

# HdL<sup>®</sup> Companies

## Haunted By Numbers Conjuring Clarity in Sales Tax Data

October 31, 2024





# Summary

*Understanding your sales tax environment is foundational to a well thought out plan for any city.*



## Sales Tax Trends

*Sales Tax Trends across Texas*



## Understanding Sales Tax

*Sales Tax 101 and Terminology*



## Interpreting Your Data

*Put Confidential Data to Use*



## Budgeting & Forecasting

*Identifying Characteristics of Your Revenue Sources*

# Sales Tax Trends

YTD Comparison from 2023-2024 - Cities

## October - City Sales and Use Tax Comparison Summary (Net Payments)

Total Net Payments This Period	Comparable Payment Prior Year	Percent Change
\$692,230,428	\$706,094,030	-1.96%

## City Sales and Use Tax Comparison Summary (Total Payments)

Total Payments YTD	Total Prior Year Payments YTD	Percent Change
\$7,202,039,977	\$7,079,056,998	+1.64%

# Sales Tax Trends

## Allocation Historical Summary

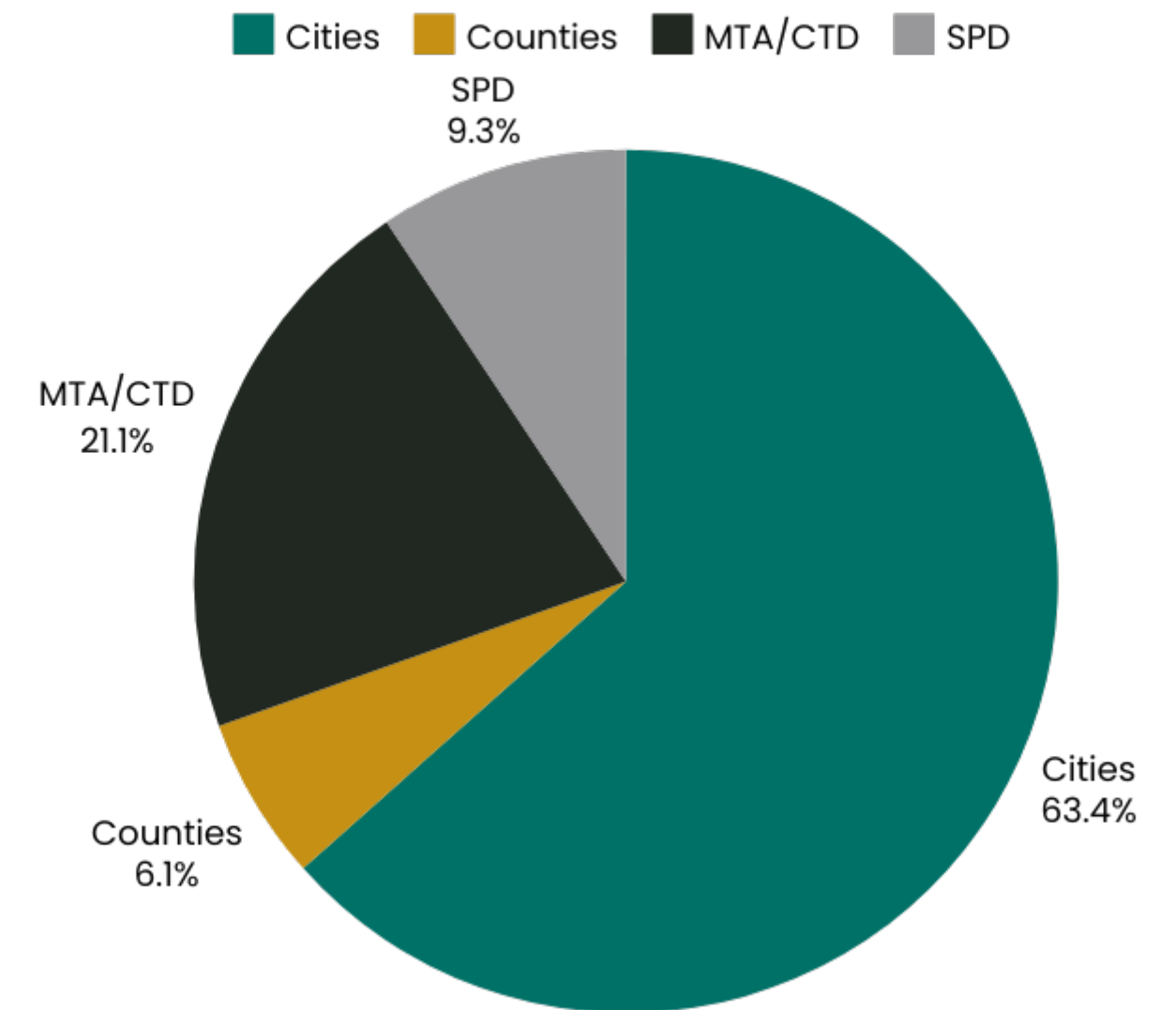
- The allocation historical summaries show the total dollars returned to a local sales taxing entity (i.e. a city, county, metropolitan transit authority or city transit department [MTA/CTD], or a special purpose district [SPD]).

