

# *Trends in Texas Sales Tax Revenues*

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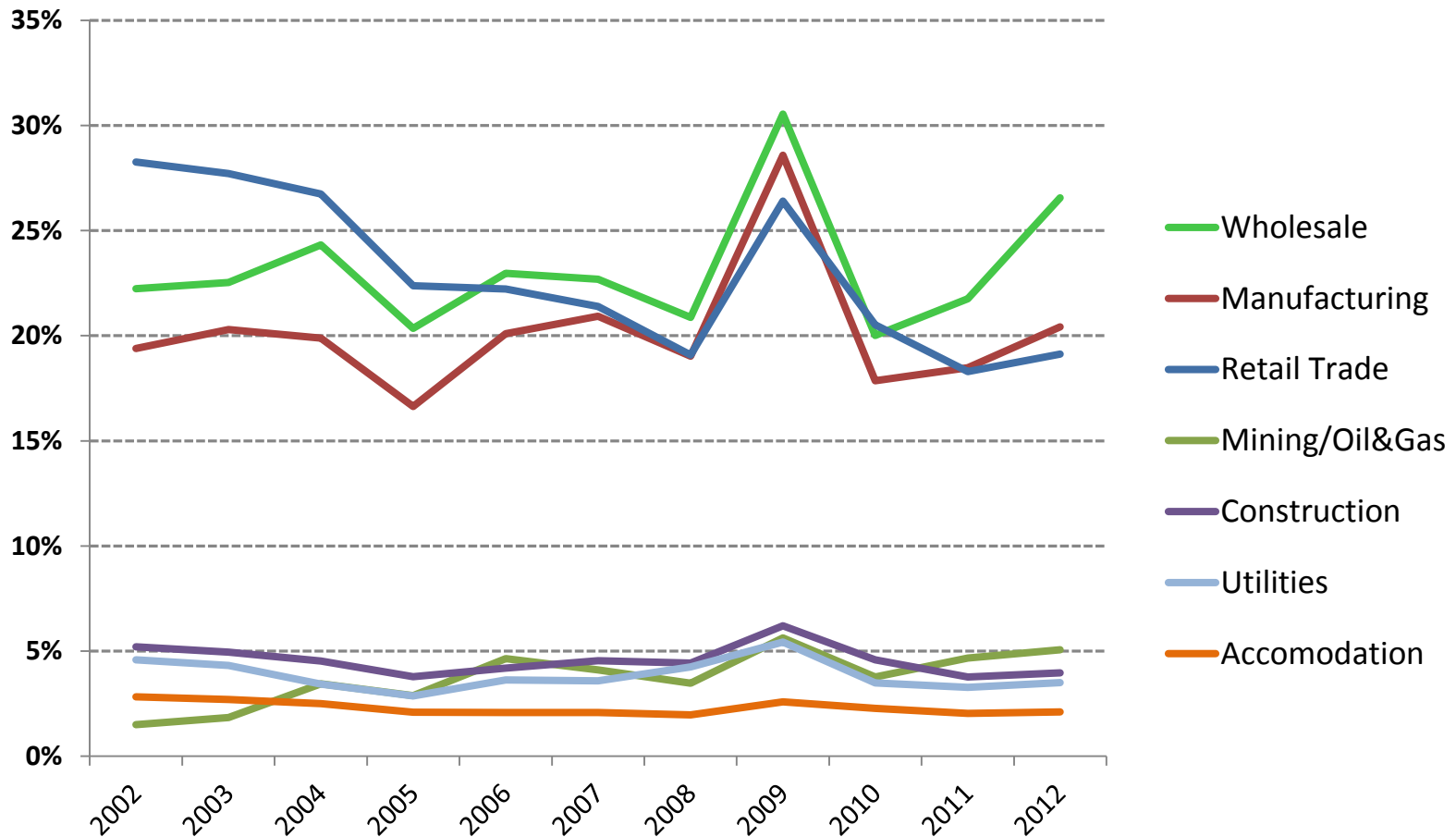


# Texas Sales Tax

The Texas State Comptroller's Office classifies all Texas businesses into 18 different industry categories.

