

A nighttime photograph of a large, illuminated fountain at the Irving Convention Center at Las Colinas. The fountain features several tall, thin water jets and a central, larger jet. The water is lit with blue and white lights, and the surrounding area is lit with warm yellow lights. The sky is dark blue.

2024 SAFE-D Conference

Irving Convention Center at Las Colinas

# ESD Sales Tax 101

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40 Years of Growing Revenue



# Topics to Cover

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- Intro to Texas Sales Tax
- Key Texas Comptroller Functions
- ESD Sales Tax Trends
- Sales Tax Estimates
- Understanding Your Sales Tax

# Intro to Texas Sales Tax

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# What is Taxed?

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Texas imposes sales and use tax on all retail sales, leases and rentals of most goods, as well as taxable services.

Examples of taxable services include:

- Amusement services
- Cable and telecom services
- Real property services

Use links below to explore in more detail

- [Sales Tax Statutes](#)
- [Taxable Services](#)



# Who Imposes Sales Tax?

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- State of Texas
  - Rate of 6.25% imposed state-wide
- Local Jurisdictions
  - Cities, Counties, Transit and Special Purpose Districts (including ESD's)
  - Rates range from 0.125% to 2.0% (in .125% increments)
  - Multiple local jurisdictions can overlap
  - Maximum combined local tax is 2%



## Useful Terminology

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- **Taxpayers** = Businesses, Companies
- **Collections** = Sales tax collected for jurisdictions by businesses
- **Allocations** = Comptroller's payments to jurisdictions
- **Outlet** = taxpayer's physical location  
(one taxpayer can have multiple outlets)



# Tax Allocation Schedule

January

Sun	Mon	Tue	Wed	Thu	Fri	Sat
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31	1	2	3	4

Businesses collect tax from customers



February

Sun	Mon	Tue	Wed	Thu	Fri	Sat
29	30	31	1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	★ 20	21	22	23	24	25
26	27	28	1	2	3	4

Sales tax returns due 20th of the month following the collection period  
(can be monthly, quarterly, or annually)



March

Sun	Mon	Tue	Wed	Thu	Fri	Sat
26	27	28	1	2	3	4
5	6	7	8	9	★ 10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	1

Comptroller processes returns and allocates tax to jurisdictions no later than the second Friday of the month

# Key Comptroller Functions

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# Key Comptroller Functions

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- Receives and processes tax collections from businesses
- Allocates local sales tax to Jurisdictions
- Audits businesses
- Interprets statutes enacted by the Legislature
- Sets administrative rules and procedures
- [Link to sales tax rules](#)



## Important Concepts

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- Taxpayer payment information is confidential
- Audit details are confidential
- Tax wrongly received, and discovered, must be paid back
  - 4-year statute-of-limitations
  - Can create unknown liabilities
- Misallocated tax recoverable in most cases
- Businesses not liable for uncollected tax if not properly notified of a newly imposed sales tax or increased tax rate



## What the Comptroller Expects of You

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- Communicate your election results to the TCPA
- Use Comptroller website to its fullest extent
  - <http://comptroller.texas.gov/taxinfo/local/>
- Do own research and analysis
- Know businesses located in their jurisdiction and if they are collecting sales tax
- Know basic sales tax statutes and rules
- Check that new businesses are collecting tax
- Inform Comptroller of errors discovered



# How to ask questions

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- <http://comptroller.texas.gov/about/contact/>
- Sales and Use Taxes Helpline
  - 1-800-252-5555
- Tax Allocation Section, Revenue Accounting
  - 1-800-531-5441 ext 3-4530



## Reports Available

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- List of Sales and Use Tax Taxpayers Paid Up
- List of Delinquent Sales and Use Tax Taxpayers
- List of Businesses by ZIP Code or Jurisdiction
- List of New Sales Tax Permit Holders with Local Information
- Sales Tax Area Report
- **Confidential Detail Report**