Year	Cities	Counties	MTA/CTD	SPD
2019	\$6,202,742,001	\$601,760,988	\$2,111,469,051	\$725,258,227
2020	\$6,225,241,463	\$592,189,387	\$2,066,958,398	\$756,213,979
2021	\$7,137,261,063	\$646,967,763	\$2,351,224,744	\$905,658,268
2022	\$8,127,295,071	\$755,101,545	\$2,701,744,554	\$1,132,836,214
2023	\$8,512,005,745	\$824,338,086	\$2,830,433,621	\$1,254,157,416

## 2024 YTD Allocation Summary

Year	Cities	Counties	MTA/CTD	SPD
2024	\$7,202,039,977	\$697,445,140	\$2,394,576,971	\$1,089,947,317

## 2023 Allocation Summary



# Sales Tax Trends

## Taxing Entities and EDCs

- The information listed below is based on the number of entities listed in the October 2024 Sales and Use Tax Comparison Summary and the 2023 data in the Economic Development Corporation Report Data Dashboard on the Texas Comptroller's website.

Type	Number of Entities	Sales Tax (Oct 2024)
City	1,174	\$692,230,428
County	125	\$67,180,629
Special Purpose District (SPD)	467	\$108,211,087
Transit District (MTA/CTD/CTA/ATD)	10	\$231,674,552
Economic Development Corporation (EDC)	718	N/A