- What are the implications for total state sales tax revenues when the *composition* of sales revenues across Texas industries changes over time?
- What will happen to the *overall state tax burden* if the composition of Texas sales tax revenues continues to change along the current trends in its composition?

# Industry Shares of Texas Sales Revenues (Top Seven Categories)



**Industry Trends in Sales Revenues:** Of the three largest industries, Retail Trade revenues have *fallen* as a ratio of state sales revenues over the last decade. Meanwhile, both Wholesale and Oil & Gas revenues have *risen*. The revenues of the other 15 industry sectors have been fairly constant.

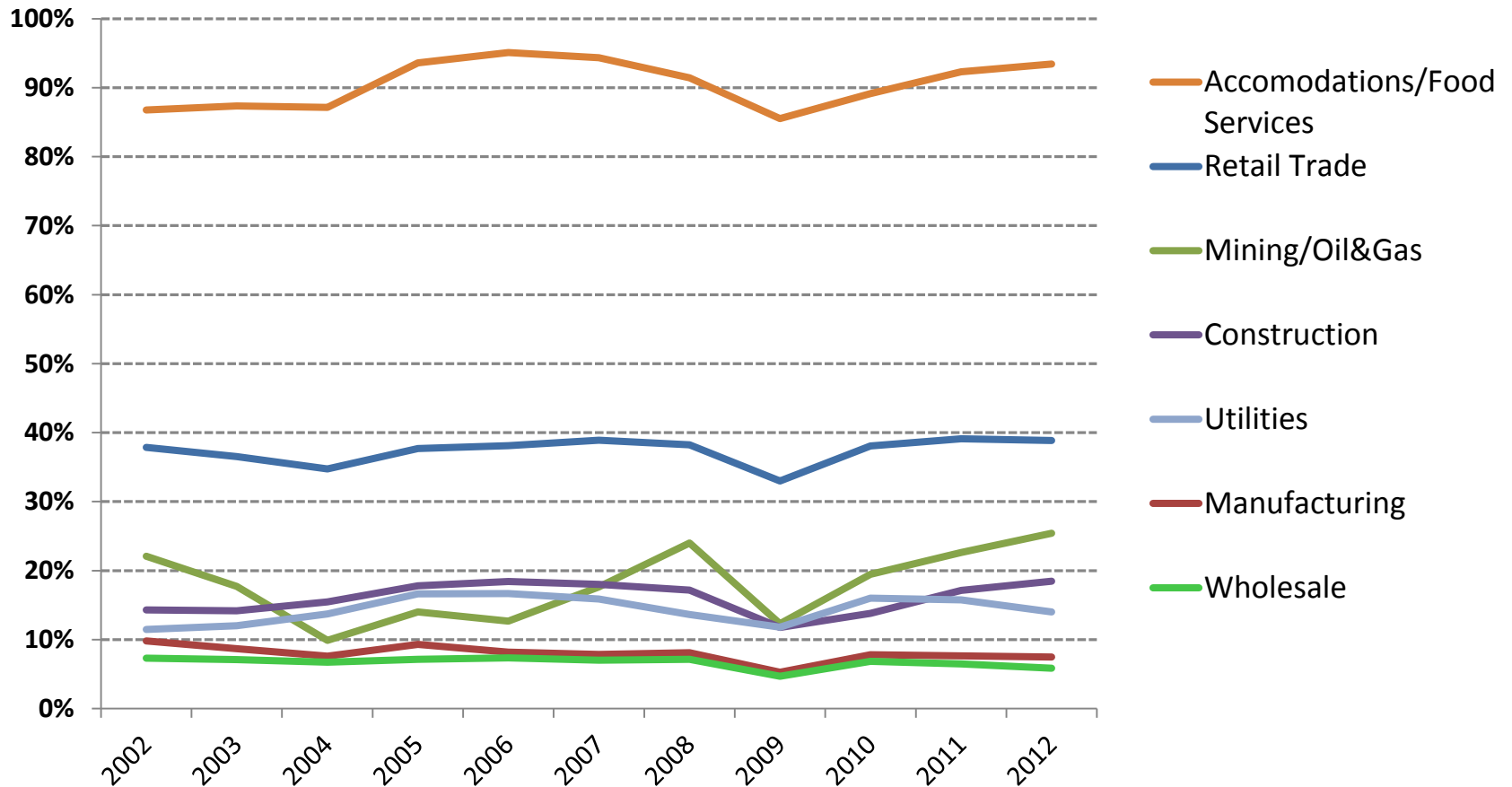
# Texas Sales Tax

However, the percent change in the sales tax revenues that are collected from each industry category often does not equal the percent change in industry revenue shares.

