

Although property taxes and vehicle taxes make important contributions to local transportation finance in Texas, sales taxes are having the greatest impact. Sales taxes as high as 1% have been adopted in eight of the state's largest metropolitan areas. Overall, most of the revenues are being used to fund transit operations, but in the state's two largest metropolitan areas, they are being used to help fund major public transportation capital projects. The adoption of transportation sales taxes in Texas peaked in the 1980s, and has held roughly constant since.

As part of our research, we surveyed Texas' 85 largest counties and 20 largest cities. We received responses from 17 counties and nine cities.<sup>1</sup> We also used received data from the Texas Department of Transportation detailing transportation revenues for all cities and counties in the state for 1998.

## 1. Fuel and Vehicle Taxes

Counties may adopt a flat vehicle registration fee (up to \$10 annually), to provide revenues for their road and bridge funds.<sup>2</sup> Of the state's 254 counties, 198 have adopted the full \$10 tax, 36 have adopted the tax at lower levels, and 20 have not adopted the tax. Statewide, this tax generates about \$156 million annually (\$8 per capita).<sup>3</sup> In addition to the road and bridge tax, several counties have adopted small additional vehicle taxes for other purposes, including registration automation systems and child safety programs.

Metropolitan rapid transit authorities may also impose a vehicle emissions tax to fund transit infrastructure and services,<sup>4</sup> but this tax has not been implemented anywhere in the state.

## 2. Property Taxes and Assessments

Several different mechanisms are provided for local governments to use property taxes and special assessments for transportation services. Generally, counties and road districts may impose property taxes necessary to repay bonds that they have issued. With voter approval, counties or their subdivisions may adopt a property tax up to 0.15% to fund road maintenance, and counties may adopt a property tax up to 0.3% to build or maintain "farm-to-market and lateral roads."<sup>5</sup>

Just under half of all Texas counties levy a property tax for their Farm-to-Market Road Funds. In 1998, these levies raised approximately \$4.42 per capita statewide, 88% of which was used for road maintenance and operations, and 12% of which was used to repay debt on capital projects. Tax rates in the state's less-populated counties tend to be higher than those in more populous counties. About a third of all counties levied a property tax for their local Road & Bridge Funds, raising an additional \$2.90 per capita, nearly all of which was used for road maintenance.<sup>6</sup>

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<sup>1</sup> We received responses from Bastrop, Brazos, Brown, Burnet, Cherokee, Comal, Coryell, Dallas, Gregg, Hidalgo, Hopkins, Hunt, Jefferson, Lamar, Marion, Montgomery, and Rusk counties; and the cities of Arlington, Amarillo, Brownsville, Corpus Christi, Dallas, Grand Prairie, Houston, Irving, and Mesquite.

<sup>2</sup> Texas Transportation Code, § 502.172.

<sup>3</sup> Texas Department of Transportation, Vehicle Titles and Registration Division, "Schedule of Texas Registration Fees," Fee Chart 1C (October 1999).

<sup>4</sup> Texas Transportation Code, § 451.414.

<sup>5</sup> Texas Transportation Code, §§ 256.051-256.054; Texas Constitution, Article VIII, § 1-a. "Farm-to-market roads" are secondary roads that mostly serve rural traffic (see Transportation Code § 256.008).

<sup>6</sup> State of Texas, Controller of Public Accounts, "1998 County Tax Rates," (Unpublished data on road tax rates).

Counties may also establish road utility districts, which upon voter approval may issue bonds for road construction, or levy special property taxes for road maintenance.<sup>7</sup> There are currently 22 such districts in the state with active tax levies, but these revenues these raise collectively are small compared with those raised by the other taxes. About 1/4 of their revenues are used for maintenance and operations, and 3/4 are used to service debt on capital investments.<sup>8</sup>

Some cities have started to adopt “user fees” to raise funds for local street repair. In Beaumont, this has been a flat charge of \$3 per parcel, but the city is contemplating a shift to a system based on trip generation. Austin already has such a charge in place, and Arlington is considering adopting one.

