.00	24	21.00	25
Michigan	6.000	9	6.000	9	6.000	25	125.00	10	19.00	33	15.00	45
Minnesota	6.500	4	6.500	5	6.200	24	48.00	34	20.00	27	20.00	29
Mississippi	7.000	1	5.000	23	11.000	6	18.00	44	18.40	35	18.40	35
Missouri	4.225	37	4.000	35	4.225	42	17.00	45	17.03	41	17.03	40
Montana	None	-	None	-	4.000	43	70.00	22	27.00	4	27.75	5
Nebraska	5.500	22	5.500	20	4.500	41	64.00	24	25.70	7	25.70	12
Nevada	6.500	4	6.500	5	2.000	48	80.00	19	24.00	13	27.00	6
New Hampshire	None	-	None	-	8.000	16	52.00	33	19.50	32	19.50	33
New Jersey	6.000	9	6.000	9	6.000	25	205.00	1	14.50	46	17.50	39
New Mexico	5.000	25	3.000	40	11.000	6	91.00	17	18.90	34	19.90	3
New York	4.250	36	4.250	34	9.250	13	150.00	5	22.60	19	20.85	27
North Carolina	4.500	34	3.000	40	8.000	16	5.00	48	24.55	11	24.55	15
North Dakota	5.000	25	5.000	23	8.000	16	44.00	35	21.00	24	21.00	25
Ohio	6.000	9	6.000	9	6.000	25	55.00	29	24.00	13	24.00	18
Oklahoma	4.500	34	4.500	33	6.000	25	23.00	41	17.00	42	14.00	46
Oregon	None	-	None	-	None	-	128.00	9	24.00	13	24.00	18
Pennsylvania	6.000	9	6.000	9	8.000	16	135.00	7	25.90	6	30.80	2
Rhode Island	7.000	1	7.000	2	13.000	3	171.00	2	31.00	1	31.00	1
South Carolina	5.000	25	5.000	23	5.000	37	7.00	47	16.00	44	16.00	41
South Dakota	4.000	38	3.000	40	8.500	15	53.00	32	22.00	20	22.00	23
Tennessee	7.000	1	7.000	2	7.000	22	20.00	42	21.40	23	18.40	35
TEXAS	6.250	7	6.250	7	10.000	8	41.00	36	20.00	27	20.00	29
Utah	4.750	33	4.750	32	14.250	1	69.50	23	24.50	12	24.50	16
Vermont	6.000	9	6.000	9	6.000	25	119.00	11	20.00	27	26.00	8
Virginia	3.500	44	3.000	40	5.500	35	2.50	50	17.50	40	16.00	41
Washington	6.500	4	6.800	4	12.400	4	142.50	6	28.00	3	28.00	4
West Virginia	6.000	9	5.000	23	6.000	25	55.00	29	25.35	8	25.35	14
Wisconsin	5.000	25	5.000	23	8.000	16	77.00	21	28.50	2	28.50	3
Wyoming	4.000	38	4.000	35	4.000	43	60.00	25	14.00	48	14.00	46
National Average	5.314%		5.070%		7.210%		73.01¢		20.72¢		21.17¢	

Sources: Commerce Clearing House, Inc. and Federation of Tax Administrators

Sources of Revenue Growth

Appendix D-2 (continued) Interstate Tax Comparisons State Tax Rates - January 2004

State	Liquefied Gas (per gal.)		Beer (per gal.)		Wine (per gal.)		Liquor (per gal.)		Ale/Malt Liquor (per gal.)	
	Rate	Rank	Rate	Rank	Rate	Rank	Rate	Rank	Rate	Rank
Alabama	12.00¢	36	\$0.530	4	\$1.700	4	n/c	-	\$0.530	5
Alaska	None	-	1.070	1	2.500	1	\$12.80	1	1.070	1
Arizona	None	-	0.160	30	0.840	17	3.00	21	0.160	31
Arkansas	16.50	24	0.230	20	0.750	19	2.50	24	0.230	21
California	6.00	41	0.200	21	0.200	44	3.30	19	0.200	22
Colorado	20.50	14	0.080	44	0.320	38	2.28	29	0.080	44
Connecticut	None	-	0.190	24	0.600	25	4.50	8	0.190	25
Delaware	22.00	10	0.160	30	0.970	13	3.75	15	0.160	31
Florida	26.00	2	0.480	6	2.250	2	6.50	2	0.480	7
Georgia	11.20	38	0.480	6	1.510	6	3.79	14	0.480	7
Hawaii	11.00	39	0.930	2	1.380	8	5.92	5	0.930	2
Idaho	18.10	20	0.150	34	0.450	34	n/c	-	0.450	9
Illinois	25.60	3	0.185	26	0.730	20	4.50	8	0.185	27
Indiana	16.00	25	0.115	39	0.470	33	2.68	23	0.115	39
Iowa	20.00	15	0.190	24	1.750	3	n/c	-	0.190	25
Kansas	23.00	9	0.180	27	0.300	40	2.50	24	0.180	28
Kentucky	15.00	30	0.080	44	0.500	31	1.92	31	0.080	44
Louisiana	16.00	25	0.320	13	0.110	46	2.50	24	0.320	15
Maine	17.90	21	0.350	12	0.600	25	n/c	-	0.350	14
Maryland	23.50	8	0.090	43	0.400	35	1.50	32	0.090	43
Massachusetts	14.60	34	0.110	40	0.550	28	4.05	12	0.110	40
Michigan	15.00	30	0.200	21	0.510	30	n/c	-	0.200	22
Minnesota	15.00	30	0.150	34	0.300	40	5.03	7	0.150	35
Mississippi	17.00	22	0.430	8	0.350	37	n/c	-	0.430	10
Missouri	17.00	22	0.060	48	0.360	36	2.00	30	0.060	48
Montana	5.18	42	0.140	36	1.060	11	n/c	-	0.140	36
Nebraska	24.80	5	0.310	14	0.950	14	3.75	15	0.310	16
Nevada	22.00	10	0.160	30	0.700	22	3.60	18	0.160	31
New Hampshire	None	-	0.300	15	n/c	-	n/c	-	0.300	17
New Jersey	9.25	40	0.120	38	0.700	22	4.40	10	0.120	38
New Mexico	12.00	36	0.410	9	1.700	4	6.06	4	0.410	11
New York	18.50	18	0.110	40	0.190	45	6.44	3	0.110	40
North Carolina	24.30	6	0.530	4	0.790	18	n/c	-	0.530	5
North Dakota	21.00	12	0.160	30	0.500	31	2.50	24	0.160	31
Ohio	24.00	7	0.180	27	0.320	38	n/c	-	0.180	28
Oklahoma	16.00	25	0.400	11	0.720	21	5.56	6	0.400	13
Oregon	18.50	18	0.080	44	0.670	24	n/c	-	0.080	44
Pennsylvania	19.20	17	0.080	44	n/c	-	n/c	-	0.080	44
Rhode Island	30.00	1	0.100	42	0.600	25	3.75	15	0.100	42
South Carolina	16.00	25	0.770	3	1.080	10	2.72	22	0.770	3
South Dakota	20.00	15	0.270	16	0.930	15	3.93	13	0.270	18
Tennessee	14.00	35	0.140	36	1.210	9	4.40	10	0.140	36
TEXAS	15.00	30	0.194	23	0.204	43	2.40	28	0.198	24
Utah	None	-	0.410	9	n/c	-	n/c	-	0.410	11
Vermont	None	-	0.265	17	0.550	28	n/c	-	0.550	4
Virginia	16.00	25	0.260	19	1.510	6	n/c	-	0.260	20
Washington	None	-	0.261	18	0.870	16	n/c	-	0.261	19
West Virginia	25.35	4	0.180	27	1.000	12	n/c	-	0.180	28
Wisconsin	20.80	13	0.060	48	0.250	42	3.25	20	0.060	48
Wyoming	None	-	0.020	50	n/c	-	n/c	-	0.020	50
National Average	17.88¢		\$0.261		\$0.802		\$3.99		\$0.272	

n/c = not comparable

Sources: Commerce Clearing House, Inc. and Federation of Tax Administrators

Sources of Revenue Growth

Appendix D-3 Interstate Tax Comparisons Corporate Business Taxes - January 2004

State	Rate	Consolidated Reporting	Combined Reporting	S-Corporation Taxable Status Recognized
Alabama	6.5%	Yes	No	Yes
Alaska	1% per \$10,000 Over \$90,000 is 9.4%.	Yes	Yes	Yes
Arizona	6.968% Minimum tax is \$50.	Yes	Yes	Yes
Arkansas	1st \$3,000 = 1% 2nd \$3,000 = 2% Next \$5,000 = 3% Next \$14,000 = 5% Next \$75,000 = 6% Over \$100,000 = 6.5%	Yes	No	Yes
California	8.84% Minimum tax is \$800.	Yes*	Yes	Yes
Colorado	4.63%	Yes	Yes	Yes
Connecticut	7.5% of net income, or 3.1 mills per dollar of capital stock and surplus (maximum tax \$1 million), whichever is greater. Minimum tax is \$250.	Yes	Yes	Yes
Delaware	8.7%	No	No	Yes
Florida	5.5% or a 3.3% alternative minimum tax	Yes	No	Yes
Georgia	6%	Yes	No	Yes
Hawaii	1st \$25,000 = 4.4% Next \$75,000 = 5.4% Over \$100,000 = 6.4%	Yes	Yes	Yes
Idaho	7.6% Additional \$10 tax imposed on each return. Minimum tax is \$20.	No	Yes	Yes
Illinois	4.8% Additional 2.50% personal property replacement tax also imposed.	No	Yes	Yes
Indiana	8.5%	Yes	Yes	Yes
Iowa	1st \$25,000 = 6% Next \$75,000 = 8% Next \$150,000 = 10% Over \$250,000 = 12%	Yes	No	Yes