Two reasons:

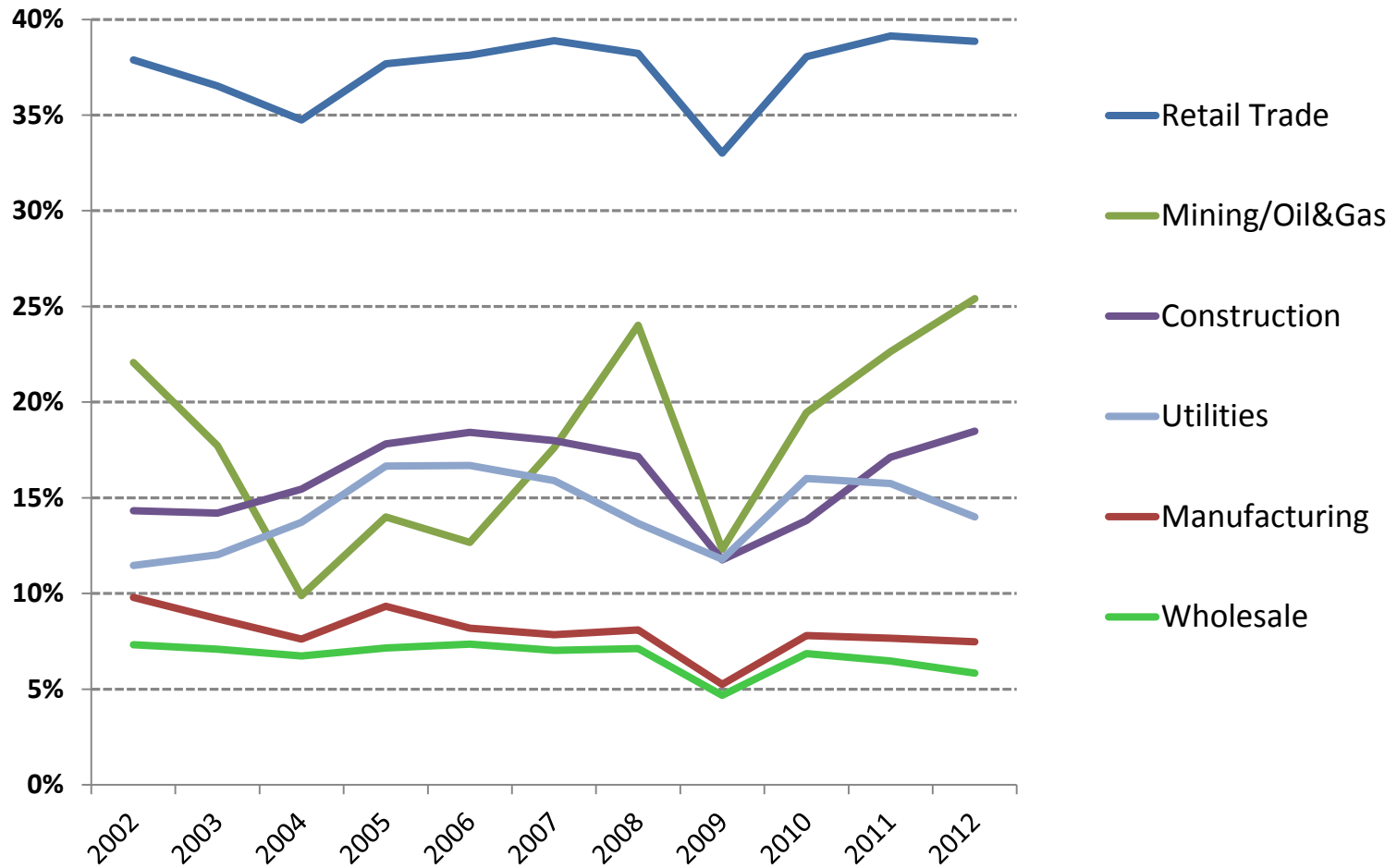
1. The share of each industry's revenues that is exposed to the state sales tax rate is different across industries.
2. The share of each industry's revenues that is exposed to the state sales tax rate can change over time.