### 3. Sales and Other Taxes

Local option sales taxes are an important and widespread source of local finance in Texas. Texas provides several different local sales and use taxes. In general, the Tax Code authorizes cities and counties to adopt sales and use taxes for any purpose other than repaying bonds. The sum of all local taxes in a given area (including special district taxes) may not exceed 2%, and all tax increases are subject to voter approval. Only cities not located in transit or transportation districts may adopt an additional tax for the purpose of repaying bonds.<sup>9</sup> This in effect makes it difficult to use these sales taxes to build large transportation infrastructure projects, but in principle doesn’t rule out their use for transportation purposes entirely.

Approximately 47% of the state’s counties have adopted a general-purpose local option sales tax.<sup>10</sup> Most of the county taxes treat these taxes as sources of general revenue (i.e. general property tax offsets), some do voluntarily earmark a portion of the revenues for transportation purposes. For example, Coryell County reported that it dedicates about one-fifth of its 1/2% sales tax to road and bridge maintenance and repair.

Another variety of sales tax used extensively in Texas enables cities to fund economic, industrial, or sports facility development corporations, which provide facilities and supporting infrastructure to major development projects. With voter approval, these municipal agencies may adopt sales taxes up to 1/2%, provided total local taxes are kept under two percent.<sup>11</sup> At least some of the 446 cities that levy this tax statewide are using it for transportation investments related to economic development. For example, the City of Mesquite has earmarked about 1/3 of its new half-percent sales tax for transportation projects.

However, the largest transportation use of sales taxes in Texas is for public transportation. Metropolitan rapid transit authorities and municipal transit departments may adopt sales taxes to provide transit services and related infrastructure. In addition, regional transportation authorities may use them to fund transit services as well as paratransit, vanpool, parking, and rideshare services and facilities.<sup>12</sup>

Under these various laws, a total of eight city, regional, or county transportation authorities have been created, in Austin, Corpus Christi, Dallas, El Paso, Fort Worth, Houston, Laredo, and San Antonio. Tax rates vary from 1/4% to 1%. Approximately one-fourth of the revenues is used for capital projects; the

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<sup>7</sup> Texas Transportation Code, §§ 441.191 and 441.192.

<sup>8</sup> State of Texas, Controller of Public Accounts, Property Tax Division, Unpublished data on road utility districts (2000).

<sup>9</sup> Texas Tax Code, §§ 321.101 and 323.001.

<sup>10</sup> State of Texas, Controller of Public Accounts, “County Sales and Use Tax,” (2000); State of Texas, Controller of Public Accounts, “City Sales and Use Tax Rates,” (2000).

<sup>11</sup> Texas Revised Civil Statutes, Article 83-5190.6, §§ 4A and 4B.

<sup>12</sup> Texas Transportation Code, §§ 451.404, 452.401, 453.401, and 457.301. Municipal rapid transit authorities may adopt any kind of tax except a property tax. (Texas Transportation Code, § 451.401).

other three-fourths fund transit operations. Together, these eight districts raised over \$862 million in sales taxes in 1998 (\$44 per capita statewide).<sup>13</sup>

At the time its 1% sales tax was first approved in 1978, Houston planned to build a \$1.8 billion, 18-mile heavy rail line.<sup>14</sup> Since then, Houston Metro instead decided to extend its network of bus services, and concentrate its capital efforts on building a system of express bus and high occupancy vehicle lanes. This system currently extends over 88 miles (with another 23 miles expected to be completed in the next few years),<sup>15</sup> and is particularly noteworthy for the unique manner in which it has integrated ridesharing into the transit system. Today, Houston Metro is preparing to break ground on a 7.5-mile light rail system, which will be partially financed with the sales tax revenues.

The Dallas area also saw its sales tax play a pivotal role in financing new transit infrastructure. In 1983, Dallas metropolitan voters approved a 1% sales tax for transit construction and operation by a vote of 58%. In the late 1980s, however, rail construction was put on hold amid public concerns about long-term debt, and federal money was withdrawn from the project. Voters decided not to allow long-term borrowing to build light rail, but also defeated most proposals for outlying municipalities to withdraw from the district. This qualified reaffirmation of the light rail plan provided the transit authority with the necessary support to begin construction, and ground was broken for the first HOV and light rail projects in 1990. The first 20-mile phase of the planned 115-mile rail network system opened in early 1997. Overall transit ridership in the Dallas region has doubled since 1996. The success of this first phase has contributed to public confidence in the agency, and voters recently approved long-term borrowing for the next phase of construction.<sup>16</sup>

Voters in other regions have rejected proposal to use sales taxes to fund light rail projects, including San Antonio and Austin, where ballot initiatives were recently defeated. The San Antonio measure, which would have increased the sales tax by 1/4%, lost overwhelmingly in May, 2000. The Austin measure, which would have earmarked a share of the existing 1% sales tax for light rail construction, lost narrowly in November, 2000.