Appendix D-3 (continued)
Interstate Tax Comparisons
Corporate Business Taxes - January 2004

State	Rate	Consolidated Reporting	Combined Reporting	S-Corporation Taxable Status Recognized
Kansas	4% A 3.35% surtax imposed on taxable income over \$50,000.	Yes	Yes	Yes
Kentucky	1st \$25,000 = 4% Next \$25,000 = 5% Next \$50,000 = 6% Next \$150,000 = 7% Over \$250,000 = 8.25%	Yes	No	Yes
Louisiana	1st \$25,000 = 4% Next \$25,000 = 5% Next \$50,000 = 6% Next \$100,000 = 7% Over \$200,000 = 8%	No	No	No
Maine	1st \$25,000 = 3.5% Next \$50,000 = \$875+7.93% Next \$175,000 = \$4,840+8.33% Over \$250,000 = \$19,418+ 8.93% Or 27% alternative minimum tax	Yes	Yes	Yes
Maryland	7%	No	No	Yes
Massachusetts	Excise tax equal to the greater of the following: (a) 2.6 mills times tangible property or net worth allocated to the state plus 9.5% of net income, or (b) \$456.	Yes	No	Yes
Michigan	1.9% , to be reduced January 1 each year by 0.1%, provided the state's ending balance exceeds \$250 million.	Yes	Yes	No
Minnesota	9.8% plus 5.8% tax on any alternative minimum taxable income over the base tax.	No	Yes	Yes
Mississippi	1st \$5,000 = 3% Next \$5,000 = 4% Over \$10,000 = 5%	Yes	Yes	Yes
Missouri	6.25%	Yes	No	Yes
Montana	6.75% A 7% tax on taxpayers using water's edge combination. Minimum tax is \$50.	Yes	Yes	Yes
Nebraska	1st \$50,000 = 5.58% Over \$50,000 = 7.81%	No	Yes	Yes

Sources of Revenue Growth

Appendix D-3 (continued) Interstate Tax Comparisons Corporate Business Taxes - January 2004

State	Rate	Consolidated Reporting	Combined Reporting	S-Corporation Taxable Status Recognized
Nevada	\$25 for each full-time employee, imposed quarterly.	No	No	No
New Hampshire**	8.5%	No	Yes	No
New Jersey***	9% 6.5% if net income under \$100,000. Minimum tax is \$500.	No	No	Yes
New Mexico	1st \$500,000 = 4.8% 2nd \$500,000 = 6.4% Over \$1 million = 7.6%	Yes	Yes	Yes
New York	7.5%	No	Yes	No
North Carolina	6.9%	No	No	Yes
North Dakota	1st \$3,000 = 3% Next \$5,000 = 4.5% Next \$12,000 = 6% Next \$10,000 = 7.5% Next \$20,000 = 9% Over \$50,000 = 10.5%	Yes	Yes	Yes
Ohio****	5.1% of 1st \$50,000 plus 8.5% on net income over \$50,000; or 4.0 mills times the value of the stock (maximum tax \$150,000), whichever is greater. Minimum tax is \$50; \$1,000 for a taxpayer that has either: (1) \$5 million or more in worldwide worldwide gross receipts for the taxable year, or (2) 300 or more employees worldwide at any time during the taxable year.	No	Yes	Yes
Oklahoma	6%	Yes	No	Yes
Oregon	7% Minimum tax is \$10.	Yes	No	Yes
Pennsylvania	10%	No	No	Yes
Rhode Island	9% Minimum tax is \$250.	Yes	No	Yes
South Carolina	5%	Yes	No	Yes
Tennessee	6.5%	No	Yes (unitary financial corps. only)	No

Appendix D-3 (continued)
Interstate Tax Comparisons
Corporate Business Taxes - January 2004

State	Rate	Consolidated Reporting	Combined Reporting	S-Corporation Taxable Status Recognized
Texas	The greater of 4.5% of net income plus officer/director compensation; or 2.5 mills times the value of net worth.	No	No	No
Utah	5% Minimum tax is \$100.	No	Yes	Yes
Vermont	1st \$10,000 = 7% Next \$15,000 = 8.1% Next \$225,000 = 9.2% Over \$250,000 = 9.75% Minimum tax is \$250.	Yes	No	Yes
Virginia	6%	Yes	Yes	Yes
West Virginia	9%	Yes	Yes	Yes
Wisconsin	7.9%	No	No	Yes

* California: Consolidated reporting allowed only for affiliated railroads.

** New Hampshire: Plus a 0.75% tax on the enterprise base (total compensation, interest and dividends paid). The business profits tax and the business enterprise tax are imposed on corporations and unincorporated businesses.

*** New Jersey: The 9% rate is the corporation business franchise tax rate. An Alternative Minimum Assessment based on gross receipts applies if greater than corporate franchise tax. Corporations not subject to the franchise tax are subject to a 7.25% income tax.

**** Ohio: An additional tier one litter tax is imposed equal to the greater of 0.11% on the first \$50,000 of taxable income or 0.14 mills on net worth (maximum tier one tax is \$5,000). If the taxpayer manufactures or sells litter stream products, an additional tier two litter tax is imposed equal to the greater of 0.22% on taxable income greater than \$50,000, or 0.14 mills on net worth (maximum tier two litter tax is \$5,000.)

States with no corporate business tax: South Dakota
 Washington
 Wyoming

SOURCE: Federation of Tax Administrators, Commerce Clearing House, Inc., and state websites.

Sources of Revenue Growth

Appendix E-1 State Professional Fees Fiscal 2004

Occupation	Year Enacted	Legal Citation	Administering Agency	Rate Limit (excluding \$200 increase)	\$200 Fee Increase
Accountants	1915	Texas Occupations Code, § 901.154	Texas State Board of Public Accountancy	Not to exceed statutory limitations.	Yes
Acupuncture	1994	Texas Occupations Code, § 205.103	Texas State Board of Medical Examiners	Set by rule.	No
Air Conditioning and Refrigeration Contractors	1986	Texas Occupations Code, § 1302.256	Texas Department of Licensing and Regulation	Set by rule.	No
Architects	1937	Texas Occupations Code, § 1051.204	Texas Board of Architectural Examiners	Set by rule; certain fees not to exceed statutory limitations.	Yes
Asbestos Removal	1988	Texas Occupations Code, § 1954.056	Texas Department of State Health Services	Not to exceed statutory limitations.	No
Athlete Agent	1988	Texas Occupations Code, § 2051.108	Secretary of State	Set by rule.	No
Athletic Trainers	1972	Texas Occupations Code, § 451.106	Texas Department of State Health Services	Set by rule.	No
Auctioneers	1975	Texas Occupations Code, § 1802.054	Texas Department of Licensing and Regulation	Set by rule.	No
Barbers	1929	Texas Occupations Code, § 1601.155	State Board of Barber Examiners	Not to exceed statutory limitations.	No
Career Counseling	1987	Texas Occupations Code, § 2502.052	Texas Department of Licensing and Regulation	Set by rule.	No
Cemeteries	2001	Texas Occupations Code, § 651.154	Texas Funeral Service Commission	Set by rule.	No
Certified Medication Aides	1983	Texas Health & Safety Code, § 242.611	Texas Department of Aging and Disability Services	Not to exceed statutory limitations.	No
Check Sellers	1963	Texas Finance Code, § 152.102	Texas Department of Banking	Set by rule.	No
Chemical Dependency Counselors	1992	Texas Occupations Code, § 504.053	Texas Commission on Alcohol and Drug Abuse	Not to exceed statutory limitations.	No
Chiropractors	1950	Texas Occupations Code, § 201.153	Texas Board of Chiropractic Examiners	Set by rule, but not less than the fee on September 1, 1993.	Yes
Code Enforcement Officers	1992	Texas Occupations Code, § 1952.052	Texas Department of State Health Services	Not to exceed statutory limitations.	No
Cosmetologists	1935	Texas Occupations Code, § 1602.154	Texas Cosmetology Commission	Set by rule.	No
Court Interpreter	2002	Texas Government Code, §§ 57.022 and 57.047	Texas Commission for the Deaf and Hard of Hearing and Texas Department of Licensing and Regulation	Set by rule.	No
Court Reporters	1977	Texas Government Code, § 52.013	Court Reporters Certification Board	Set by rule with Supreme Court approval.	No
Crematories	2001	Texas Occupations Code, § 651.656	Texas Funeral Service Commission	Set by rule.	No
Customs Brokers	1993	Texas Tax Code, § 151.157	Texas Comptroller of Public Accounts	\$300	No
Dental Hygienists	1951	Texas Occupations Code, §§ 254.004 and 257.002	State Board of Dental Examiners	Set by rule.	No
Dental Labs	1959	Texas Occupations Code, §§ 254.004 and 266.153	State Board of Dental Examiners	Set by rule.	No
Dentists	1919	Texas Occupations Code, §§ 254.004 and 257.002	State Board of Dental Examiners	Set by rule, but not less than the fee on September 1, 1993.	Yes
Dieticians	1983	Texas Occupations Code, § 701.154	Texas Department of State Health Services	Set by rule, but not less than the fee on September 1, 1993.	No
Dry Cleaning Facilities	2003	Texas Health & Safety Code, § 374.102	Texas Commission on Environmental Quality	Set by statute.	No
Electricians	2004	Texas Occupations Code, § 1305.103	Texas Department of Licensing and Regulation	Set by rule.	No
Elevator Inspection	1994	Texas Health & Safety Code, § 754.015	Texas Department of Licensing and Regulation	Set by the executive director.	No