# Share of Industry Revenues that are Exposed to Sales Taxes



For example, Accommodations & Food services make up less than 3% of all state revenues, yet over 90% of this industry's revenues are exposed to state sales tax rates. Further, wholesale trade makes up 25% of state sales revenues, but only 6% of these revenues are exposed to sales tax rates.

## Share of Industry Revenues Exposed (w/o Accommodations )



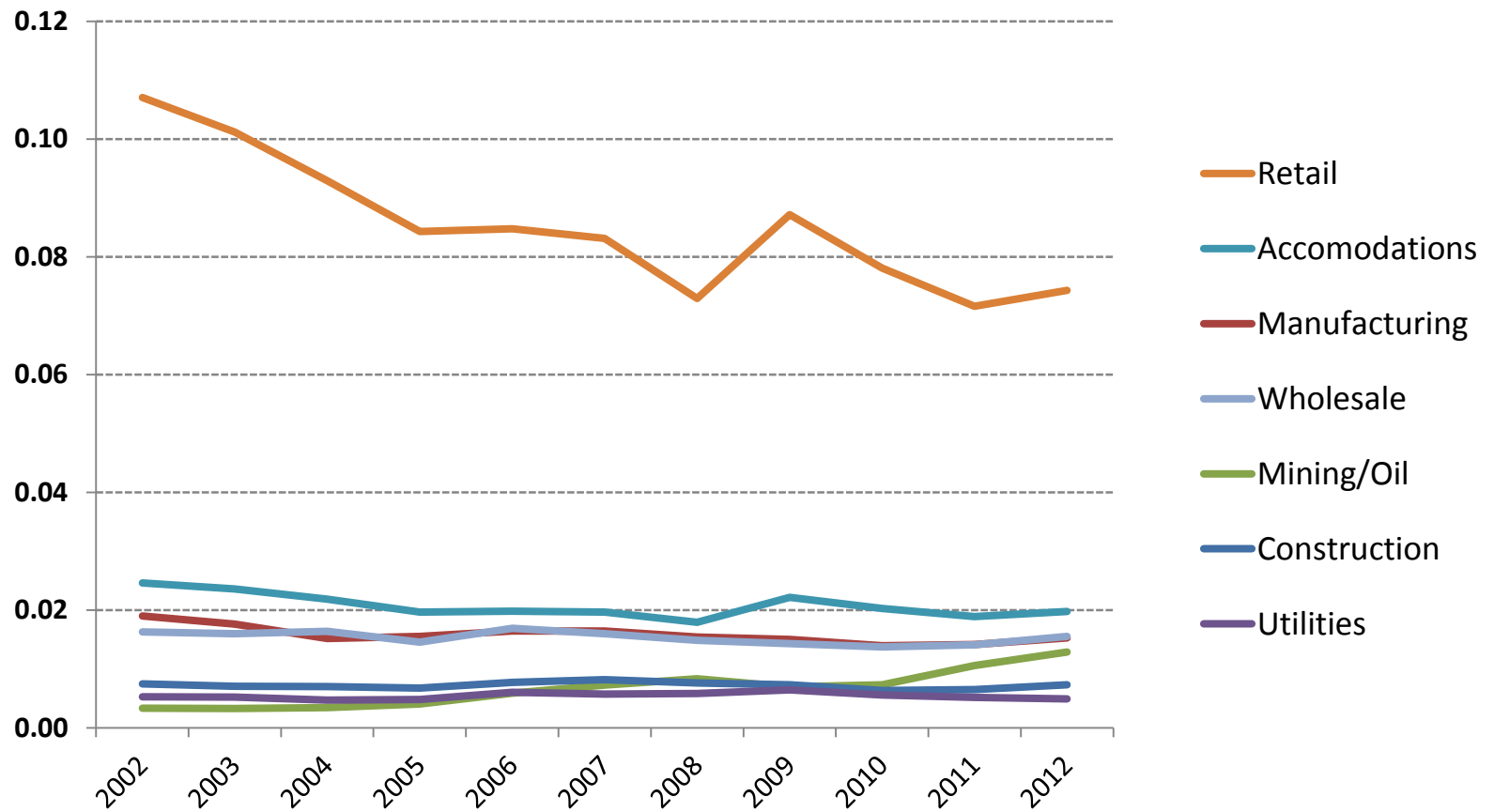
This is the same information displayed on an expanded scale to better view how the exposed share of sales revenues from each industry changes over the last decade. The exposure of **Oil & Gas** industry revenues varies widely over time.