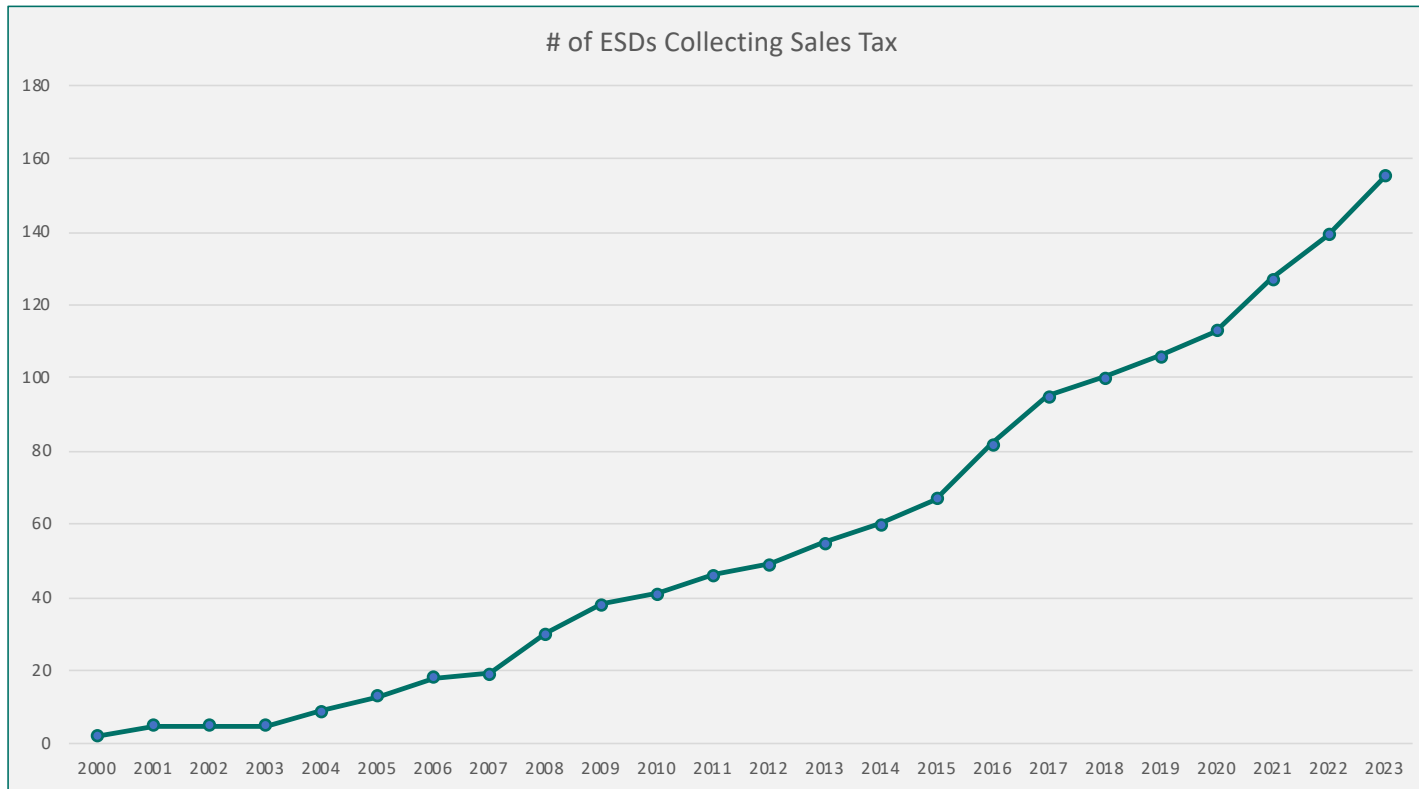
# ESD Sales Tax Trends