Appendix E-1 (continued) State Professional Fees Fiscal 2004

Occupation	Year Enacted	Legal Citation	Administering Agency	Rate Limit (excluding \$200 increase)	\$200 Fee Increase
Emergency Medical Services	1984	Texas Health & Safety Code, §§ 773.055 and 773.057	Texas Department of State Health Services	Not to exceed statutory limitations.	No
Fire Alarm Detection	1975	Texas Insurance Code, Art. 5.43-2 § 5	Texas Department of Insurance	Not to exceed statutory limitations.	No
Fire Extinguishers	1971	Texas Insurance Code, Art. 5.43-1 § 4	Texas Department of Insurance	Not to exceed statutory limitations.	No
Fire Protection Personnel	1983	Texas Government Code, §§ 419.026 and 419.071	Texas Commission on Fire Protection	Not to exceed statutory limitations.	No
Fire Protection Sprinkler Systems Fireworks	1984 1958	Texas Insurance Code, Art. 5.43-3 § 4 Texas Occupations Code, §§ 2154.151-2154.156	Texas Department of Insurance Texas Department of Insurance	Not to exceed statutory limitations. Not to exceed statutory limitations.	No No
Food Managers	2002	Texas Health & Safety Code, § 438.106	Texas Department of State Health Services	Not to exceed statutory limitations.	No
For-Profit Legal Service Contracts	2004	Texas Occupations Code, § 953.053	Texas Department of Licensing and Regulation	Set by rule.	No
Funeral Directors, Embalmers, and Funeral Establishments	1903	Texas Occupations Code, § 651.154	Texas Funeral Service Commission	Set by rule.	No
Geoscientists	2003	Texas Occupations Code, § 1002.152	Texas Board of Professional Geoscientists	Set by rule.	No
Handgun Trainers	1995	Texas Government Code, § 411.190	Texas Department of Public Safety	\$100	No
Health Service Providers	1989	Texas Health & Safety Code, § 12.014	Texas Department of State Health Services	Set by rule.	No
Hearing Instrument Fitters and Dispensers	1970	Texas Occupations Code, § 402.106	Texas Department of State Health Services	Set by rule.	No
Home Builders	2004	Texas Property Code, § 416.004	Texas Residential Construction Commission	Not to exceed statutory limitations.	No
Home Health Medication Aides	1990	Texas Health & Safety Code, § 142.026	Texas Department of Aging and Disability Services	Not to exceed statutory limitations.	No
Home Registration	2004	Texas Property Code, § 426.003	Texas Residential Construction Commission	Not to exceed statutory limitations.	No
Interior Design	1992	Texas Occupations Code, § 1053.052	Texas Board of Architectural Examiners	Set by rule.	Yes
Interpreters for the Deaf	1979	Texas Human Resources Code, § 81.007	Texas Commission for the Deaf and Hard of Hearing	Set by rule.	No
Irrigators and Installers	1974	Texas Water Code, §§ 34.006 and 37.009	Texas Commission on Environmental Quality	Not to exceed statutory limitations.	No
Land Surveyors	1955	Texas Occupations Code, § 1071.152	Texas Board of Professional Land Surveying	Set in the Appropriations Act.	Yes
Landscape Architects	1969	Texas Occupations Code, § 1052.054	Texas Board of Architectural Examiners	Set by rule.	Yes
Law Enforcement Personnel	1983	Texas Occupations Code, § 1701.154	Texas Commission on Law Enforcement Officer Standards and Education	Set by rule.	No
Licensed Professional Counselors	1981	Texas Occupations Code, § 503.202	Texas Department of State Health Services	Set by rule, but not less than the fee on September 1, 1993.	No
Licensed Vocational Nurses	1951	Texas Occupations Code, § 302.153	Board of Nurse Examiners	Set by rule, but not less than the fee on September 1, 1993.	No
Lobbyist Registration	1988	Texas Government Code, § 305.005	Texas Ethics Commission	\$100 or \$300	No
Marriage and Family Therapists	1992	Texas Occupations Code, § 502.153	Texas Department of State Health Services	Set by rule, but not less than the fee on September 1, 1993.	No
Massage Therapy	1986	Texas Occupations Code, § 455.153	Texas Department of State Health Services	Set by rule.	No
Medical Physicists	1992	Texas Occupations Code, § 602.203	Texas Department of State Health Services	Set by rule.	No
Medical Radiologic Technologists	1988	Texas Occupations Code, § 601.057	Texas Department of State Health Services	Set by rule.	No

Sources of Revenue Growth

Sources of Revenue Growth

Appendix E-1 (continued) State Professional Fees Fiscal 2004

Occupation	Year Enacted	Legal Citation	Administering Agency	Rate Limit (excluding \$200 increase)	\$200 Fee Increase
Membership Camping Contracts	1987	Texas Property Code, § 222.004	Secretary of State	Set by rule.	No
Midwives	1983	Texas Occupations Code, § 203.152	Texas Department of State Health Services	Set by rule, but not less than the fee on September 1, 1993.	No
Mold Assessors and Remediators	2004	Texas Occupations Code, § 1958.055	Texas Department of State Health Services	Set by rule.	No
Mortgage Banker	2004	Texas Finance Code, § 157.006	Texas Savings and Loan Department	Not to exceed statutory limitations.	No
Mortgage Broker/Loan Officer	2000	Texas Finance Code, §§156.203, 156.208, 156.2081, and 156.211	Texas Savings and Loan Department	Not to exceed statutory limitations.	No
Non-profit Health Organizations	1971	Texas Occupations Code, § 153.051	Texas State Board of Medical Examiners	Set by rule.	No
Notary Public	1881	Texas Government Code, § 406.007	Secretary of State	\$21	No
Occupational Therapists and Occupational Therapy Facilities	1983	Texas Occupations Code, § 454.104	Executive Council of Physical Therapy and Occupational Therapy Examiners	Set by rule, but not less than the fee on September 1, 1993.	No
On-site Sewage Disposal Personnel	1987	Texas Health & Safety Code, § 366.071 and Texas Water Code § 37.009	Texas Commission on Environmental Quality	Set by rule.	No
Opticians	1992	Texas Occupations Code, § 352.054	Texas Department of State Health Services	Set by rule.	No
Optometrists and Therapeutic Optometrists	1921	Texas Occupations Code, § 351.152	Texas Optometry Board	Set by rule, but not less than the fee on September 1, 1993.	Yes
Orthotists and Prosthetists	1998	Texas Occupations Code, § 605.152	Texas Department of State Health Services	Set by rule.	No
Pawnshops	1967	Texas Finance Code, §§ 371.055 and 14.107	Office of Consumer Credit Commissioner	Set by statute and by rule.	No
Pawnshop Employees	1981	Texas Finance Code, §§ 371.103 and 371.106	Office of Consumer Credit Commissioner	Set by statute, \$25 initial and \$15 renewal fee.	No
Perfusionists	1994	Texas Occupations Code, § 603.154	Texas Department of State Health Services	Set by rule.	No
Perpetual Care Cemetery	1945	Texas Health & Safety Code, § 712.042	Texas Department of Banking	Set by rule.	No
Personnel Employment Services	1949	Texas Occupations Code, § 2501.055	Texas Department of Licensing and Regulation	Set by rule.	No
Pesticide Applicator for Health Related Pest Control	1976	Texas Agriculture Code, §§ 76.108 and 76.109	Texas Department of State Health Services	Set by rule.	No
Pharmacy and Pharmacists	1929	Texas Occupations Code, § 554.006	Texas State Board of Pharmacy	Set by rule.	No
Physical Therapists	1972	Texas Occupations Code, § 453.104	Executive Council of Physical Therapy and Occupational Therapy Examiners	Set by rule, but not less than the fee on September 1, 1993.	No
Physician Assistant	1994	Texas Occupations Code, § 204.103	Texas State Board of Medical Examiners	Set by rule.	No
Physicians	1908	Texas Occupations Code, §153.051	Texas State Board of Medical Examiners	Not to exceed statutory limits, but not less than the fee on September 1, 1993.	Yes
Plumbers	1947	Texas Occupations Code, § 1301.253	State Board of Plumbing Examiners	Set by rule.	No
Podiatrists	1923	Texas Occupations Code, § 202.301	Texas State Board of Podiatric Examiners	Set by rule, but not less than the fee on September 1, 1993.	No
Polygraph Examiners	1965	Texas Occupations Code, § 1703.102	Polygraph Examiners Board	Not to exceed statutory limitations.	No
Private Security Personnel	1969	Texas Occupations Code, §§ 1702.302 and 1702.307	Texas Department of Public Safety	Not to exceed statutory limitations.	No