# Sales Tax Trends

## EDC Report Data

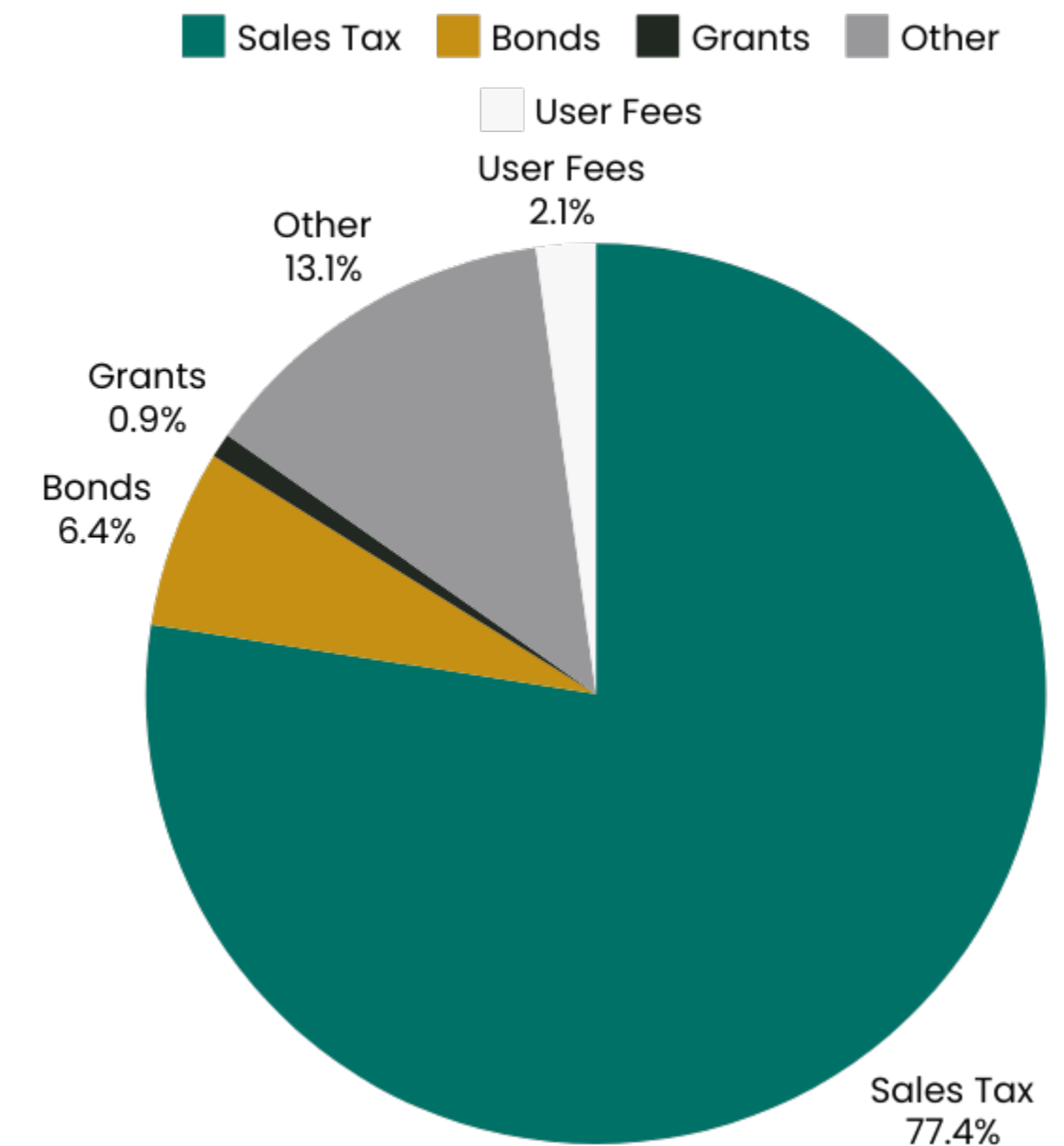
- State law requires all Type A and Type B economic development corporations (EDCs) file an annual report with the Comptroller's office by April 1, and in even-numbered years the Comptroller's office prepares a report for the Legislature summarizing the data for the previous 2 years.

Year	Number of Operating EDCs	Revenue from Sales Tax	Total Revenue	% of Revenue from Sales Tax
2019	726	\$865,075,555	\$1,169,348,063	73.98%
2020	726	\$885,618,051	\$1,186,493,606	74.64%
2021	725	\$1,021,284,510	\$1,362,294,014	74.97%
2022	721	\$1,183,050,886	\$1,635,229,799	72.35%
2023	718	\$1,241,583,639	\$1,603,019,694	77.45%

## 2023 Revenue Details

Year	Bonds	Grants	Other	Sales Tax	User Fees
2023	\$102,595,300	\$14,267,695	\$210,398,932	\$1,241,583,639	\$34,282,557

## 2023 Revenue Details



# Understanding Sales Tax

## A Perspective for Your Organization

- **Sales Tax Trends Across Texas**
  - Overall economic health
  - Comparison for your city
- **Understanding Sales Tax in your City**
  - Identify the important key concepts
  - Determining where local tax is due
  - Understanding if the entity is a “place of business”



# Understanding Sales Tax

## Key Concepts



### Outlet Filer

Pays tax based on the place of business of the seller



### Received

Location where the order is processed by the seller



### List Filer

Pays tax based on location where goods or services are delivered



### Fulfilled

Location where the item leaves from (i.e. distribution center)



### ResidenceBased Sales Tax

Tax generated by residential addresses due to their use of services and/or deliveries of online orders