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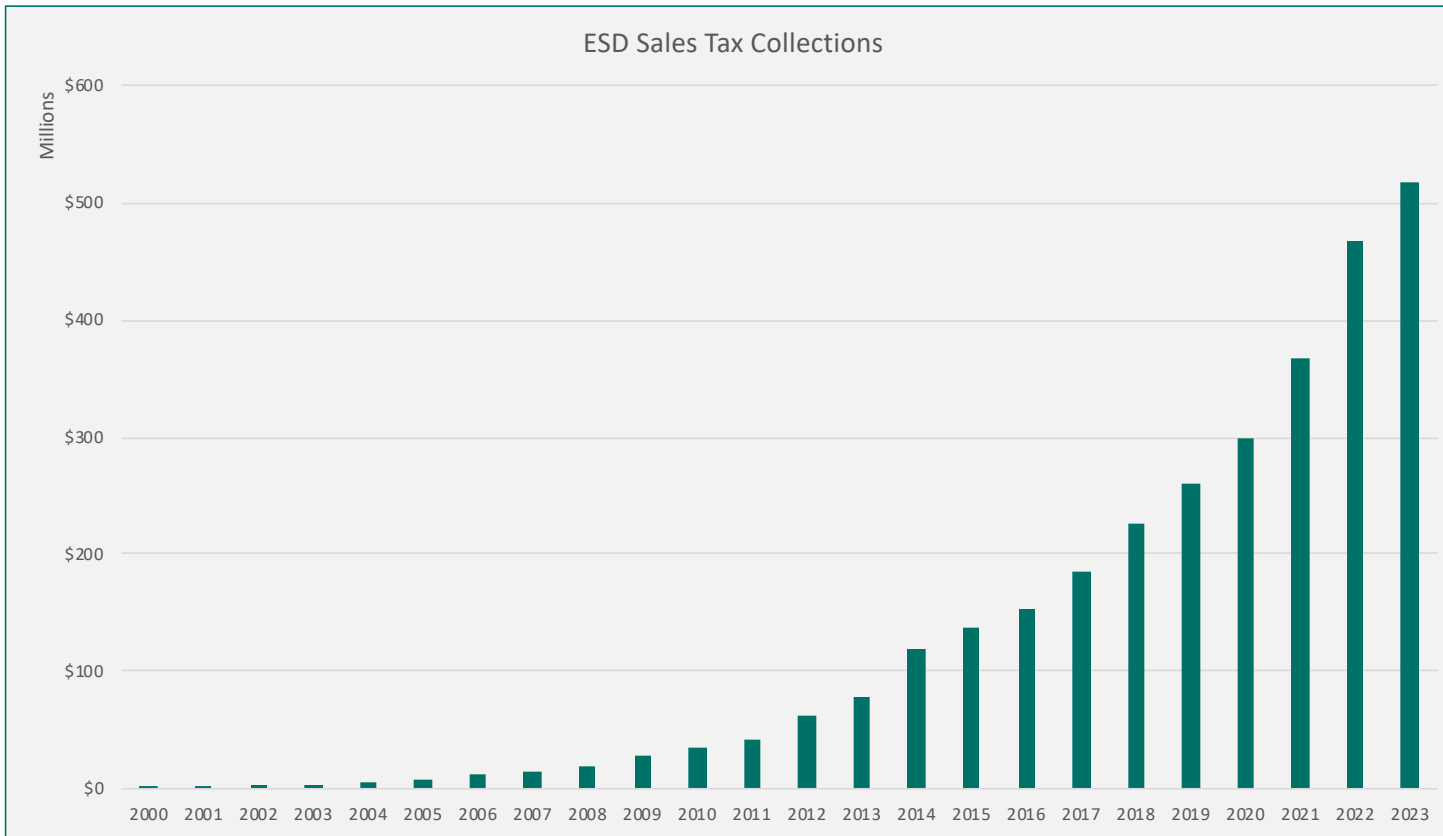


