

Presentation to the
House Ways and Means Committee

Harvey Hilderbran, Chairman

An Overview of the Texas Revenue System

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State Revenue

Sales Tax

Double-digit growth rates were seen in fiscal 2006 (+12.0%) and 2007 (+10.8%). Fiscal 2008 grew at 6.6 percent.

Fiscal 2009 collections reflected a reversal of this strong growth trend as the state entered recession and revenue declined by 2.7 percent. Sales tax collections declined again in fiscal 2010, down 6.6 percent.

Two sectors which demonstrated strong sales tax remittance patterns in 2006, 2007, and 2008—oil and gas and construction weakened during fiscal 2009 and 2010. Remittances from the retail trade sector declined in fiscal 2009 and again in fiscal 2010.



State Revenue



Sales Tax, continued

Sales tax remittances in fiscal 2011 were strong, growing 9.4 percent over the previous year.

As Texas began to recover from recession, all major sectors of the Texas economy displayed increases in sales tax collections.

As oil prices continued to rise, remittances from oil and gas revenues increased by more than 70 percent from fiscal 2010 levels. Prices averaged near \$100 per barrel for most of the second half of the year.

Retail trade, including restaurants, down the previous two years, was up 5.5 percent from the previous year. Fiscal 2011 sales growth from general merchandise, or department stores was four percent.

State Revenue

Margin Tax

Fiscal 2011 tax revenues totaled \$3.93 billion.

The estimated amount that the previous franchise tax would have raised that year (approximately \$2.68 billion) accrued to General Revenue.

The remaining \$1.25 billion was deposited to the Property Tax Relief Fund.

Generally, fiscal 2011 represents business done during calendar year 2010.

For the bulk of tax revenue received in fiscal 2011, the associated tax reports, including any final settle-up adjustments, will be received in mid-November 2011.



State Revenue

Severance Taxes

Fiscal 2011 oil production tax revenue was 46.0 percent above that of the previous year. The price for WTI began the fiscal year near \$75 a barrel, advanced steadily over the next six months, and held near or over \$100 per barrel for most of the remainder of the year.

Fiscal 2011 natural gas production tax revenue was 53.0 percent above that of 2010. Prices early in fiscal 2011 exceeded those of a year earlier with pricing later in fiscal 2011 consistent with that of fiscal 2010.

The Rainy Day Fund ended the 2010 – 2011 biennium with a balance of \$5.0 billion. An estimated \$1.1 billion transfer in the fall of 2011 will bring the balance to \$6.1 billion.





State Revenue General Revenue Related

General Revenue Related

Fiscal Years 2010 and 2011 (amounts in \$ billions); Percent Change

Revenue Categories	Fiscal 2008	Fiscal 2009	Fiscal 2010	Fiscal 2011	Percent Change 2010 to 2011	Percent Change 2008 to 2011
Sales Tax	21.52	20.94	19.56	21.4	9.4	-0.5
Motor Vehicle Sales Taxes	3.32	2.57	2.62	2.95	12.7	-10.9
Franchise Tax *	2.87	2.78	2.65	2.68	1.1	-6.9
Oil Production and Regulation Taxes	1.44	0.88	1.01	1.47	46.0	2.5
Natural Gas Production Tax	2.68	1.41	0.73	1.11	53.0	-68.7
Cigarette, tobacco and alcoholic beverages taxes **	1.32	1.38	1.38	1.47	6.1	11.4
All other Taxes and Revenues	8.52	8.02	7.42	8.69	17.0	1.9
All Revenue	41.67	37.98	35.37	39.77	12.4	-4.6

* Fiscal 2011 revenue to the Property Tax Relief Fund totaled \$1.25 billion.

** Fiscal 2011 revenues of cigarette and tobacco taxes to the Property Tax Relief Fund and GRD Account - Physician Loan Repayment totaled, respectively, \$0.94 billion and \$0.014 billion.

Note: Totals may not sum because of rounding.

Questions?



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