### Consummated

Location where the buyer takes possession of the item

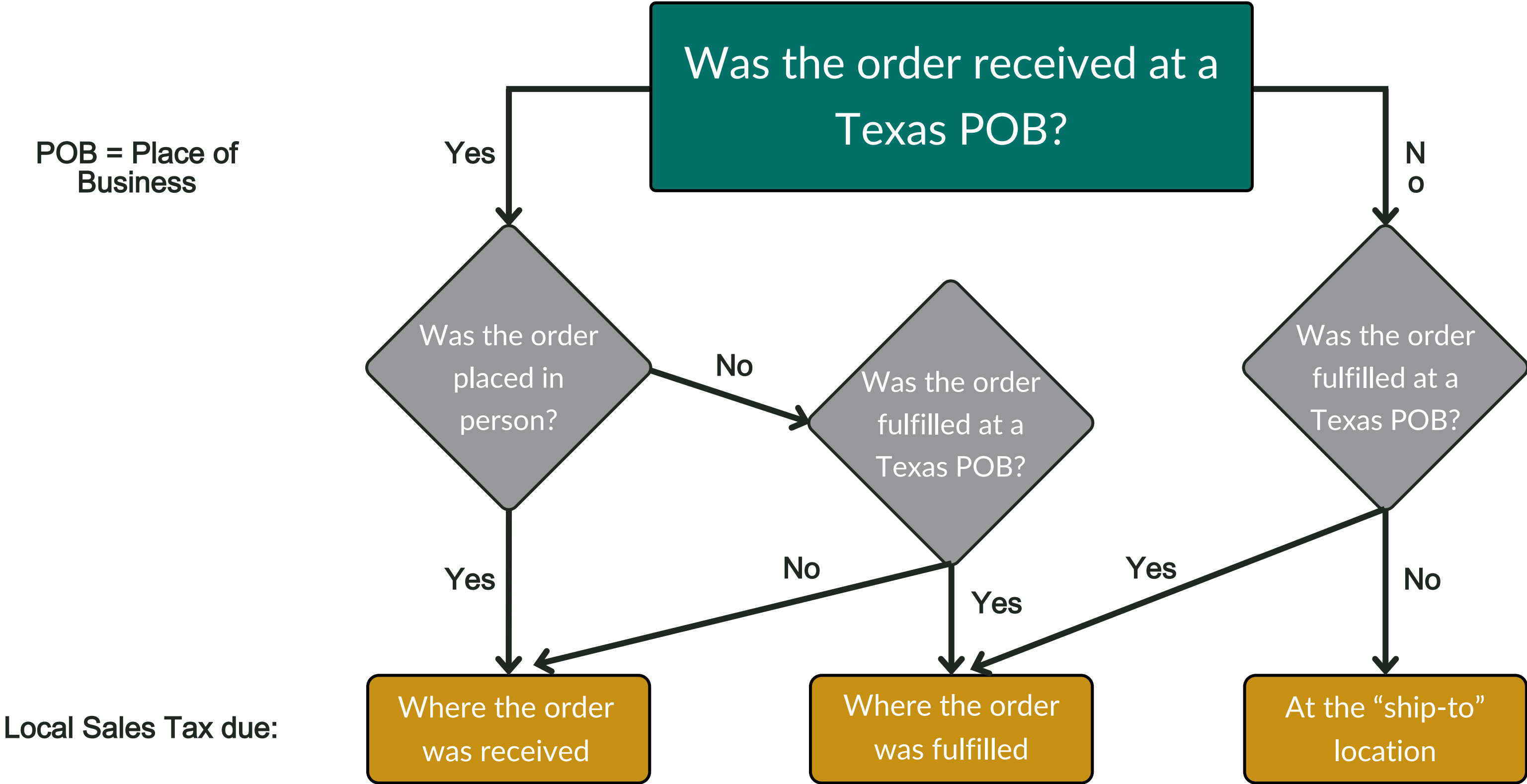


### Place of Business

A store, office or other location operated by the seller to sell taxable items where the seller receives 3 or more orders a year



# Understanding Sales Tax



# Understanding Sales Tax

Is it a “place of business”?