# ESDs Imposing Sales Tax





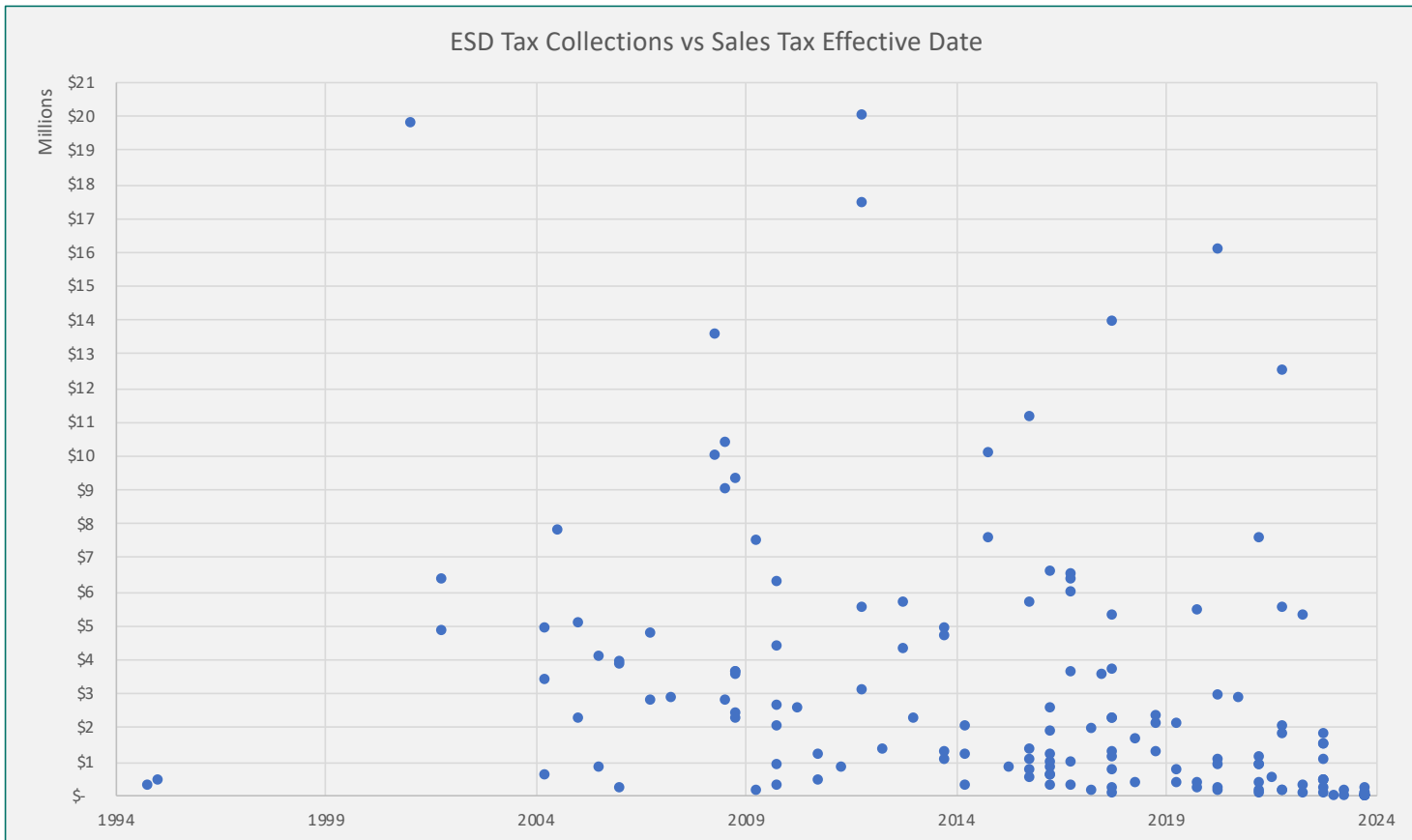
# ESD Sales Tax Growth







# Better Now than Never!



# Sales Tax Estimates

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## Estimate Basics

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- Good way to understand what sales tax revenues might be available if your District was to pass a sales tax election or sales tax rate increase
- Can be done on your own or with the help of a consultant
- Requires an understanding of your District's boundaries and what other jurisdiction(s) may already impose sales tax
  - Reliable mapping is extremely important
  - REMINDER: Property tax area DOES NOT equal sales tax area



