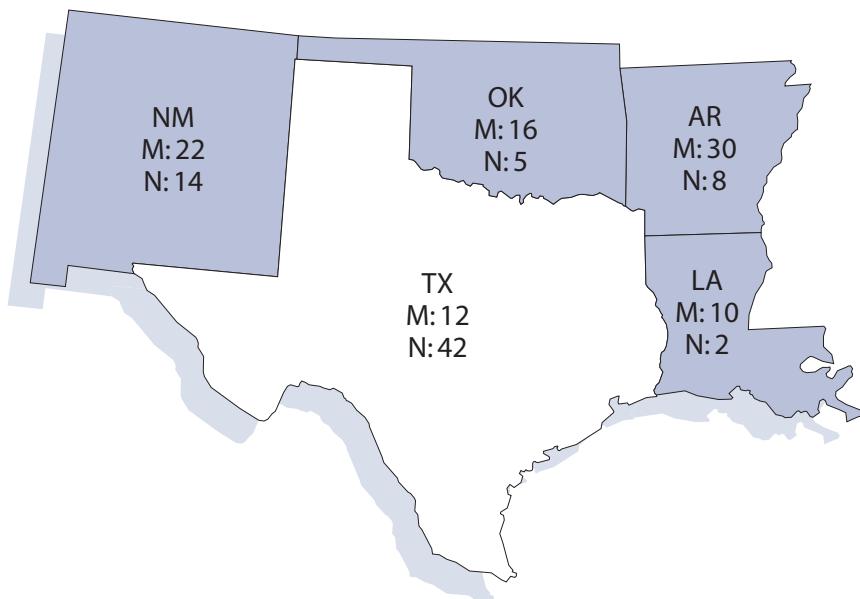


M = Rank for mature firms
N = Rank for new firms



Texas ranks 12th overall for mature operations and 42nd overall for newly established operations. Specifically:

- The mature firms with the lightest tax costs in Texas are the labor-intensive manufacturing operations, with a total effective tax rate (TETR) of 8.5 percent, and the retail store, with a TETR of 14 percent. The state ranks 10th nationally in both of categories. These firms have a light income tax burden due to the state's low-rate gross receipts tax (called the Margin Tax). However, this firm has one of the highest property tax burdens because Texas is one of just nine states that tax inventory in addition to equipment, buildings and land.
- The state ranks 30th for mature distribution centers with a TETR of nearly 31 percent. While this firm enjoys one of the lower income tax burdens in the country, it faces one of the highest sales tax rates in the country and an above-average property tax burden because of the property tax on inventories.
- Texas has above-average tax burdens for all new operations, in large measure because of the state's relatively high property taxes, sales taxes, and the lack of tax incentives.
- The state's lowest tax cost for new operations is for call centers, where the state ranks 31st nationally. In this case, the state's sourcing rules for services expose all of the firm's income to the Margin Tax. Moreover, this operation faces above-average costs for sales and property taxes.
- Texas ranks 43rd for two new firm types: labor-intensive manufacturing, which has a tax burden 21 percent above the average, and the R&D operation, which has a tax burden 44 percent above average. The high tax costs of these firms are driven by high property taxes, sales tax, and the lack of incentives.

Texas

Corporate income tax

Main tax rate	1.000%
Applies to income over	–
Specific adjustments:	
- Texas Franchise Tax on taxable margin	
- 0.5% tax rate for retail and wholesale	

Apportionment	Property	Payroll	Sales
Standard factors	–	–	100.0%
Optional alternative	n/a	n/a	n/a
Throwback applies to tangible property sales			No
Interstate services income apportionment			IPA

Sales and property tax

Metro areas examined		Sales tax	Property tax			
			Main rate ^a	Land	Buildings	Equipment
Tier 1 Dallas		7.350%	2.460%	2.460%	2.460%	2.460%
Tier 2 Lubbock		8.250%	2.149%	2.149%	2.149%	2.149%
a. Manufacturing machinery is exempt from sales tax						

Other taxes

Unemployment insurance		State capital tax		Gross receipts tax			Local income tax
Rate	Max. pay			Mfg.	Services	Retail	
2.70%	\$9,000			Tier 1	n/a	n/a	n/a
				Tier 2	n/a	n/a	n/a

Incentives for newly established operations

Type	Incentive value	MC	ML	CC	DC	CO	RD	RT
Investment	n/a							
Job creation	n/a							
Withholdings	n/a							
R&D	n/a							
Property tax	Abate 15% x 10 years + freeport on mfg. inventory	✓	✓	✓	✓	✓	✓	✓

MC=Capital-Intensive Manufacturing Operation, ML= Labor-Intensive Manufacturing Operation, CC= Call Center, DC= Distribution Center, CO= Corporate Headquarters, RD= Research and Development (R&D) Facility, RT= Retail Store

Results

	Newly established operations							Mature operations								
	Tier 2 operations				Tier 1 operations			AVG	Tier 2 operations				Tier 1 operations			AVG
	MC	ML	CC	DC	CO	RD	RT		MC	ML	CC	DC	CO	RD	RT	
TETR	18.3%	14.2%	28.9%	45.0%	19.1%	21.3%	35.6%		9.9%	8.5%	17.4%	30.9%	13.3%	12.8%	14.0%	
Index	160.4	121.0	116.0	124.4	118.4	144.2	109.2	127.7	78.1	73.2	82.8	100.8	84.5	99.5	82.4	85.9
Rank	42	43	31	37	35	43	34	42	17	10	12	30	13	24	10	12

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