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<sup>13</sup> State of Texas, Controller of Public Accounts, "Monthly Local Sales and Use Tax Allocation Historical Summary by Local Jurisdiction," (2000).

<sup>14</sup> Demery, "A Retrospect of Rail Transit Financing Votes in the U.S. 1962-1994," *Headlights*. (Jan.-Feb.1996).

<sup>15</sup> Metropolitan Transit Authority of Harris County, "Guide to Using Houston's High Occupancy Vehicle Lanes" (2000).

<sup>16</sup> Demery, *op. cit.*; Dallas Area Rapid Transit, "DART Overview and History" (2000); Doclar, "Voters OK faster expansion of light rail; Dallas and 12 area cities commit a 1-cent sales tax for 30 years to pay for DART growth," *Fort Worth Star-Telegram* (August 13, 2000).

# TEXAS

## Overview of County, District, and Local Transportation Tax Laws

Tax Type	State Statute	Tax Name	Areas	Statute Year	Permitted Rates	Max. Duration	Purposes	Adoption Process
Sales	Transport Code 451.404; 452.401	Sales and Use Tax	Metropolitan rapid transit authorities, Regional transportation authorities		Up to 1%	-	Transit plus paratransit, vanpool, parking, and rideshare facilities	C
	Transport Code 453.401	Sales and Use Tax	Municipal transit departments		Up to 1/2%	-	Transit	C
	Transport Code 457.301	Sales and Use Tax	County mass transit authorities		Up to 1/2%	-	Transit, streets	C
	Tax Code 321.101(a)	Municipal Sales & Use Tax	Any City	1987	Up to 1/2%	-	Any purpose except bonds	C
	Tax Code 321.101(b)	Additional Municipal Sales and Use Tax	Any city not in a transit or transportation district	1987	Up to 1/2%	-	Repaying bonds*	C
	Tax Code 323.001	County Sales & Use Tax	Any County	1987	Up to 1%	-	Any purpose except bonds	C
	TRCS 83-5190.6/4A; TRCS 83-5190.6/4B	Economic and Industrial Development Sales Tax	Cities meeting various size requirements	1989	Up to 1/2%	-	Capital and maintenance costs of projects serving economic development	C
Vehicle	Transport Code 451.414	Vehicle Emissions Tax	Metropolitan rapid transit authorities		Varies by Engine Size	-	Transit	C
	Transport Code 502.172	Optional County Vehicle Registration Fee	Counties		Up to \$10/veh.	-	County road & bridge fund	B
Property	Transport Code 253.003		Unincorporated subdivisions		Special assessments	-	Construction or repair of subdiv. or access roads*	C
	Transport Code 256.051	County, Precinct, and Road District Bond Tax	County, precinct, or road districts		Sufficient to repay bonds	-	Repaying bonds for road construction*	B
	Transport Code 256.052	Special Road Tax	County, or county subdistrict		Up to 0.15%	-	Road maintenance	C
	Transport Code 256.054; Tx Const., Art. VIII, Sec. 1-a	Additional County Tax for County Roads	Any county	1932	Up to 0.3%	-	Construction/maint. of "farm-to-market and lateral roads"	C
	Transport Code 441.191	Road Utility District Bond Tax	Road Utility Districts		Sufficient to repay bonds	-	Repaying bonds for road construction	B
	Transport Code 441.192	Road Maintenance Tax	Road Utility Districts		Up to 0.25%	-	Road maintenance	C

\*Projects must be specified in advance.