# Texas Sales Tax

We have seen that an industry's share of total state revenues can change over time. We have also seen that the share of an industry's revenues that are exposed to the state sales tax differs across industries, as well as varies over time for any one industry.

- This implies that these two share measures need to be considered *jointly* to determine changes in the relative sales tax burden that each Texas industry bears.
- We can multiply these two shares together to form an index that reveals how the relative composition of the tax burden compares across Texas industries, and how this burden has changed over time for each industry.

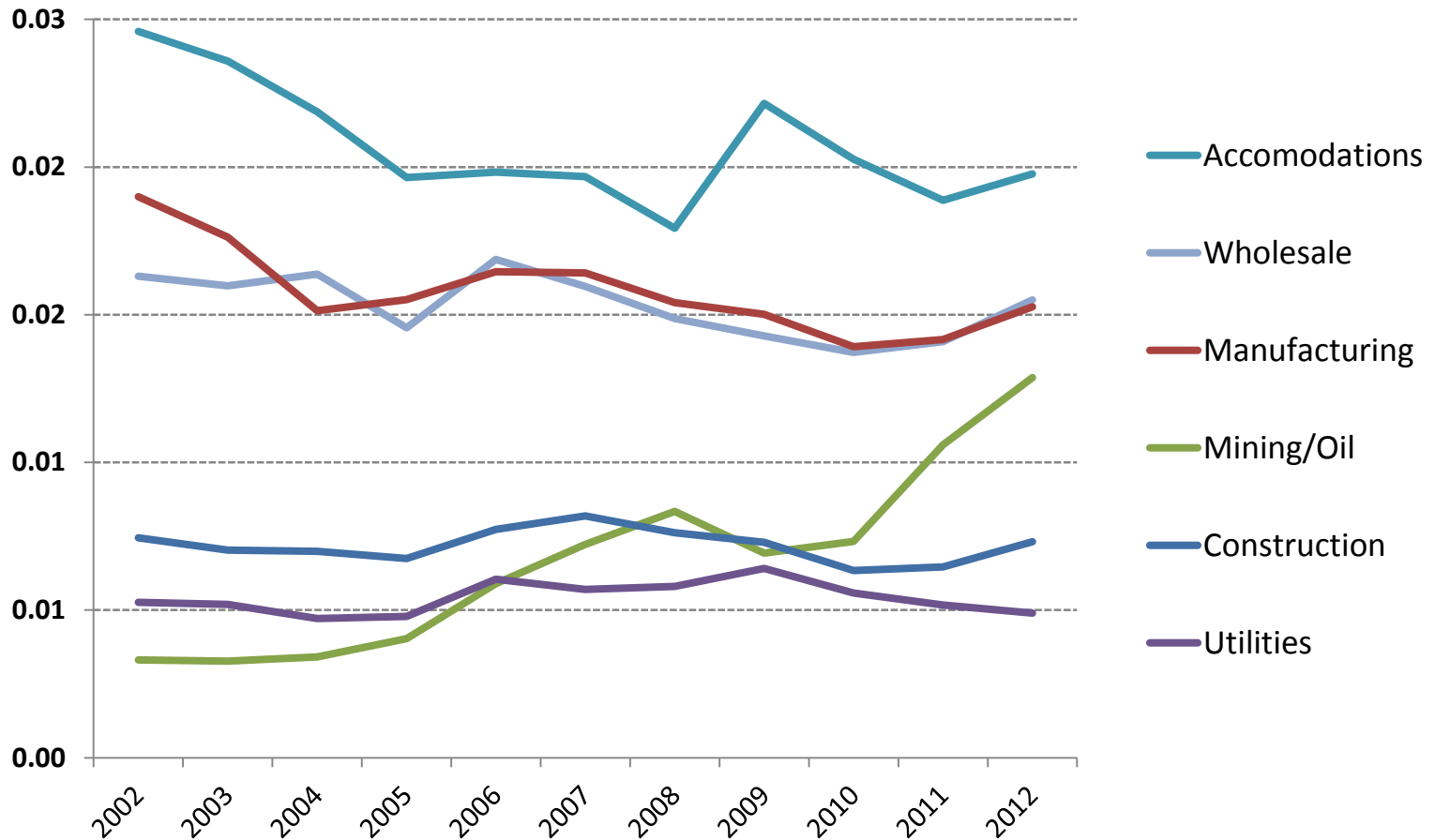
Industry Sales Tax Burden = (Sales Share) x (Tax Exposure Share)