# DIY Estimate Steps: Part 1

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1. Contact Aubrey Mashburn at Comptroller's office:
  - [aubrey.mashburn@cpa.texas.gov](mailto:aubrey.mashburn@cpa.texas.gov)
  - (512) 463-9634
2. Request an estimate for possible new sales tax
3. Provide your contact information
4. You will be asked to provide a list of zip codes in your District
  - Be sure to include all zip codes that are even slightly in your District
5. Comptroller will return a list of all businesses in the provided zip codes



## DIY Estimate Steps: Part 2

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6. You must edit the list to include only those in your potential sales tax boundary
  - Requires an understanding of other jurisdictions in your area that already impose sales tax
7. Once edited, you return the list to the Comptroller's office
8. They will then provide a 12-month total for those businesses included in the list
  - Based on taxable sales reported
9. 12-month total provided should be multiplied by the planned tax rate and adjusted for Comptroller fees



## Limitations of Estimates

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- Comptroller does not estimate tax collected from businesses located outside the District
- Businesses in the District who are list filers are excluded
- Businesses can frequently open, close, or change permit numbers
- Submitted list of businesses can be inaccurate
- Economic environment can change quickly

# Understanding Your Sales Tax

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# Allocation Payment Detail

Sample County ESD 1  
Local Code: 5XXXXXX

Allocation Period: Sep 2023	
(A) Total Collections (=B+C+D+E+F+G):	2,094,615.45
(B) Prior Period Collections:	49,677.51
(C) Current Period Collections:	1,991,878.75
(D) Future Period Collections:	1,499.85
(E) Audit Collections:	50,252.70
(F) Unidentified Collections:	1,306.64
(G) Single Local Rate Collections:	3,201.74
(H) Service Fee (2% of A):	41,892.31
(I) Current Retained (2% of A):	41,054.46
(J) Prior Retained (2% Prior month A):	49,182.54
(K) Net Payment (A-H-I+J):	<b>2,064,052.96</b>





# Remember the Allocation Schedule

<b>Tax Collected</b>	January	February	March	April	May	June	July	August	September	October	November	December
	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓
<b>Paid to the T CPA</b>	February	March	April	May	June	July	August	September	October	November	December	January
	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓
<b>Allocated to Jurisdictions</b>	March	April	<b>May*</b>	June	July	<b>August*</b>	September	October	<b>November*</b>	December	January	<b>February**</b>

\* indicates allocation month that includes quarterly filing taxpayers

\*\* indicates allocation month that includes quarterly and annually filing taxpayers



# Current Period Collections

- Doesn't include anomalies  
ex: Audits, Prior Period Payments
- More accurate representation of current economic activity

Allocation Period: Sep 2023	
Total Collections:	2,094,615.45
Prior Period Collections:	49,677.51
<b>Current Period Collections:</b>	<b>1,991,878.75</b>
Future Period Collections:	1,499.85
Audit Collections:	50,252.70
Unidentified Collections:	1,306.64
Single Local Rate Collections:	3,201.74
Service Fee:	41,892.31
Current Retained:	41,054.46
Prior Retained:	49,182.54
Net Payment:	<b>2,064,052.96</b>



# Identifying Anomalies

	Simple Example	
(A)	Total Collections:	159,985.64
(B)	Prior Period Collections:	5,431.36
(C)	Current Period Collections:	154,230.10
(D)	Future Period Collections:	446.05
(E)	Audit Collections:	-1,083.87
(F)	Unidentified Collections:	25.12
(G)	Single Local Rate Collections:	936.88
(H)	Service Fee:	3,199.71
(I)	Current Retained:	3,135.72
(J)	Prior Retained:	2,546.80
(K)	Net Payment:	156,197.01

