## Taxes - Business

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

### Overview of Taxes in the City of Houston

<table>
<thead>
<tr>
<th>Tax</th>
<th>Description</th>
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<tbody>
<tr>
<td>Personal Income Tax (State or Local)</td>
<td>None</td>
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</tbody>
</table>
| Franchise Tax 1, 2                            | The franchise tax rates are:  
- 0.750% for most entities  
- 0.375% for qualifying wholesalers and retailers  
- 0.331% for those entities with $20 million or less in Total Revenue and electing the E-Z Computation |
| Property Tax                                   | The following items are taxed in the state of Texas. The same tax rates are applicable for all items:  
- Real Property (includes land and buildings)  
- Tangible Personal Property used for the production of income (includes inventory, equipment, furnishings, vehicles and tools) |
| Property Tax Rates per $100 of Appraised Value (2018 rates)4 |  
State of Texas - None  
City of Houston - $0.588310  
Harris County - $0.635170  
Houston Independent School District - $1.206700  
Houston Community College - $0.1002630  
**Total Tax Rate:** $2.530443  
(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.) |
| Unemployment Insurance                         | 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                                                                 |
| Sales & Use Tax (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%                                                                                                                                 |
| Workers’ Compensation Insurance               | 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. |
| Licenses & Permits                             | Varies by industry and regulating agency. See following site for specific information: [https://www.tdlr.texas.gov/](https://www.tdlr.texas.gov/) |
| Application for Registration to do Business   | $750; Registration is required to do business in Texas for non-U.S. corporations, LLCs, LPs and out-of-state entities.                                                                                       |
| Assumed Name Certificate or DBA (Doing Business As) | $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.) |

1 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.

2 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 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.

3 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.

4 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.