A = State Law  
 B = County/Local Law  
 C = Popular Vote



Jurisdictions	Population 1998	Property Tax: 1998 Revenues (\$1000)						Total	Revs per capita (1998)	Vehicle Regis. Fees
		Farm to Market: Maint. & Oper	Farm to Market: Interest & Sinking	Road & Bridge: Maint & Oper.	Road & Bridge: Interest & Sinking	Road Util. District: Maint. & Oper.	Road Util. District: Interest & Sinking			
LIBERTY	65,154								\$10.00	
LIMESTONE	20,747	191.1		192.4			383.5	\$18.48	\$10.00	
LUBBOCK	228,220								\$10.00	
MATAGORDA	37,987								\$10.00	
MAVERICK	47,660								\$11.00	
MCLENNAN	203,214	888.7					888.7	\$4.37	\$10.00	
MEDINA	36,910	542.1					542.1	\$14.69	\$5.00	
MIDLAND	119,120								\$10.00	
MILAM	24,197								\$10.00	
MONTGOMERY	271,801								\$10.00	
NACOGDOCHES	56,243								\$10.00	
NAVARRO	41,600	101.2		942.9			1,044.1	\$25.10	\$10.00	
NUECES	315,723	245.8					245.8	\$0.78	\$10.00	
ORANGE	84,769	210.1		1,915.0			2,125.1	\$25.07	\$10.00	
PALO PINTO	25,889			338.8			338.8	\$13.09	\$10.00	
PANOLA	23,047	257.2					257.2	\$11.16	\$10.00	
PARKER	82,266			2,947.6			2,947.6	\$35.83	\$10.00	
POLK	50,182								\$11.50	
POTTER	108,289								\$10.00	
RANDALL	98,779								\$10.00	
ROCKWALL	37,202								\$10.00	
RUSK	45,743	506.4		684.1			1,190.5	\$26.03	\$10.00	
SAN JACINTO	21,828	861.2		351.9			1,213.1	\$55.58	\$11.50	
SAN PATRICIO	70,737	1,208.9		172.6			1,381.5	\$19.53	\$10.00	
SHELBY	22,882			438.1			438.1	\$19.15	\$10.00	
SMITH	168,070								\$10.00	
STARR	55,443	1,540.3					1,540.3	\$27.78	\$10.00	
TARRANT	1,354,040								\$10.00	
TAYLOR	122,036								\$10.00	
TITUS	25,423								\$10.00	
TOM GREEN	102,685								\$10.00	
TRAVIS	709,182								\$11.50	
TYLER	20,373	908.2					908.2	\$44.58	\$5.00	
UPSHUR	35,821								\$10.00	
UVALDE	25,448	60.1					60.1	\$2.36	\$10.00	
VAL VERDE	43,637	147.5					147.5	\$3.38	\$10.00	
VAN ZANDT	43,961								\$10.00	
VICTORIA	81,672			1,898.2			1,898.2	\$23.24	\$5.00	
WALKER	54,802								\$10.00	
WALLER	27,248	270.2					270.2	\$9.92	\$10.00	
WASHINGTON	29,119	1,729.7					1,729.7	\$59.40	\$10.00	
WEBB	186,798	36.0	250.0				286.0	\$1.53	\$11.50	
WHARTON	40,120	1,691.4		1,437.6			3,129.0	\$77.99	\$10.00	
WICHITA	128,497								\$10.00	
WILLIAMSON	223,665	4,655.5					4,655.5	\$20.81	\$11.50	
WILSON	31,304								\$10.00	
WISE	44,326	1,582.3					1,582.3	\$35.70	\$10.00	
WOOD	34,317								\$10.00	
111 Counties with Pop. > 20,000	18,484,789	51,935.5	10,088.8	42,487.8	1,985.3	0.0	106,497.5	\$5.76		
143 Counties with Pop. < 20,000	1,227,600	25,049.5	86.0	12,634.5	94.4	0.0	37,864.4	\$30.84		
22 Road Utility Districts		0.0	0.0	0.0	0.0	786.0	2,147.4	2,933.4		
<b>STATEWIDE TOTAL</b>	<b>19,712,389</b>	<b>76,985.1</b>	<b>10,174.8</b>	<b>55,122.2</b>	<b>2,079.8</b>	<b>786.0</b>	<b>147,295.3</b>	<b>\$7.47</b>	<b>156,000.0</b>	