Appendix E-1 (continued) State Professional Fees Fiscal 2004

Occupation	Year Enacted	Legal Citation	Administering Agency	Rate Limit (excluding \$200 increase)	\$200 Fee Increase
Professional Engineers	1937	Texas Occupations Code, § 1001.204	Texas Board of Professional Engineers	Set by rule.	Yes
Professional Sanitarians	1966	Texas Occupations Code, § 1953.052	Texas Department of State Health Services	Set by rule.	No
Property Tax Consultants	1992	Texas Occupations Code, § 1152.154	Texas Department of Licensing and Regulation	Set by rule.	Yes
Psychologists	1971	Texas Occupations Code, § 501.152	Texas Board of Examiners of Psychologists	Set by rule, not less than the fee on September 1, 1993.	Yes
Real Estate Appraiser	1989	Texas Occupations Code, § 1103.156	Texas Real Estate Commission	Set by rule.	No
Real Estate Brokers	1939	Texas Occupations Code, § 1101.152	Texas Real Estate Commission	Not to exceed statutory limitations.	Yes
Real Estate Easement or Right-of-Way Agent	1998	Texas Occupations Code, § 1101.152	Texas Real Estate Commission	Not to exceed statutory limitations.	No
Real Estate Inspectors	1981	Texas Occupations Code, § 1101.251	Texas Real Estate Commission	Not to exceed statutory limitations.	No
Real Estate Salespersons	1939	Texas Occupations Code, § 1101.152	Texas Real Estate Commission	Not to exceed statutory limitations.	No
Registered Nurses	1923	Texas Occupations Code, § 301.155	Board of Nurse Examiners	Set by rule, not less than the fee on September 1, 1993.	No
Repair Facilities	1994	Texas Occupations Code, § 2304.053	Texas Commission on Environmental Quality	\$50	No
Residential Construction Arbitrators	2004	Texas Property Code, § 417.003	Texas Residential Construction Commission	Not to exceed statutory limitations.	No
Residential Service Companies	1979	Texas Occupations Code, § 1303.052	Texas Real Estate Commission	Not to exceed statutory limitations.	No
Respiratory Care Practitioners	1987	Texas Occupations Code, § 604.053	Texas Department of State Health Services	Set by rule.	No
Salvage Dealers	1996	Texas Occupations Code, § 2302.052	Texas Department of Transportation	Set by rule.	No
Securities Act Personnel	1935	Texas Civil Statutes, Art. 581-35	State Securities Board	Not to exceed statutory limitations; certain fees set by statute.	Yes
Service Contract Providers	2000	Texas Occupations Code, § 1304.103	Texas Department of Licensing and Regulation	Not to exceed statutory limitations.	No
Solicitation - Public Safety	1993	Texas Occupations Code, §§ 1803.054 and 1803.055	Secretary of State	\$250 or \$500	No
Solicitation - Veterans	1993	Texas Occupations Code, §§ 1804.053 and 1804.055	Secretary of State	\$150 or \$500	No
Solid Waste Technicians	1981	Texas Health & Safety Code, § 361.027 and Texas Water Code, § 37.009	Texas Commission on Environmental Quality	Set by rule.	No
Speech-Language Pathologists and Audiologists	1984	Texas Occupations Code, § 401.204	Texas Department of State Health Services	Set by rule.	No
Staff Leasing	1994	Texas Labor Code, § 91.017	Texas Department of Licensing and Regulation	Not to exceed statutory limitations.	No
Structural Pest Control	1971	Texas Occupations Code, § 1951.309	Texas Structural Pest Control Board	Not to exceed statutory limitations.	No
Surgical Assistants	2002	Texas Occupations Code, § 206.208	Texas State Board of Medical Examiners	Set by rule.	No
Talent Agencies	1990	Texas Occupations Code, § 2105.053	Texas Department of Licensing and Regulation	Not to exceed statutory limitations.	No
Tax Assessors, Appraisers, and Collectors	1977	Texas Occupations Code, § 1151.158	Board of Tax Professional Examiners	Set by rule within statutory limitations.	No
Telephone Solicitors	1993	Texas Business & Commerce Code, § 38.103	Secretary of State	\$200	No
Temporary Common Worker	1992	Texas Labor Code, § 92.014	Texas Department of Licensing and Regulation	Set by rule.	No

Sources of Revenue Growth

Appendix E-1 (continued) State Professional Fees Fiscal 2004

Occupation	Year Enacted	Legal Citation	Administering Agency	Rate Limit (excluding \$200 increase)	\$200 Fee Increase
Third-Party Inspectors	2004	Texas Property Code, § 427.001	Texas Residential Construction Commission	Set by rule.	No
Third-Party Home Warranty Companies	2004	Texas Property Code, § 430.008	Texas Residential Construction Commission	Set by rule.	No
Timeshare Regulation	1985	Texas Property Code, § 221.024	Texas Real Estate Commission	Set by rule.	No
Training and Regulation of HIV Counselors	1989	Texas Health & Safety Code, §§ 85.087 and 93.003	Texas Department of State Health Services	Set by rule.	No
Underground Storage Tank Installers	1990	Texas Water Code, §§ 26.452, 26.456, and 37.009	Texas Commission on Environmental Quality	Not to exceed statutory limitations.	No
Vehicle Protection Product Warrantors	2002	Texas Occupations Code, § 2306.052	Texas Department of Licensing and Regulation	Not to exceed statutory limitations.	No
Veterinarians	1911	Texas Occupations Code, § 801.154	State Board of Veterinary Medical Examiners	Set by rule.	Yes
Viatical Settlements	1995	Texas Insurance Code, § 1111.004	Texas Department of Insurance	Not to exceed statutory limitations.	No
Water Treatment Specialists	1985	Texas Health & Safety Code, § 341.102 and Texas Water Code, § 37.009	Texas Commission on Environmental Quality	Not to exceed statutory limitations.	No

Source: Carole Keeton Strayhorn, Texas Comptroller.

Appendix E-2 Chronology of State Professional Fees by Year of Implementation

<u>Year</u>	<u>Occupation</u>	<u>Year</u>	<u>Occupation</u>	<u>Year</u>	<u>Occupation</u>
1881	Notary Public	1975	Auctioneers	1992	Marriage and Family Therapists
1903	Funeral Directors, Embalmers, & Funeral Establishments	1975	Fire Alarm Detection	1992	Medical Physicists
1908	Physicians	1976	Pesticide Applicator for Health Related Pest Control	1992	Opticians
1911	Veterinarians	1977	Court Reporters	1992	Property Tax Consultants
1915	Accountants	1977	Tax Assessors, Appraisers, and Collectors	1992	Temporary Common Worker
1919	Dentists	1979	Interpreters for the Deaf	1993	Customs Brokers
1921	Optometrists and Therapeutic Optometrists	1979	Residential Service Companies	1993	Solicitation - Public Safety
1923	Podiatrists	1981	Licensed Professional Counselors	1993	Solicitation - Veterans
1923	Registered Nurses	1981	Pawnshop Employees	1993	Telephone Solicitors
1929	Barbers	1981	Real Estate Inspectors	1994	Acupuncture
1929	Pharmacy and Pharmacists	1981	Solid Waste Technicians	1994	Elevator Inspection
1935	Cosmetologists	1983	Certified Medication Aides	1994	Perfusionists
1935	Securities Act Personnel	1983	Dieticians	1994	Physician Assistant
1937	Architects	1983	Fire Protection Personnel	1994	Repair Facilities
1937	Professional Engineers	1983	Law Enforcement Personnel	1994	Staff Leasing
1939	Real Estate Brokers	1983	Midwives	1995	Handgun Trainers
1939	Real Estate Salespersons	1983	Occupational Therapists and Occupational Therapy Facilities	1995	Viatical Settlements
1945	Perpetual Care Cemetery	1984	Emergency Medical Services	1996	Salvage Dealers
1947	Plumbers	1984	Fire Protection Sprinkler Systems	1998	Orthotists and Prosthetists
1949	Personnel Employment Services	1984	Speech-Language Pathologists and Audiologists	1998	Real Estate Easement or Right-of-Way Agent
1950	Chiropractors	1985	Timeshare Regulation	2000	Mortgage Broker/Loan Officer
1951	Dental Hygienists	1985	Water Treatment Specialists	2000	Service Contract Providers
1951	Licensed Vocational Nurses	1986	Air Conditioning and Refrigeration Contractors	2001	Cemeteries
1955	Land Surveyors	1986	Massage Therapy	2001	Crematories
1958	Fireworks	1987	Career Counseling	2002	Court Interpreter
1959	Dental Labs	1987	Membership Camping Contracts	2002	Food Managers
1963	Check Sellers	1987	On-site Sewage Disposal Personnel	2002	Surgical Assistants
1965	Polygraph Examiners	1987	Respiratory Care Practitioners	2002	Vehicle Protection Product Warrantors
1966	Professional Sanitarians	1988	Asbestos Removal	2003	Dry Cleaning Facilities
1967	Pawnshops	1988	Athlete Agent	2003	Geoscientists
1969	Landscape Architects	1988	Lobbyist Registration	2004	Electricians
1969	Private Security Personnel	1988	Medical Radiologic Technologists	2004	For-Profit Legal Service Contracts
1970	Hearing Instrument Fitters and Dispensers	1989	Health Service Providers	2004	Home Builders
1971	Fire Extinguishers	1989	Real Estate Appraiser	2004	Home Registration
1971	Non-profit Health Organizations	1989	Training and Regulation of HIV Counselors	2004	Mold Assessors and Remediators
1971	Psychologists	1990	Home Health Medication Aides	2004	Mortgage Banker
1971	Structural Pest Control	1990	Talent Agencies	2004	Residential Construction Arbitrators
1972	Athletic Trainers	1990	Underground Storage Tank Installers	2004	Third-Party Inspectors
1972	Physical Therapists	1992	Chemical Dependency Counselors	2004	Third-Party Home Warranty Companies
1974	Irrigators and Installers	1992	Code Enforcement Officers		
		1992	Interior Design		

Source: Carole Keeton Strayhorn, Texas Comptroller.