## YES

- Retail Store
- Restaurant



## MAYBE

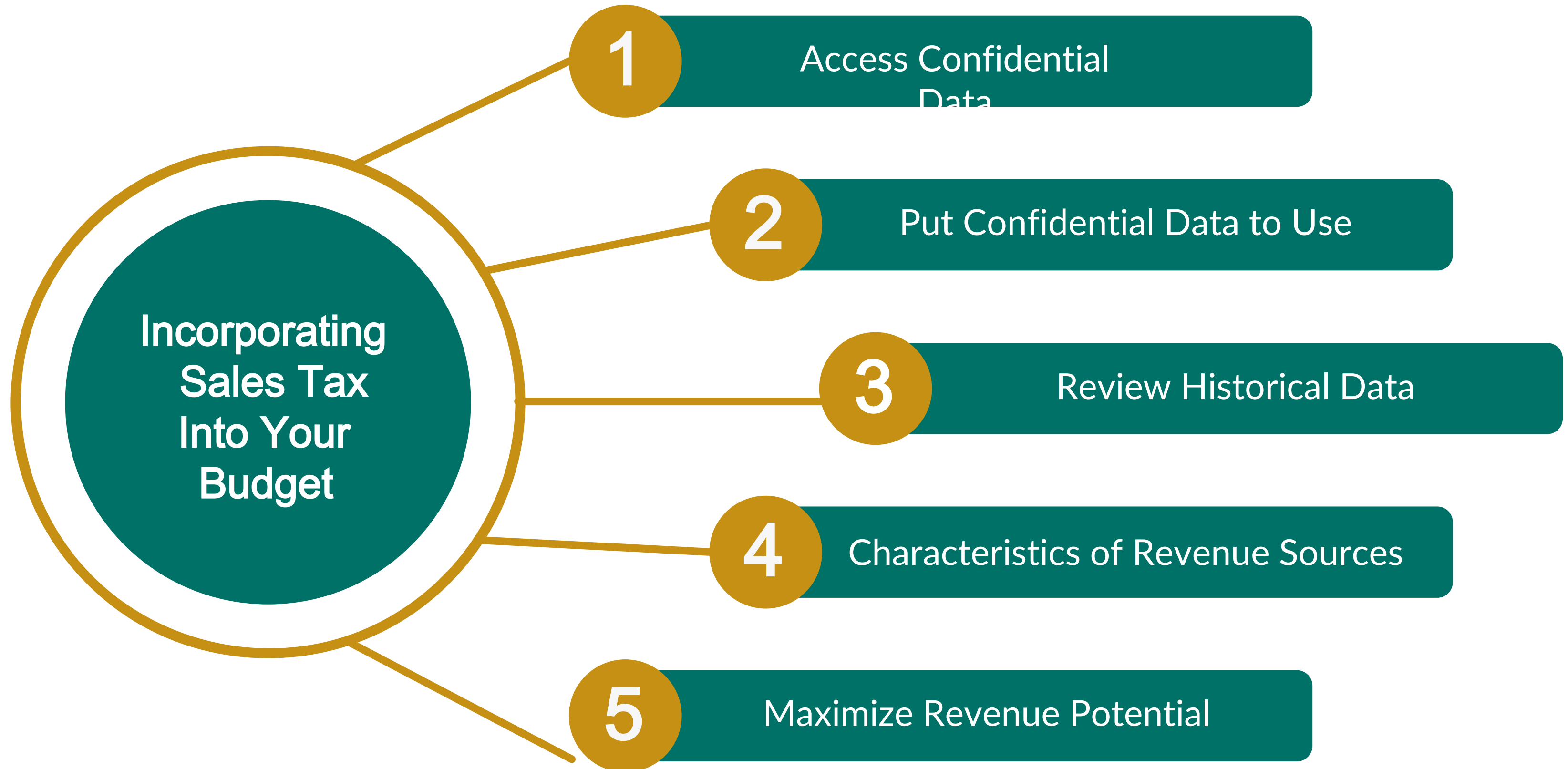
- Distribution Center
- Manufacturing Facility
- Home Office



## NO

- Website

# Data & Budgeting





# Interpreting Your Data

Access Confidential Data

## Reports Available to Local Jurisdictions



List of Sales and  
Use Tax Taxpayers  
Paid Up and  
Delinquent  
Taxpayers



List of Businesses by  
ZIP Code or  
Jurisdiction



List of New Sales  
and Use Tax Permit  
Holders with Local  
Information



Sales Tax Area  
Report



Confidential Information  
Reports

<https://comptroller.texas.gov/transparency/open-data/by-request.php>

# Interpreting Your Data

## Access Confidential Data



### List of Paid Up and Delinquent Taxpayers Report

- **Description :**
  - These quarterly reports list businesses that are either up-to-date or delinquent in their sales and use tax payments.
- **Purpose:**
  - To help local jurisdictions track compliance and understand the status of tax collections within their boundaries.