We can see that the relative sales tax burden on retail trade has *fallen* over the last decade, relative to the other six industries with the largest shares of Texas sales revenues.



## Industry Sales Tax Burden (w/o Retail Trade)

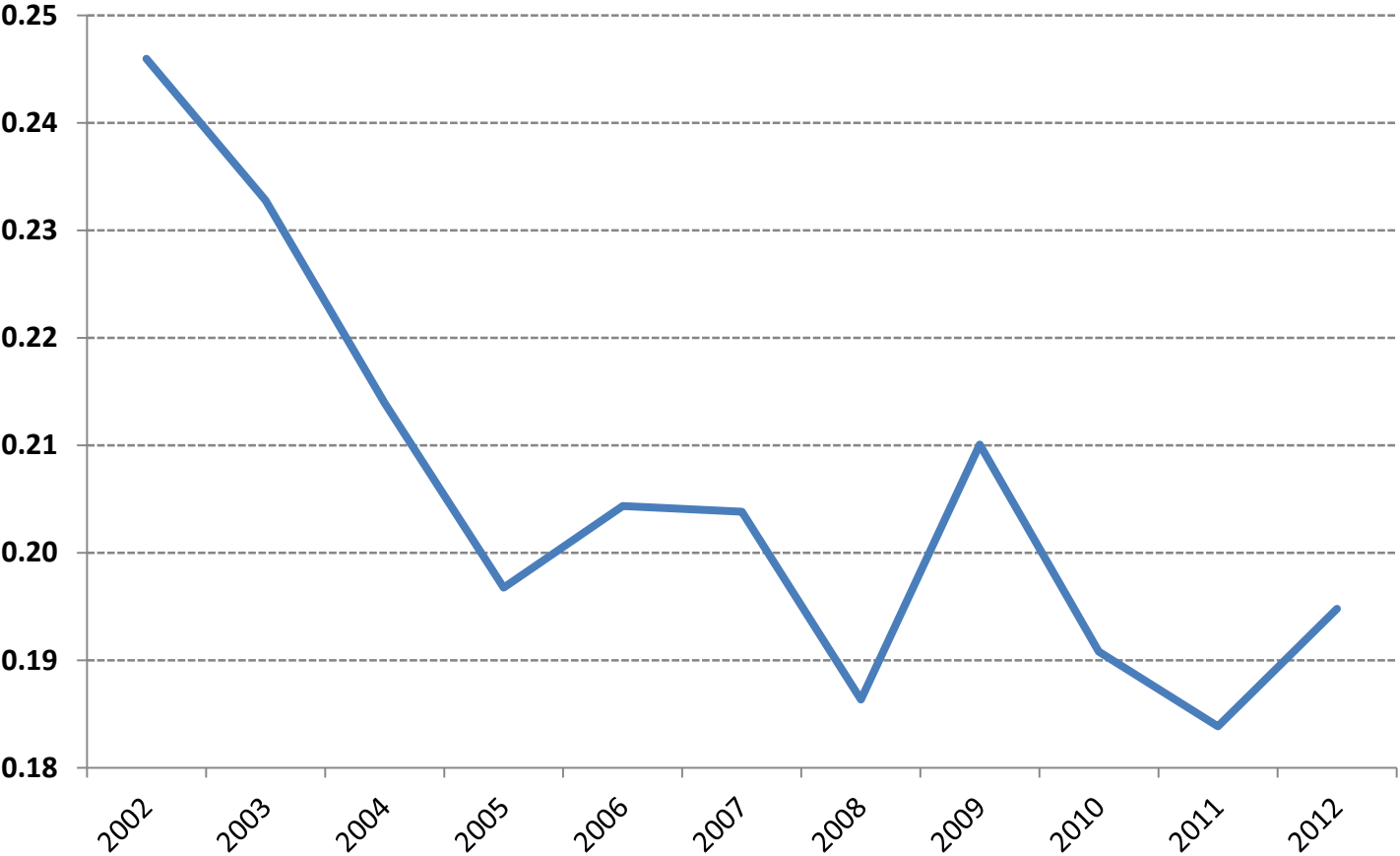


This is the same information displayed on an expanded scale to better view how the relative sales tax burden on the Oil & Gas industry has *risen* over the last decade. Meanwhile, the burden on Manufacturing has fallen.

# Texas Sales Tax

If we sum these relative sales tax burden numbers across all Texas industries each year, we can get an indication of how the *total* sales tax burden has changed over time.

# The Total Sales Tax Burden Has Declined Over the Last Decade



*All else remaining the same*, this decrease in the overall sales tax burden on Texas industries can place less stress on gross profits and helped promote economic growth and job creation in the Texas economy.

# Texas Sales Tax

Overall, the total sales tax burden indicator has *declined* over the last decade. This indicates that, *all else remaining the same*, the sales tax burden may have placed less stress on Texas industry performance. If true, this has partly contributed to greater economic growth and job creation in our Texas economy.

Has all else remained the same with respect to the overall tax burden placed on the Texas economy?