Sources of Revenue Growth

Appendix F Summary of Rate Changes for Major Insurance Premium Taxes 1907 – Current

		<u>Property and Casualty</u>		<u>Life, Accident, and Health</u>		<u>Title</u>
(Multiple rates apply in inverse proportion to the share of investments in Texas.)						
		<u>Domestic</u>	<u>Foreign</u>	<u>Domestic</u>	<u>Foreign</u>	
		(percent)	(percent)	(percent)	(percent)	(percent)
30th Leg.	1907 a	2	2	0.5/1.0/3.0	0.5/1.0/3.0	
31st Leg.	1909	2	2	0	1.5/2.0/2.5/3.0	
32nd Leg.	1911	0.5/1.0/2.6	0.5/1.0/2.6	0	1.5/2.0/2.5/3.0	
44th Leg.	1936	0.625/1.25/3.25	0.625/1.25/3.25	0.5	2.5/2.9/3.25/3.75	
45th Leg.	1937	0.625/1.25/3.25	0.5/2.0/3.25	0.5	2.5/2.9/3.25/3.75	
46th Leg.	1939 b	0.625/1.25/3.25	0.5/2.0/3.25	0.5	2.5/2.9/3.25/3.75	
47th Leg.	1941	0.75/1.5/4.05	0.5/3.0/4.05	0.625	3.1/3.6/4.0/4.65	
49th Leg.	1945 c	1.0/1.5/2.0/2.75/3.5	1.0/1.5/2.0/2.75/3.5	0.95/1.75/2.5/2.75/3.0/3.75	0.95/1.75/2.5/2.75/3.0/3.75	
51st Leg.	1949	1.0/1.5/2.0/2.75/3.5	1.0/1.5/2.0/2.75/3.5	1	1.75/2.0/2.5/2.75/3.0	
52nd Leg.	1951	1.1/1.65/2.2/2.75/3.025/3.85	1.1/1.65/2.2/2.75/3.025/3.85	1.1	1.75/2.0/2.5/2.75/3.0	
67th Leg.	1981	1.2/2.4/3.5	1.2/2.4/3.5	1.1	1.75/2.0/2.5/2.75/3.0	
68th Leg.	1983	1.2/2.4/3.5	1.2/2.4/3.5	1.1	1.925/2.2/2.75/3.025/3.3	
68th Leg.	1984	1.2/2.4/3.5	1.2/2.4/3.5	1.1/1.8/2.5	1.1/1.8/2.5	
69th Leg.	1985	1.2/2.4/3.5	1.2/2.4/3.5	1.1/1.8/2.5		1.1/1.8/2.5
70th Leg.	1987 d,e	1.2/2.4/3.5	1.2/2.4/3.5	1.1/1.8/2.5	1.1/1.8/2.5	1.3/2.0
71st Leg.	1989	1.6/2.4/3.5	1.6/2.4/3.5	1.1/1.8/2.5	1.1/1.8/2.5	1.3/2.0
71st Leg. Applicable Calendar Year Rates:						
	1990	1.6/2.4/3.5	1.6/2.4/3.5	1.3/1.85/2.4	1.3/1.85/2.4	1.3/2.0
	1991	1.6/2.4/3.5	1.6/2.4/3.5	1.4/1.85/2.3	1.4/1.85/2.3	1.3/2.0
	1992	1.6/2.4/3.5	1.6/2.4/3.5	1.5/1.85/2.2	1.5/1.85/2.2	1.3/2.0
	1993	1.6/2.4/3.5	1.6/2.4/3.5	1.6/1.85/2.1	1.6/1.85/2.1	1.3/2.0
	1994	1.6/2.4/3.5	1.6/2.4/3.5	1.7/1.85/2.0	1.7/1.85/2.0	1.3/2.0
	1995–1999	1.6/2.4/3.5	1.6/2.4/3.5	1.75	1.75	1.3/2.0
76th Leg.	1999 f	1.6	1.6	1.75	1.75	1.35

Notes:

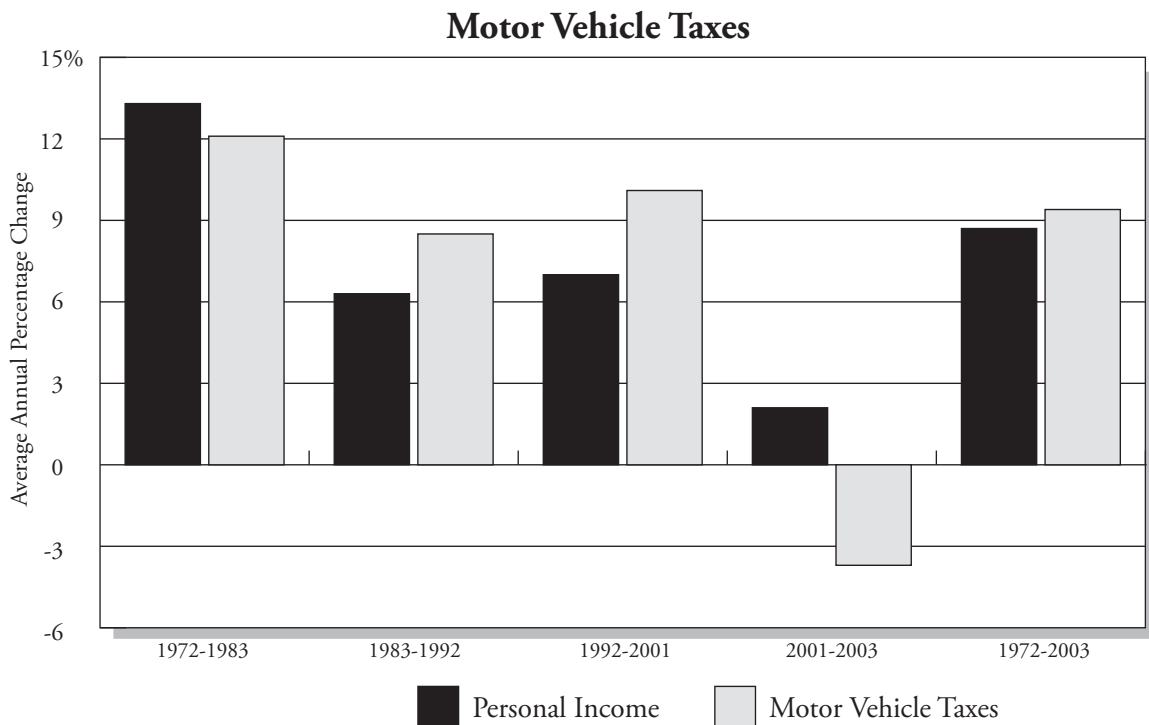
- a Pre-1907: Insurance companies assessed a flat \$50 annual tax.
- b Change in Texas investment thresholds necessary for reduced tax rates.
- c First \$450,000 in gross life premiums qualify for reduced tax rates.
- d 20 percent surtax enacted by the 70th Legislature applicable to calendar 1987 and 1988 premiums only.
- e Title separated from P&C by the 70th Legislature for calendar 1988 and beyond premiums.
- f For premiums written in calendar 2000 and beyond.

SOURCE: Carole Keeton Strayhorn, Texas Comptroller.

Appendix G
State Tax Collections and Personal Income, Fiscal 1972-2003
 Average Annual Growth Rates by Period



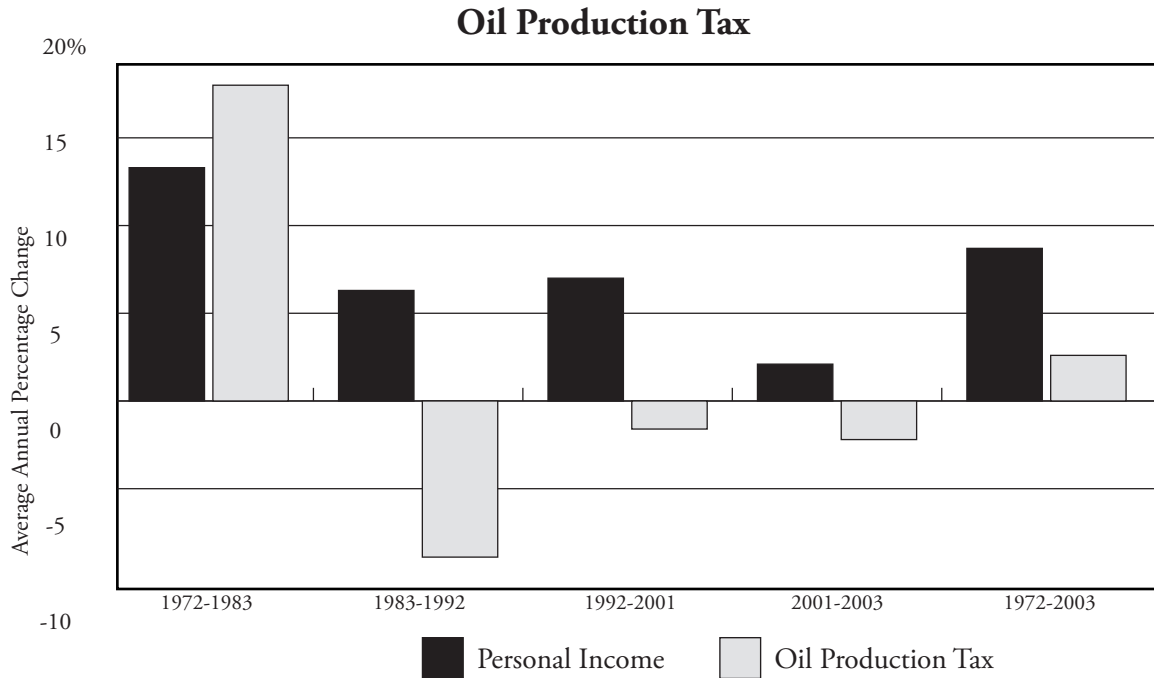
SOURCE: Carole Keeton Strayhorn, Texas Comptroller.



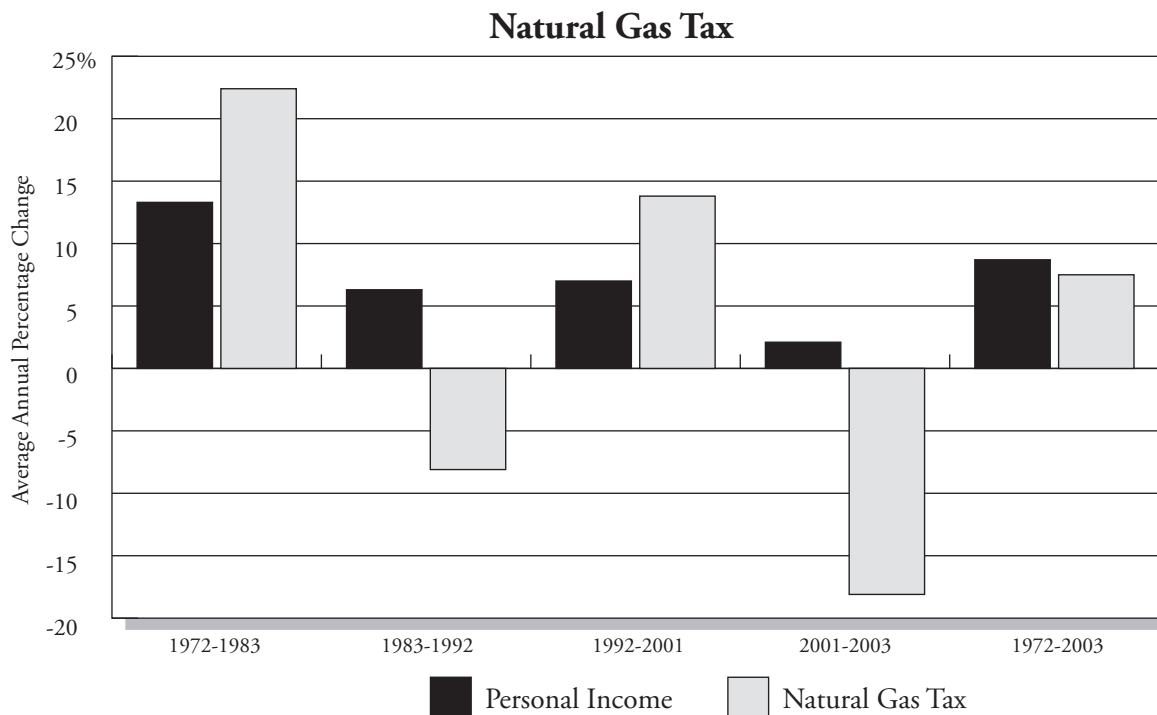
SOURCE: Carole Keeton Strayhorn, Texas Comptroller.

