



Texas

Overall Rank	Corporate Tax Rank	Individual Income Tax Rank	Sales Tax Rank	Property Tax Rank	Unemployment Insurance Tax Rank
7	46	1	36	40	30

Texas boasts a regionally and nationally competitive tax code. The state does not impose an individual income tax. However, unlike most others without an individual income tax, Texas (like Washington) applies the corporate gross receipts tax (also known as the “margin tax”) to S corporation and LLC income when others accord them pass-through status.

The margin tax is complex and burdensome. As a modified gross receipts tax, it applies to a firm’s total sales with limited deductions, rather than being imposed on profits.

In 2023, Texas voted to increase the homestead exemption on residential property from \$40,000 to \$100,000 (\$110,000 for the elderly, disabled, and disabled veterans). While seemingly beneficial for taxpayers, homestead exemptions are nonneutral and tend to shift the tax burden to commercial property and renters. Moreover, a significantly increased homestead exemption could deny local governments the funding needed to properly resource public services, including education. Texas treats remote sellers and marketplace facilitators competitively. Unlike most other states that require such sellers to collect and remit sales taxes if either a transaction or dollar threshold is surpassed, Texas only imposes a dollar threshold. Additionally, the dollar threshold is \$500,000, greater than most other states, which better aligns the threshold with the size of the state’s economy.