### List of Businesses by ZIP Code or Jurisdiction

- **Description :**
  - This report lists active and inactive businesses within a specific city, county, or ZIP code area.
- **Purpose:**
  - To provide a comprehensive view of business activity and growth within a jurisdiction, helping communities with economic planning and tax allocation.



### List of New Sales and Use Tax Permit Holders

- **Description :**
  - This report lists businesses that have recently received a new sales and use tax permit, organized by ZIP code.
- **Purpose:**
  - To track new business activity and ensure proper tax allocation for new permit holders.

# Interpreting Your Data

## Access Confidential Data



### Sales Tax Area Report

- **Description :**
  - This report lists taxpayers in a specific group and the total local sales tax revenue they contributed to a jurisdiction.
- **Purpose:**
  - To assist in revenue sharing agreements and provide detailed insights into tax contributions by specific groups of businesses.



### Confidential Information Reports

- **Description :**
  - Confidential Information Reports provide local sales taxing jurisdictions with detailed, confidential data on sales and use tax allocations by specific businesses for economic forecasting.
  - Shows the aggregate local sales and use tax amount paid to the local taxing jurisdiction by businesses each month for payments totaling more than \$5,000.
- **Purpose:**
  - These reports help jurisdictions accurately forecast revenue and make informed economic planning decisions while maintaining confidentiality.



# Interpreting Your Data

## Example Confidential Information Report

1	TP NO	NAME	ADDRESS	CITY	STATE	ZIP CODE	NAICS NO	OUTLET NO	OUTLET NAME	OUTLET ADDRESS	OUTLET CITY	OUTLET STATE	OUTLET ZIP CD	OUTLET NAICS	ALLOC MONTH	TOTAL PAID	OBLIG TYPE	PRD BEGIN	PRD END	TAX PAID	TAX
2	10105896235	DEPT STORE	111 1ST AVE	CITY A	TX	4976	455110										R	202111	202111	0.17	26
3	10105896235	DEPT STORE	111 1ST AVE	CITY A	TX	4976	455110								202201	0.17					
4	10105896235	DEPT STORE	111 1ST AVE	CITY A	TX	4976	455110										R	202112	202112	0.88	26
5	10105896235	DEPT STORE	111 1ST AVE	CITY A	TX	4976	455110								202202	0.88					
6	10105896235	DEPT STORE	111 1ST AVE	CITY A	TX	4976	455110										R	202201	202201	0.75	26
7	10105896235	DEPT STORE	111 1ST AVE	CITY A	TX	4976	455110								202203	0.75					
8	10105896235	DEPT STORE	111 1ST AVE	CITY A	TX	4976	455110										R	202202	202202	1.5	26
9	10105896235	DEPT STORE	111 1ST AVE	CITY A	TX	4976	455110								202204	1.5					
10	10105896235	DEPT STORE	111 1ST AVE	CITY A	TX	4976	455110										R	202203	202203	2.97	26
11	10105896235	DEPT STORE	111 1ST AVE	CITY A	TX	4976	455110								202205	2.97					
12	10105896235	DEPT STORE	111 1ST AVE	CITY A	TX	4976	455110										R	202205	202205	0.92	26
13	10105896235	DEPT STORE	111 1ST AVE	CITY A	TX	4976	455110								202207	0.92					
14	10105896235	DEPT STORE	111 1ST AVE	CITY A	TX	4976	455110										R	202207	202207	0.15	26
15	10105896235	DEPT STORE	111 1ST AVE	CITY A	TX	4976	455110								202209	0.15					
16	10105896235	DEPT STORE	111 1ST AVE	CITY A	TX	4976	455110										R	202208	202208	0.94	26
17	10105896235	DEPT STORE	111 1ST AVE	CITY A	TX	4976	455110								202210	0.94					
18	10105896235	DEPT STORE	111 1ST AVE	CITY A	TX	4976	455110										R	202209	202209	0.82	26
19	10105896235	DEPT STORE	111 1ST AVE	CITY A	TX	4976	455110								202211	0.82					
20	10105896235	DEPT STORE	111 1ST AVE	CITY A	TX	4976	455110										R	202210	202210	0.28	26
21	10105896235	DEPT STORE	111 1ST AVE	CITY A	TX	4976	455110								202212	0.28					
22	10105896235	DEPT STORE	111 1ST AVE	CITY A	TX	4976	455110										R	202212	202212	0.09	26
23	10105896235	DEPT STORE	111 1ST AVE	CITY A	TX	4976	455110								202302	0.09					
24	10105896235	DEPT STORE	111 1ST AVE	CITY A	TX	4976	455110										R	202301	202301	1.64	26
25	10105896235	DEPT STORE	111 1ST AVE	CITY A	TX	4976	455110								202303	1.64					
26	10105896235	DEPT STORE	111 1ST AVE	CITY A	TX	4976	455110										R	202302	202302	0.93	26
27	10105896235	DEPT STORE	111 1ST AVE	CITY A	TX	4976	455110								202304	0.93					
28	10105896235	DEPT STORE	111 1ST AVE	CITY A	TX	4976	455110										R	202303	202303	0.19	26
29	10105896235	DEPT STORE	111 1ST AVE	CITY A	TX	4976	455110								202305	0.19					
30	10105896235	DEPT STORE	111 1ST AVE	CITY A	TX	4976	455110										R	202304	202304	0.92	26
31	10105896235	DEPT STORE	111 1ST AVE	CITY A	TX	4976	455110								202306	0.92					
32	10105896235	DEPT STORE	111 1ST AVE	CITY A	TX	4976	455110										R	202305	202305	0.55	26
33	10105896235	DEPT STORE	111 1ST AVE	CITY A	TX	4976	455110								202307	0.55					
34	10105896235	DEPT STORE	111 1ST AVE	CITY A	TX	4976	455110										R	202306	202306	0.94	26
35	10105896235	DEPT STORE	111 1ST AVE	CITY A	TX	4976	455110								202308	0.94					
36	10101248569	RESTAURANT	222 2ND ST	CITY B	TX	3943	722511										R	202112	202112	0.78	26
37	10101248569	RESTAURANT	222 2ND ST	CITY B	TX	3943	722511								202202	0.78					
38	10101248569	RESTAURANT	222 2ND ST	CITY B	TX	3943	722511										R	202209	202209	0.74	26

