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.

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.

For more information, please refer to: [http://mobility.tamu.edu/mip/strategies.php](http://mobility.tamu.edu/mip/strategies.php)