	Complex Example	
(A)	Total Collections:	954,584.68
(B)	Prior Period Collections:	458,158.95
(C)	Current Period Collections:	483,197.36
(D)	Future Period Collections:	1,578.67
(E)	Audit Collections:	5,909.49
(F)	Unidentified Collections:	149.93
(G)	Single Local Rate Collections:	5,590.28
(H)	Service Fee:	19,091.69
(I)	Current Retained:	18,709.86
(J)	Prior Retained:	6,743.50
(K)	Net Payment:	923,526.63

Be sure to look deeper! Prior Period Collections and Audits can produce large amounts of sales tax that are likely not to be repeated in future periods.



## How to Know More

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Request your Confidential Detail Report!

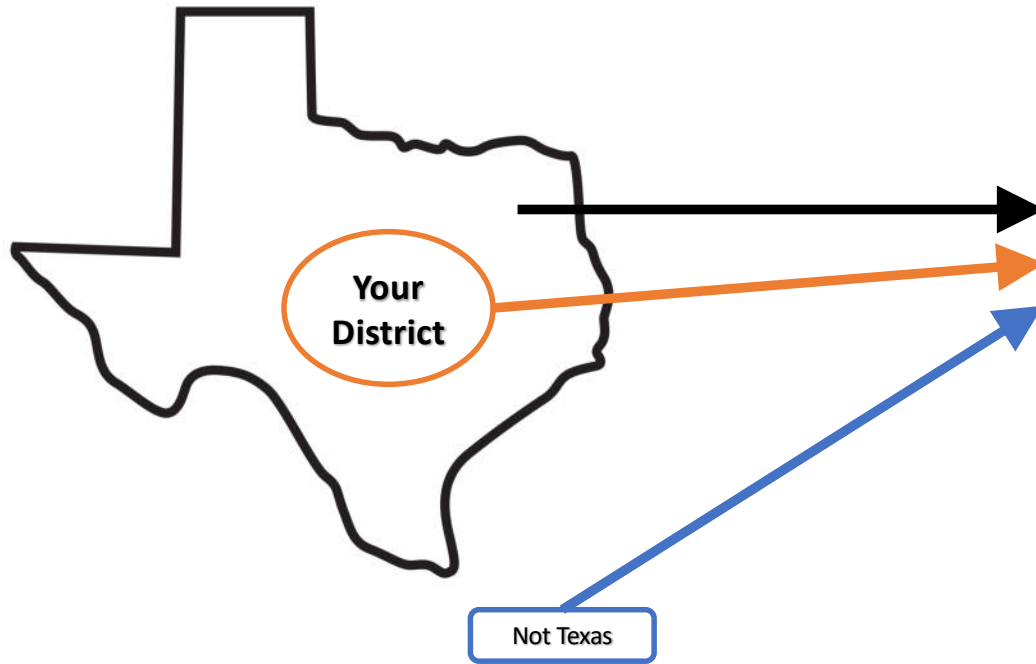
- Must be requested each month by an authorized personnel
- Is strictly for the use of forecasting and internal auditing
- Provides taxpayer level detail that can answer questions like:
  - Who are your top taxpayers?
  - Are you receiving tax from businesses you shouldn't be?

Requires some level of skill to  
organize & generate insights



# Where Your Sales Tax Originates

Where the business is located



Your District's Sales Tax Collections





## In-District Businesses

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Not all businesses will generate sales tax

Businesses that typically report to the District in which they are located include:

- Retail stores
- Restaurants
- Building materials sellers
- Real property services (lawncare, pest control, janitorial services)



## Out-of-District Businesses

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You should expect to receive tax from the following types of businesses located outside of your District:

- Internet retailers delivering to customers in your District  
ex: Amazon, eBay, Walmart.com
- Businesses providing services to customers in your District
  - Cable and streaming services
  - Waste collection
  - Commercial real property repair

# HdL<sup>®</sup> Companies

Thanks for listening!

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