# Interpreting Your Data

## Putting Confidential Data to Use

### Top Taxpayer Analysis

Number of Taxpayers	City A	City B	City C
#1	5.4%	37.1%	17.4%
Top 5	18.3%	46.6%	44.8%
Top 50	51.6%	68.8%	82.6%

Medium  
\$10-20M annually

Largest  
>\$25M annually

Smallest  
<\$1.5M annually

# Interpreting Your Data

## Putting Confidential Data to Use

In Jurisdiction vs. Out of Jurisdiction

Type	City A	City B	City C
In Jurisdiction	67.1%	85.4%	55.6%
Out of Jurisdiction	32.9%	14.6%	44.4%

Medium  
\$10-20M annually

Largest  
>\$25M annually

Smallest  
<\$1.5M annually



# Interpreting Your Data

## Putting Confidential Data to Use

### Business Group Analysis

Statewide*	Business Group	City A	City B	City C
29%	Construction and Manufacturing	21%	54%	25%
24%	General Retail	25%	19%	25%
6%	Grocery Stores and Pharmacy	9%	4%	12%
8%	Internet Retail	9%	3%	6%
8%	Professional and Financial	7%	3%	2%
12%	Restaurants and Entertainment	15%	10%	17%
11%	Utilities and Other Taxable Services	13%	6%	12%
2%	Unclassified	1%	1%	1%

\*Based on HdL client aggregated data

Medium  
\$10-20M annually

Largest  
>\$25M annually

Smallest  
<\$1.5M annually

# Interpreting Your Data

## Review Historical Data

Year	Annual Sales Tax	Percent Change
2012	\$6,230,667	
2013	\$7,941,260	27.45%
2014	\$11,360,991	43.06%
2015	\$11,651,226	2.55%
2016	\$11,839,338	1.61%
2017	\$13,534,948	14.32%
2018	\$16,830,590	24.35%
2019	\$19,596,450	16.43%
2020	\$20,967,380	7.00%
2021	\$25,190,727	20.14%
2022	\$27,711,234	10.01%
2023	\$29,719,797	7.25%

