

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 ^{2, 3}	The franchise tax rates are: <ul style="list-style-type: none"> • 1.0% (.01) for most entities • 0.5% (.005) for qualifying wholesalers and retailers ⁴ • 0.575% for those entities with \$10 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 (2011 rates) ¹ State of Texas - None City of Houston - \$0.63875 Harris County - \$0.63656 Houston Independent School District - \$1.15670 Houston Community College - \$0.09722 Total Tax Rate: \$2.52923 (Note: These are illustrative rates for a selected site within the City of Houston. Taxing jurisdictions and tax rates vary depending on location of the property.)
Unemployment Insurance	2.7% general entry rate, charged on first \$9,000 in earnings, reassessed after 6 quarters and charged at 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. Options include: self insurance, state-operated Texas Workers' Compensation Insurance Fund or licensed private insurance company.
Licenses & Permits	Varies by industry and regulating agency. See following site for specific information: http://www.state.tx.us/portal/tol/en/bus/2
Application for Registration to do Business	\$750, 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 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.)
¹ Taxes for cities, counties, school districts, municipal districts and other taxing jurisdictions vary throughout the 10-county region. These rates are current as of January 2012. ² The revised tax base is the taxable entity's margin, unless a taxable entity qualifies and elects to file using the E-Z Computation. Margin equals the lowest of three calculations: total revenue minus cost of goods sold; OR total revenue minus compensation; OR total revenue times 70 percent. ³ Exemptions: The following businesses are exempt from business tax: Sole proprietorships; General partnerships (excluding limited liability partnerships) owned entirely by natural persons; Certain unincorporated passive entities, grantor trusts, estates of natural persons, escrows, real estate mortgage investment conduits (REMICs) and certain real estate investment trusts (REITs); where at least 90% of revenue is from passive investments (rent is not considered passive income); Non-profit and other organizations currently exempt from the franchise tax; Businesses with total revenue below the no-tax-due threshold amount; and Businesses that owe less than \$1,000 in tax. ⁴ The 0.5% tax rate applies to taxable entities primarily engaged in wholesale or retail trade as described in Division F and Division G of the 1987 Standard Industrial Classification (SIC) Manual.	