Sources of Revenue Growth

Appendix G (continued)
State Tax Collections and Personal Income, Fiscal 1972-2003
 Average Annual Growth Rates by Period

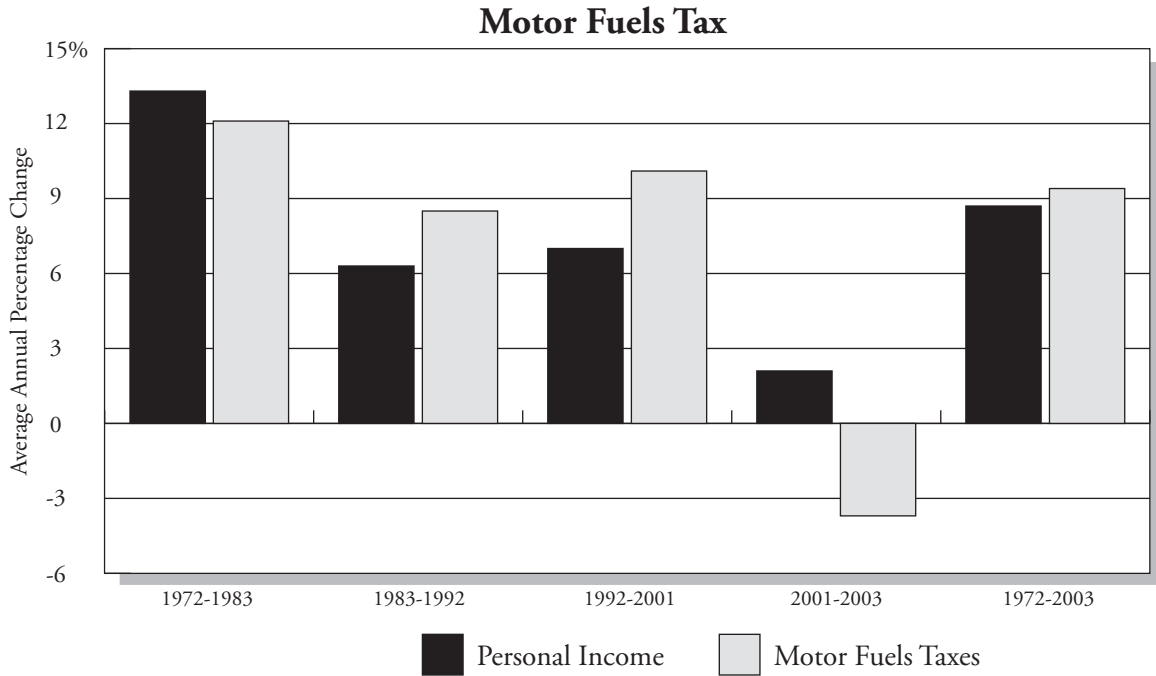


SOURCE: Carole Keeton Strayhorn, Texas Comptroller.

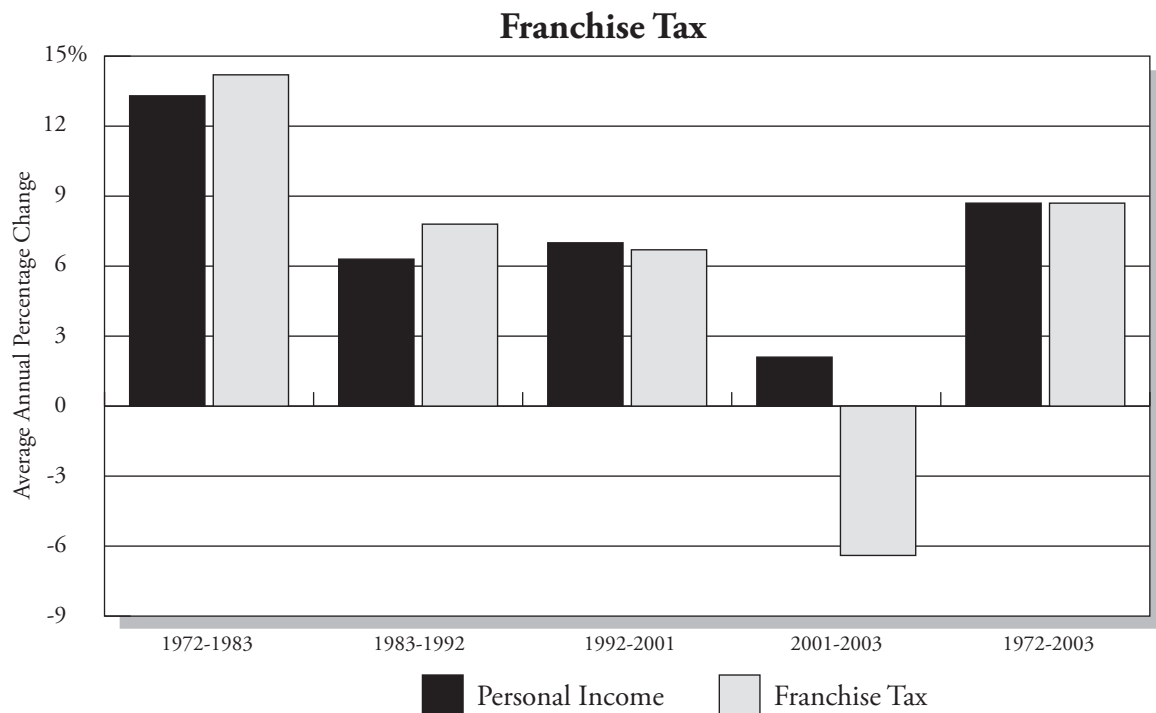


SOURCE: Carole Keeton Strayhorn, Texas Comptroller.

Appendix G (continued)
State Tax Collections and Personal Income, Fiscal 1972-2003
 Average Annual Growth Rates by Period



SOURCE: Carole Keeton Strayhorn, Texas Comptroller.

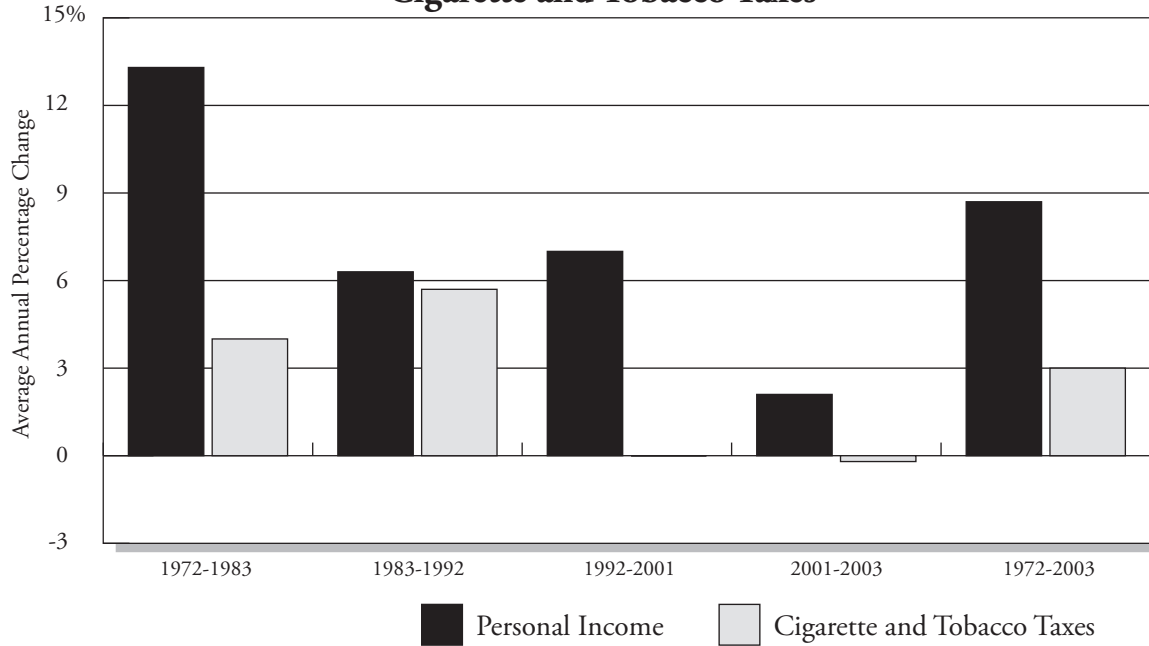


SOURCE: Carole Keeton Strayhorn, Texas Comptroller.