# Budgeting & Forecasting

## Perspective for Your Organization

- **Identifying Characteristics of Your Revenue Sources**
  - Recurring vs. One-time
  - Sustainable vs. Vulnerable
- **Identifying Additional Revenue Potential**
  - Embrace one-time sales tax sources
  - Understand sales tax payments
  - Consider businesses that are not “site dependent”

# Budgeting & Forecasting

## Identifying Characteristics of Your Revenue Sources

### Key Concepts



#### **Recurring revenue**

Sales tax that, based on its nature, is likely to continue. These tax dollars can more confidently be considered in long-term budget forecasting.



#### **One-time revenue**

Sales tax that, based on its nature, may not continue. These tax dollars are realized only one time or for a short period of time and should therefore not be considered when budgeting future sales tax.



# Budgeting & Forecasting

## Identifying Characteristics of Your Revenue Sources

### Example Characteristics

Recurring	One-Time
Sales made at in-City locations	Project-based sales tax
Online sales	Boom-bust cycle businesses
Residence-based sales tax	New businesses

# Budgeting & Forecasting

## Identifying Characteristics of Your Revenue Sources

### Recurring vs. One-Time

Revenue Type	City A	City B	City C
Recurring	85%	95%	75%
One-Time	15%	5%	25%

Medium  
\$10-20M annually

Largest  
>\$25M annually

Smallest  
<\$1.5M annually

# Budgeting & Forecasting

## Identifying Characteristics of Your Local Businesses & Revenue Sources

### Key Concepts



#### **Sustainable**

Businesses that have a stable demand and are less likely to relocate. These sales tax revenue sources are more dependable to incorporate into your community's long-term budget forecast.



#### **Vulnerable**

Businesses that can more easily relocate and are more sensitive to changes in economic conditions. These sales tax revenue sources are less dependable and you should be aware when incorporating them into your community's long-term budget forecast.

# Budgeting & Forecasting

## Identifying Characteristics of Your Local Businesses & Revenue Sources

Example Characteristics

Sustainable	Vulnerable
Site Dependent	Not Site Dependent
Diverse Customer Base	Highly Competitive
Stable Demand	Sensitive to Economic Fluctuations



# Budgeting & Forecasting

Maximize Revenue Potential



## Consider businesses that are not “site dependent”

- *Identify who they are*
- *Ensure they have incentive to stay*



## Embrace “nontraditional” sales tax sources

- *Even if shortlived, these dollars can provide significant boosts in revenue*



## Understand sales tax payments

- *Large influxes may not always mean business is growing*
- *Large decreases may not always mean community is struggling*

# Budgeting & Forecasting

Consider businesses that are not “site dependent”

## Sample Characteristics

Site-Dependent	Not Site-Dependent
Strategic Location	Flexibility in Location
Market Research	Mobility
Stability	Retention Efforts
Sustainable	Vulnerable

# Budgeting & Forecasting

## “Non-traditional” Sales Tax Sources

*Example: Construction-based Sales Tax*



### How It Works

- Taxation of Materials and Services
  - Separated contracts vs. Lump-Sum Contracts
- Strategic Partnerships
  - Collaboration with Developers



### Benefits

- One-Time Revenue Boost
- Economic Stimulus
- Infrastructure Development



### Considerations

- Vulnerability
  - Supplementary source of income
- Compliance and Planning
  - To track new business activity and ensure proper tax allocation

# Budgeting & Forecasting

## Understanding Sales Tax Payments



### Tracking Payments Large Influxes & Decreases

- Large Influxes
  - New taxpayers - new businesses
  - Specific business - audits or overpayments
- Large Decreases
  - Did a business leave or close?
  - Specific business - audits or overpayment



# Conclusion & Key Takeaways

Develop an understanding of sales tax



Request and learn to love your confidential data

Think critically about the nature of the sales tax you're receiving



Put it all together and budget like a pro!



# HdL<sup>®</sup> Companies

## Thank you!

### Stop by our booth to learn more!

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