

Taxes - Business

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

OVERVIEW OF TAXES IN THE CITY OF HOUSTON	
Tax	Description
Personal Income Tax (State or Local)	None
Franchise Tax ^{1, 2}	The franchise tax rates are: <ul style="list-style-type: none"> • 0.750% for most entities • 0.375% for qualifying wholesalers and retailers³ • 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 (2017 rates) ⁴ State of Texas - None City of Houston - \$0.584210 Harris County - \$0.635175 Houston Independent School District - \$1.206700 Houston Community College - \$0.1002630 Total Tax Rate: \$2.526348 (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. 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.license.state.tx.us/
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.
DBA (Doing Business As)	\$15 + \$0.50 for each additional name filed in Harris County (A DBA filing is required if not incorporated or if doing business under a name other than that in which the business was incorporated.)
<p>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.</p> <p>² Exemptions: The following businesses are exempt from business 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 investment 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.</p> <p>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.</p> <p>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 September 2018.</p>	