Sources of Revenue Growth

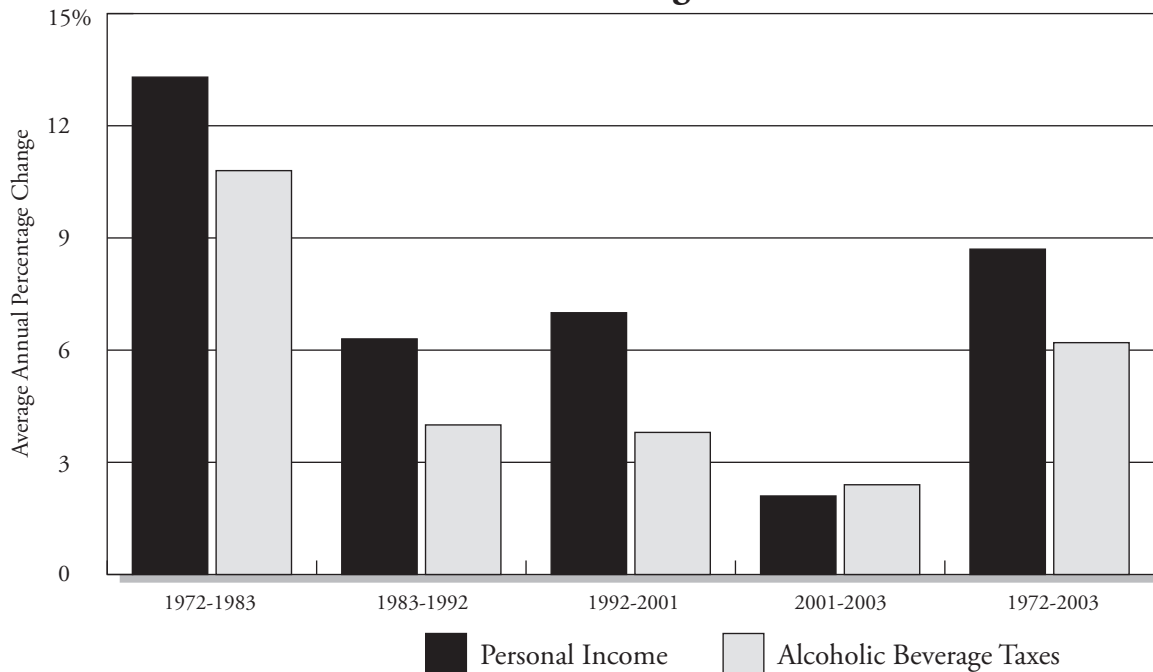
Appendix G (continued)
State Tax Collections and Personal Income, Fiscal 1972-2003
 Average Annual Growth Rates by Period

Cigarette and Tobacco Taxes



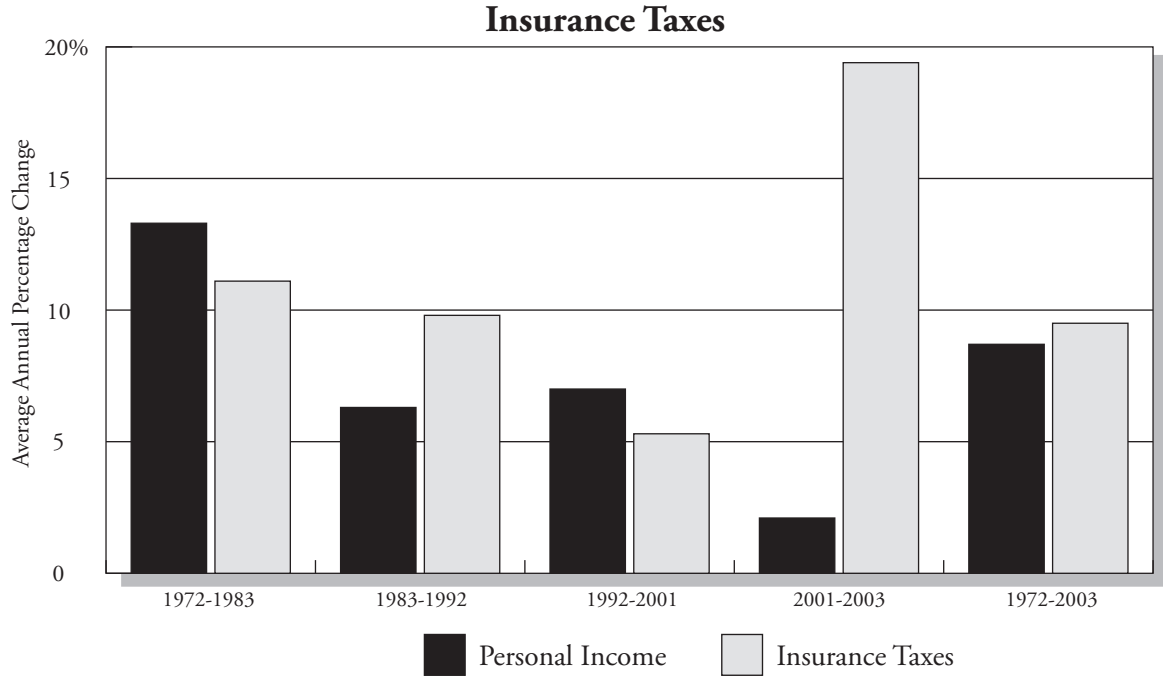
SOURCE: Carole Keeton Strayhorn, Texas Comptroller.

Alcoholic Beverage Taxes

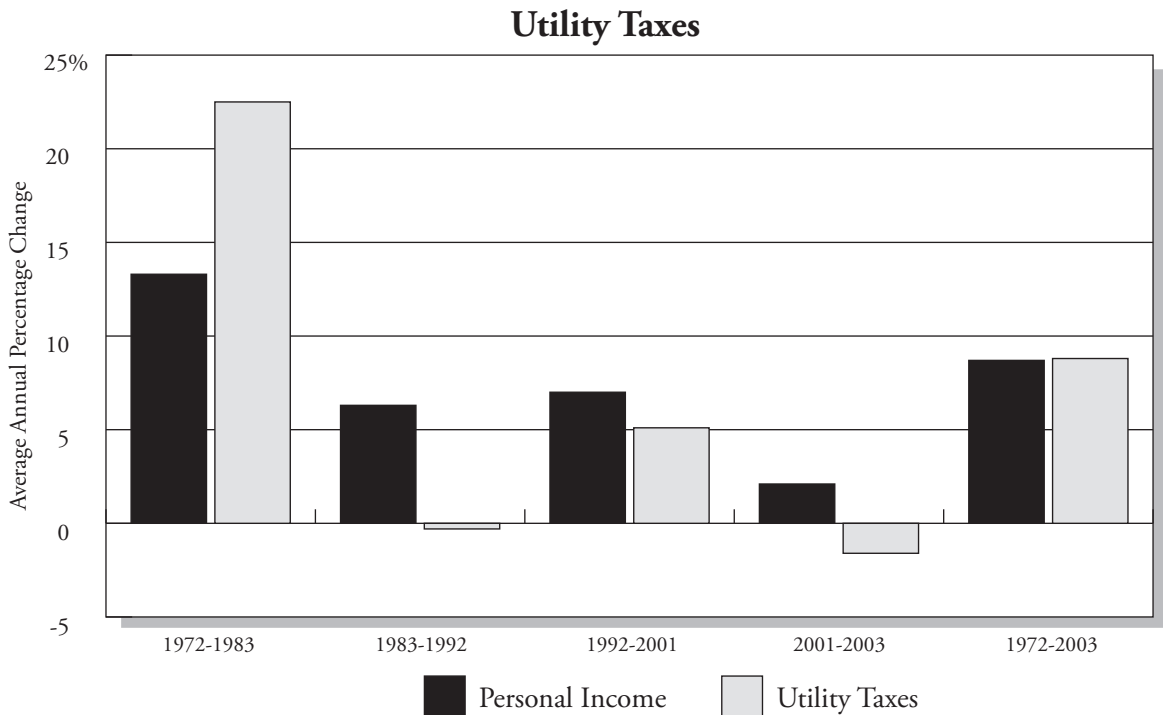


SOURCE: Carole Keeton Strayhorn, Texas Comptroller.

Appendix G (continued)
State Tax Collections and Personal Income, Fiscal 1972-2003
 Average Annual Growth Rates by Period



