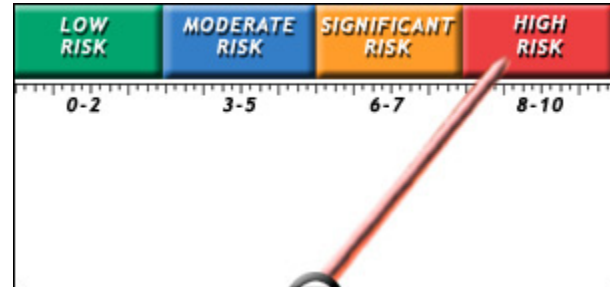


# CENTER ON BUDGET AND POLICY PRIORITIES

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## TEXAS

Most states have structural weaknesses in their tax systems that put them at risk of experiencing gaps between revenues and necessary expenditures in coming years. The Center evaluated each state's likelihood of facing a structural deficit by determining how many of ten "risk factors" applied to each state. Texas is rated as having a high risk of a structural deficit based on its score of nine on the risk scale for structural deficits.



- In Texas, the percent of sales subject to sales tax declined by 11.5 percentage points from 1990-2003, exceeding the US median decline of 8.0 percentage points.
- Texas does not have a corporate income tax.
- Texas could lose an estimated \$1.97 to \$3.08 billion in revenue a year due to the growth of e-commerce. This loss is greater than the national average as a share of total revenue.
- Texas provides preferences to seniors in its property tax, regardless of their income level.
- Texas does not have a personal income tax.
- Texas has a constitutional spending limit that restricts appropriations for the two-year budget period to the growth in personal income and a limit on the growth of local property tax revenue.
- Texas remains linked to the federal phase-out of the estate tax, which eliminates a rapidly growing revenue source and costs the state an estimated \$306 million per year.
- Two other national studies (Hovey 1998 and Boyd 2002) found that Texas has a structural gap.
- Lastly, although this paper did not categorize Texas as having unusually high spending needs, it does face some spending pressure from a growing elderly population.