

# Tax Guide for Texas Home Buyers



On average, the combined state and local tax burden for Texas residents – 7.9% of per capita income – is among the lowest in the nation. According to the most recent rankings from the Tax Foundation, a nonprofit research group, only five states have lower average state and local tax levels than the Lone Star State.

Texas is one of seven states that collect no personal income tax, and there is no state-level property tax, so much of the state's tax revenue is generated through sales tax, business tax and vehicle and fuel taxes. Property taxes are collected and spent at the local level by city and county governments, school districts, etc., with the highest property tax rates generally concentrated in and around the major urban areas.

## Property Tax

**RATES:** The tax rate for any given property in Texas is the sum of the county tax rate plus any additional taxes that may be owed to the city, school district or other local tax districts. Based on data from 2009, the U.S. Census Bureau has calculated the median property tax rate paid on owner-occupied housing in Texas at 1.81% (the third-highest in the nation). However, local rates vary considerably from less than 50 cents to over \$1.50 per \$100 of appraised value, so the annual tax bill for a \$300,000 home could be anywhere from under \$2,000 to \$4,500 or more depending on the location. State law requires local property tax rates to be publicly reviewed and adjusted each year to keep tax revenues in line with the specific budgeting requirements of the local government entities that collect the tax.

**EXEMPTIONS:** For property owners who occupy their home as a primary residence (referred to in tax law as a "homestead"), a \$15,000 exemption is available statewide for property tax paid to a school district. Homeowners who are disabled or at least 65 years old can apply for an additional \$10,000 exemption on school taxes. (Once a homeowner has qualified for this senior/disabled school tax exemption, the amount of school tax due on the property cannot go any higher as long as the owner remains in the home – except in cases where the property value increases due to substantial improvements.) A \$3,000 homestead exemption is available to all homeowners in counties that collect a special tax for flood control or farm-to-market roads. A 100% homestead exemption is available to Texas veterans who receive 100% compensation from the U.S. Department of Veterans Affairs due to a 100% disability rating or determination of individual unemployability. State law also authorizes local taxing agencies to offer additional homestead exemptions ranging from \$3,000 up to 20% of fair market value; the availability of these additional exemptions varies by county.

Texas Taxes at a Glance	
Real Estate Tax	Varies by city, county and district from less than 50 cents to over \$1.50 per \$100 of assessed value, with increases in assessed value capped at 10% annually for owner-occupied housing.
Real Estate Transfer Tax	None
Income Tax	None
Sales Tax	Ranges by city and county from 6.25% to 8.25%
Vehicle Tax	6.25% tax on all motor vehicle sales within Texas, and a \$90 flat fee for new residents bringing a vehicle into the state. Annual registration for cars and light trucks ranges by county from \$52.75 to \$62.75.
Inheritance Tax	None
Estate Tax	None



**ASSESSMENTS:** Texas counties are required to reappraise all properties within the county at least every three years. Most county appraisal districts use a "mass appraisal" process, assigning value based on the market value of similar properties that have sold recently in similar markets. For owner-occupied homes (known as "homesteads"), state law limits the amount that appraised value can increase from year to year. The appraised value of a home that qualifies for homestead exemptions may not increase more than 10% per year, unless the home has undergone additions or other substantial improvements that increase the market value of the property. Property owners have the right to appeal appraised values to a local appraisal review board.

## Other Taxes

**PERSONAL INCOME TAX:** The state of Texas does not tax personal income, retirement income or "intangible" property such as stocks, bonds and mutual funds. However, all Texas residents must file a federal income tax return, including non-U.S. citizens who are considered resident aliens by the IRS (typically, those who are present in the United States for more than 183 days).

**SALES TAX:** The statewide general sales tax in Texas is 6.25%. Local governments may impose additional sales and use tax up to 2% for a total maximum combined rate of 8.25%.

**VEHICLE TAXES:** Texas levies a 6.25% tax on the sale of any new or used motor vehicle within the state. For retail sales by licensed dealers, the tax applies to the sale price minus any applicable trade-in allowance. For private-party transactions, the tax is based on a "standard presumptive value" as determined by the Texas Department of Motor Vehicles. New residents bringing a vehicle into the state pay a \$90 flat fee in lieu of the 6.25% use tax charged to Texas residents. The annual registration fee for cars and light trucks ranges by county from \$52.75 to \$62.75.

**REAL ESTATE TRANSFER TAX:** Texas does not tax real estate transactions.

**ESTATE TAX:** No state inheritance tax return is required on estates with a date of death after Jan. 1, 2005.

### ONLINE RESOURCES:

- State Comptroller's Office Overview of Texas Taxes  
[www.window.state.tx.us/taxes](http://www.window.state.tx.us/taxes)
- State Comptroller's Office Guide to the Texas Property Tax System  
[www.window.state.tx.us/taxinfo/proptax/ptax5.html](http://www.window.state.tx.us/taxinfo/proptax/ptax5.html)
- 2011 Texas Property Tax Rates by County  
[www.window.state.tx.us/taxinfo/proptax/2011taxrates](http://www.window.state.tx.us/taxinfo/proptax/2011taxrates)
- Texas Department of Motor Vehicles  
[www.txdmv.gov](http://www.txdmv.gov)



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