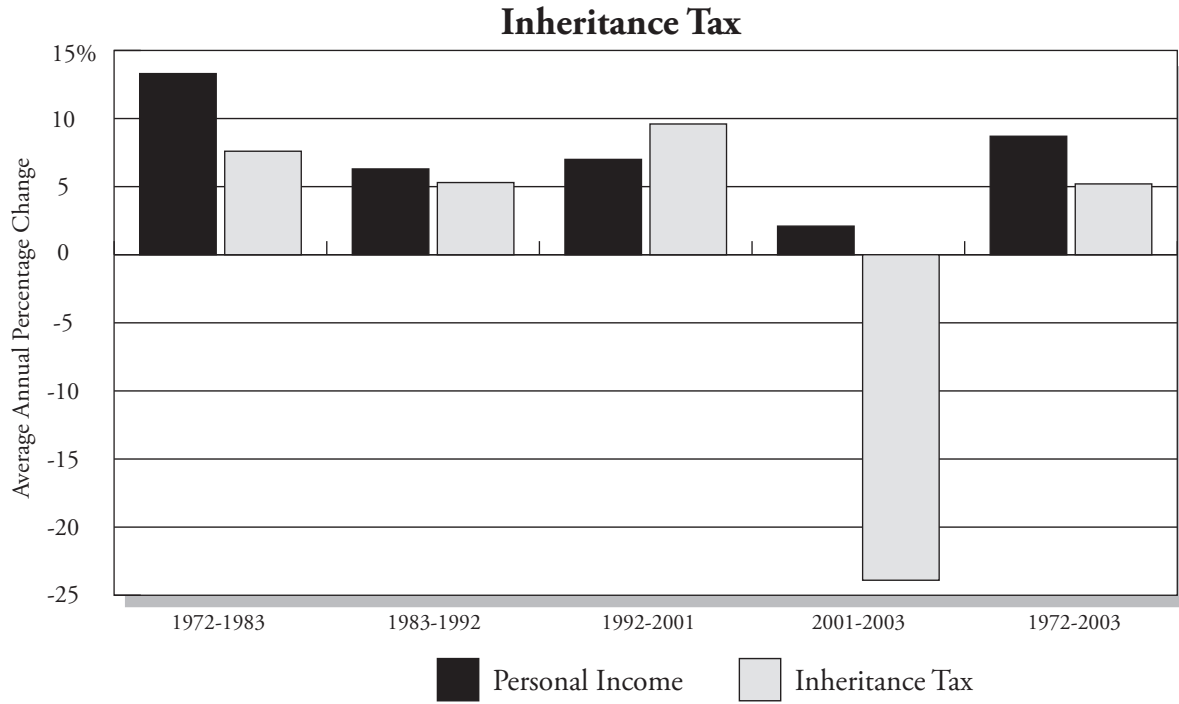
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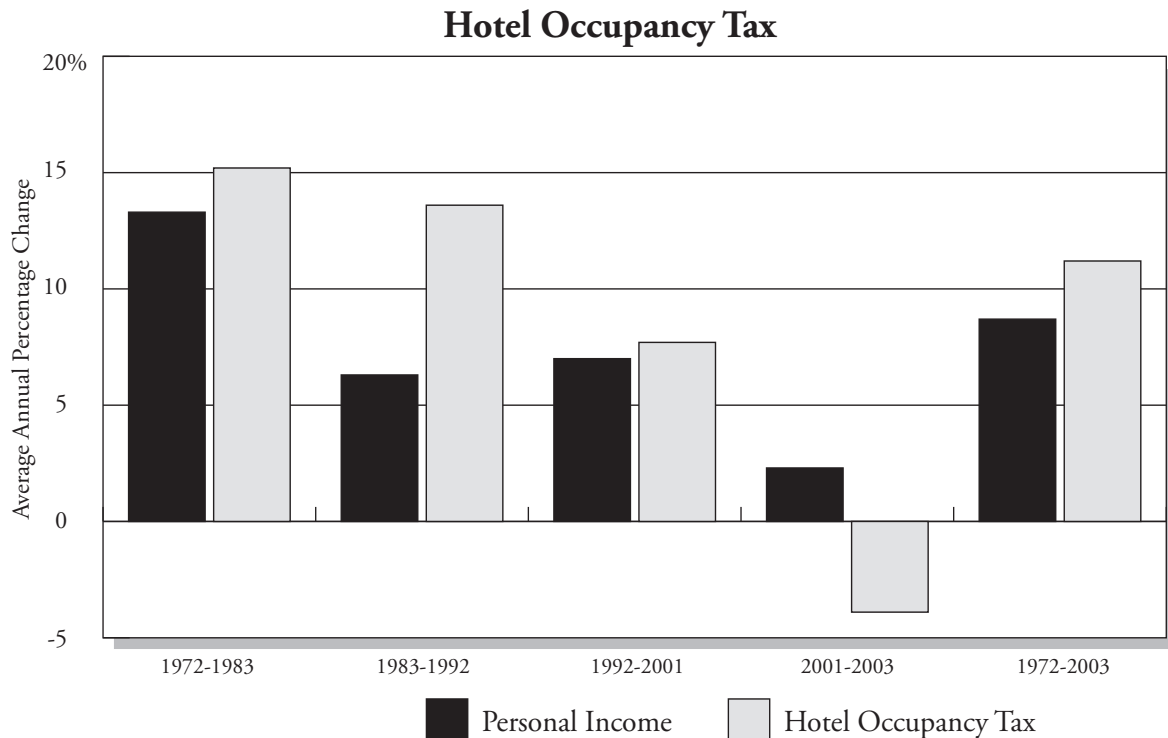
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Sources of Revenue Growth

Appendix G (continued)
State Tax Collections and Personal Income, Fiscal 1972-2003
 Average Annual Growth Rates by Period



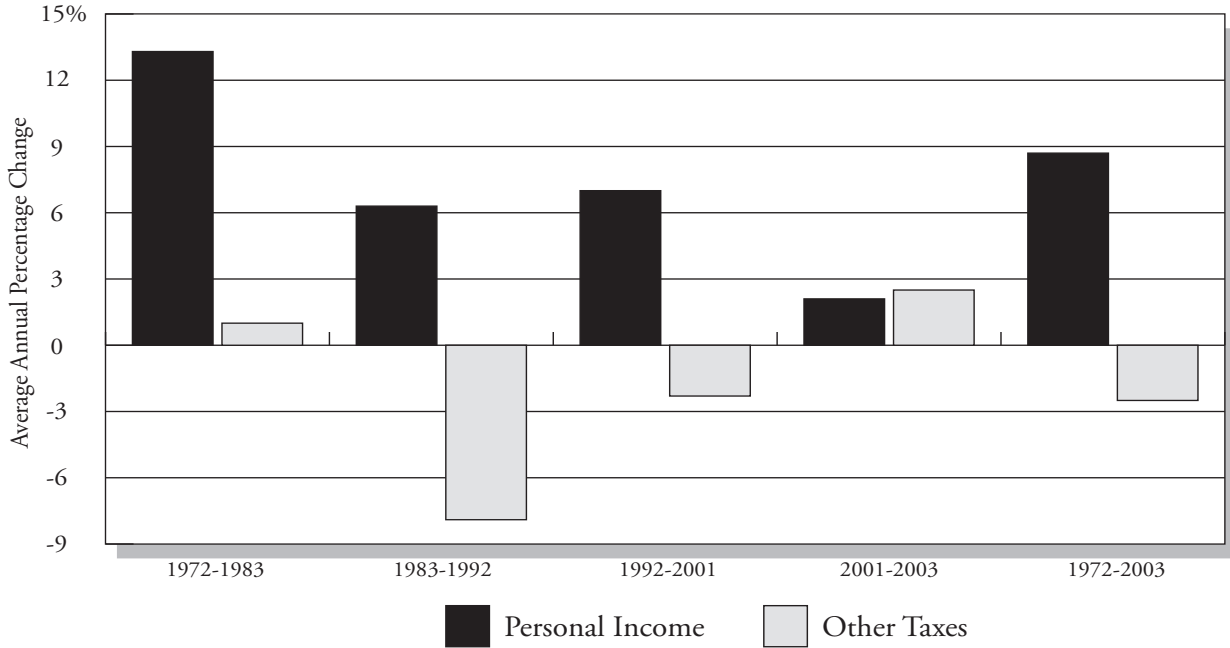
SOURCE: Carole Keeton Strayhorn, Texas Comptroller.



SOURCE: Carole Keeton Strayhorn, Texas Comptroller.

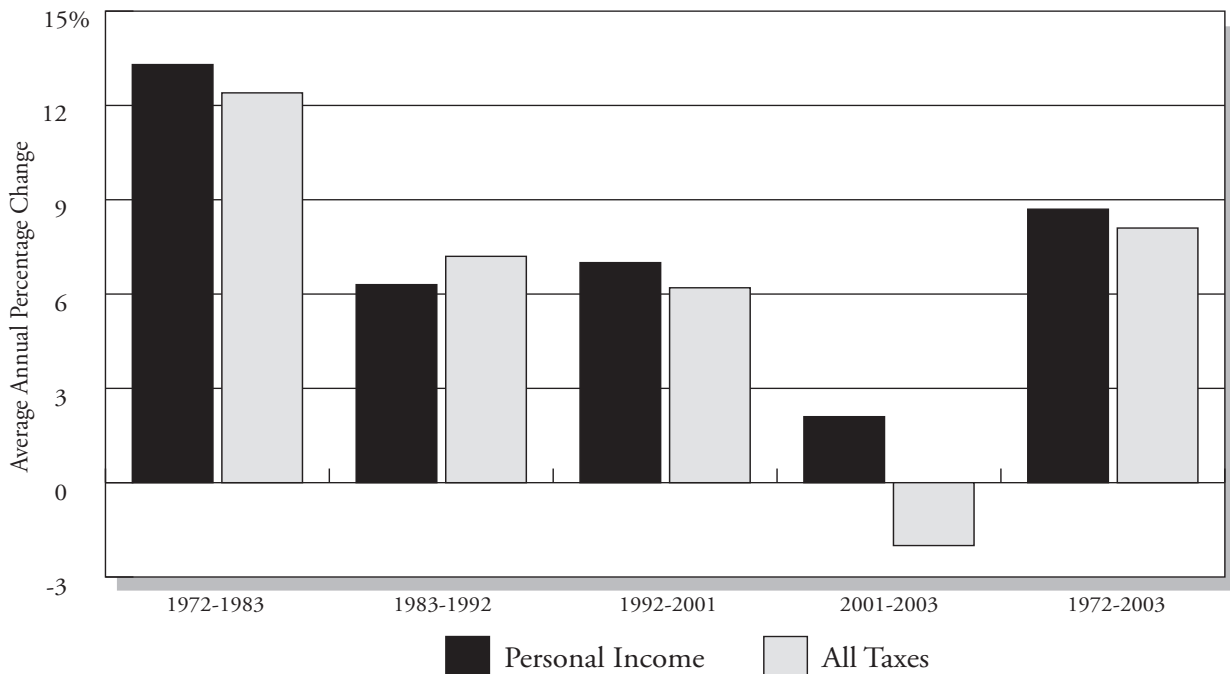
Appendix G (continued)
State Tax Collections and Personal Income, Fiscal 1972-2003
 Average Annual Growth Rates by Period

Other Taxes



SOURCE: Carole Keeton Strayhorn, Texas Comptroller.

All Taxes



SOURCE: Carole Keeton Strayhorn, Texas Comptroller.

Sources of Revenue Growth