

STATE SALES TAX

Description

Texas has a state sales tax rate of 6.25 percent. Additionally, local entities (e.g., counties, cities) can impose a local sales tax up to two percent. An increase to the statewide sales tax could be dedicated to the highway fund.

How Will This Help?

- **Provide additional funds for transportation** – Increasing the statewide sales tax rate would provide funds to reduce traffic congestion and help maintain the safety and quality of Texas roads and bridges.
- **Help funds keep pace with rising highway construction costs** – Since 1991, roadway construction costs have almost doubled. Increasing the statewide sales tax would help transportation revenues keep pace with rising construction costs.
- **Reduce need for borrowing** – Texas has increasingly turned to debt mechanisms such as bonds as a way to finance transportation improvements. Texas could help slow a growing trend of using the “credit card” to pay for roadway projects by increasing the statewide sales tax.



Around the Nation

Georgia approved in 2012 legislation that divided the state into 12 separate tax districts. The law then required each district to vote to increase the regional sales tax by one percent. In 2012, 3 out of 12 of these districts approved the tax increase. (HB 277)

What's the Down-Side?

- **General Opposition to Fee Increases** – The Legislature and the public have recently been opposed to tax or fee increases.
- **Non-User Tax** – A statewide sales tax increase would not be limited to roadway users but would affect everyone in the state.
- **Revenues are economically driven** – The amount of revenue created is dependent upon the amount of goods purchased by consumers and can be difficult to predict.

Estimated Funding Yield

One Percentage Point Increase: \$2.6 billion for transportation a year.

From 2014 to 2017: \$10.3 billion for transportation.

Implementation Issues

- Low cost to implement.
- Legislative action is required to implement this funding change.
- Voters/users would need to be educated regarding the costs and benefits.