- The Tax Foundation ([www.taxfoundation.org](http://www.taxfoundation.org)) measures each state's total tax revenues collected from its own economy and expressed this as a percent of that state's own GDP.
- How has Texas fared relative to the other states?

Year	% of GDP	Rank	U.S. Ave	Year	% of GDP	Rank	U.S. Ave
1977	7.90%	48	10.40%	1994	8.40%	44	10.20%
1978	7.70%	49	10.20%	1995	8.20%	44	10.10%
1979	7.30%	49	9.70%	1996	8.00%	44	9.90%
1980	7.00%	49	9.40%	1997	7.70%	45	9.70%
1981	6.80%	49	9.20%	1998	7.40%	45	9.60%
1982	6.80%	48	9.20%	1999	7.30%	45	9.40%
1983	6.90%	48	9.50%	2000	7.10%	45	9.40%
1984	7.00%	49	9.70%	2001	7.20%	45	9.40%
1985	7.40%	48	9.70%	2002	7.60%	44	9.50%
1986	7.50%	47	9.70%	2003	7.70%	45	9.60%
1987	7.70%	46	9.80%	2004	7.70%	45	9.60%
1988	8.00%	44	9.70%	2005	7.50%	45	9.60%
1989	8.00%	43	9.70%	2006	7.50%	47	9.70%
1990	8.00%	43	9.80%	2007	7.60%	45	9.80%
1991	8.10%	44	9.90%	2008	7.60%	46	9.90%
1992	8.30%	44	10.10%	2009	7.90%	45	9.80%
1993	8.30%	44	10.20%	2010	8.10%	47	10.50%

Texas has been among those states that have imposed the *lowest* levels of state and local tax burden on its citizens (as a percent of state GDP).

# Texas Sales Tax

A falling sales tax burden indicator over the last decade appears to have contributed towards maintaining a relatively low total state and local tax burden for Texas. This trend may have played a role in promoting greater economic growth and job creation in Texas over the last decade.