

## Taxes - Business

Houston's tax structure makes it a low-cost center for doing business.

Overview of Taxes in the City of Houston	
Tax	Description
<b>Personal Income Tax (State or Local)</b>	None
<b>Franchise Tax</b> <sup>1, 2</sup>	The franchise tax rates are: <ul style="list-style-type: none"> <li>• 0.750% for most entities</li> <li>• 0.375% for qualifying wholesalers and retailers<sup>3</sup></li> <li>• 0.331% for those entities with \$20 million or less in Total Revenue and electing the E-Z Computation</li> </ul>
<b>Property Tax</b> The following items are taxed in the state of Texas. The same tax rates are applicable for all items: <b>-Real Property</b> (includes land and buildings) <b>-Tangible Personal Property used for the production of income</b> (includes inventory, equipment, furnishings, vehicles and tools)	<b>Property Tax Rates per \$100 of Appraised Value (2018 rates)</b> <sup>4</sup> State of Texas - None City of Houston - \$0.588310 Harris County - \$0.635170 Houston Independent School District - \$1.206700 Houston Community College - \$0.1002630 <b>Total Tax Rate: \$2.530443</b> (Note: These are illustrative rates for a selected site within the City of Houston. Taxing jurisdictions and tax rates vary depending on the location of the property.)
<b>Unemployment Insurance</b>	2.7% general entry rate, charged on the first \$9,000 in earnings; the rate is reassessed after six quarters and charged at the company's own experience rate
<b>Sales &amp; Use Tax</b> (Note: Maximum sales tax in the State of Texas is 8.25%)	State of Texas – 6.25% Harris County – None City of Houston – 1.0% Harris County Metropolitan Transit Authority – 1.0%
<b>Workers' Compensation Insurance</b>	Not required by the state of Texas, except for construction companies on contract for government entities. Company's options include: self-insurance, state-regulated Texas Department of Insurance or licensed private insurance companies.
<b>Licenses &amp; Permits</b>	Varies by industry and regulating agency. See following site for specific information: <a href="https://www.tdlr.texas.gov/">https://www.tdlr.texas.gov/</a>
<b>Application for Registration to do Business</b>	\$750; Registration is required to do business in Texas for non-U.S. corporations, LLCs, LPs and out-of-state entities.
<b>Assumed Name Certificate or DBA (Doing Business As)</b>	\$15 + \$0.50 for each additional name filed in Harris County (Any individual in Harris County is required to file an Assumed Name reflecting the business name and ownership.)

<sup>1</sup> Franchise tax is based on a taxable entity's margin. Unless a taxable entity qualifies and chooses to file using the EZ Computation, the tax base is the taxable entity's margin and is computed in one of the following ways: total revenue times 70 percent; total revenue minus cost of goods sold; total revenue minus compensation; OR total revenue minus \$1 million.

<sup>2</sup> Exemptions: The following businesses are exempt from franchise tax: sole proprietorships (except for single member LLCs); general partnerships when direct ownership is composed entirely of natural persons (except for limited liability partnerships); entities exempt under Tax Code chapter 171, Subchapter B; certain unincorporated passive entities; certain grantor trusts, estates of natural persons and escrows; real estate mortgage investment conduits and certain qualified real estate investment trusts; a non-profit self-insurance trust created under Insurance Code Chapter 2212; a trust qualified under Internal Revenue Code Section 401(a); a trust exempt under Internal Revenue Code Section 501(c)(9); OR unincorporated political committees.

<sup>3</sup> The 0.375% tax rate applies to taxable entities primarily engaged in wholesale and/or retail trade as described in Division F and Division G of the 1987 Standard Industrial Classification (SIC) Manual.

<sup>4</sup> Taxes for cities, counties, school districts, municipal districts and other taxing jurisdictions vary throughout the 9-county region. These rates are current as of October 2019.