

Economic Incentives

A range of economic incentives are available to qualifying companies in the Houston area to support new, expanding and relocating companies.

State Incentives

TEXAS ENTERPRISE FUND

The Governor, with approval of the Lt. Governor and Speaker of the House, can award cash grants for economic development, infrastructure development, community development, job training programs and to provide business incentives to companies relocating or expanding in the state.

- Projects that are considered for Enterprise Fund support must demonstrate a project's worthiness, maximize the benefit to the State of Texas and realize a significant rate of return of the public dollars. Minimum of 100 new jobs.
- Award amounts have been in the range of \$1,000 up to \$10,000 per job created with an average of \$4,500 per qualifying new job in Texas.
- Application fee is \$1,000
- Program does include clawback provisions if the company does not meet their contractual obligations.

TEXAS EMERGING TECHNOLOGY FUND (ETF)

Created to provide Texas with an unparalleled advantage in the research, development and commercialization of emerging technologies.

- Priority is given to emerging technology projects that will enhance Texas' global competitiveness, that are collaborative with local universities and that leverage both critical expertise and financial resources.
- Focused on emerging scientific or technology projects; emerging technology grant matching; and the acquisition of research talent that will increase higher education's applied research capabilities.

SKILLS DEVELOPMENT FUND

Grants are available to train employees through the state's community colleges. This fund assists businesses and trade unions by financing the design and implementation of customized job training projects. SDF training grants have averaged approximately \$1,500 per qualifying trainee.

TEXAS BACK TO WORK PROGRAM

Program offers employers subsidized-wage reimbursement and retention bonuses for hiring qualified out-of-work Texans. Employers who hire people receiving unemployment benefits can receive a portion of the new employees' wages for a set period of time. The incentive would provide employers with up to \$2,000 in wage-retention bonuses if they continue to employ the formerly out-of-work employees for at least 120 days.

STATE SALES TAX REFUNDS

The Texas Tax Code provides for state sales tax refunds to qualified property owners who entered into property tax abatement agreements with a city or county, but not a school district.

- Must have increased the company's payroll by at least \$3 million or increased the abated property's appraised value by at least \$4 million.
- The potential refund is the lesser of the school taxes paid or the amount of net sales and use taxes paid by the business for the tax year.
- The state allocates a total of \$10 million per year for these refunds and therefore each eligible company receives a pro-rated portion of their refund request.

State Manufacturing Incentives

TEXAS MANUFACTURING ASSISTANCE CENTER

The Texas Manufacturing Assistance Center (TMAC) was designed to help Texas small manufacturing companies remain competitive in the ever changing global marketplace. The TMAC Center provides technical assistance at a discounted rate for process improvements, environmental regulations upgrades, changes in the technology and the marketplace.

MANUFACTURING SALES TAX EXEMPTION

Businesses engaged in manufacturing, processing, fabricating or repairing tangible equipment enjoy a sales tax exemption on the purchase of machinery or equipment used or consumed in or during the actual manufacturing, processing, or fabrication of tangible personal property for ultimate sale if the use or consumption of the property is necessary or essential to the manufacturing, processing, or fabrication operation.

SALES TAX EXEMPTION ON UTILITIES

Companies that use more than 50 percent of their utilities in the manufacturing, processing, or fabricating of products for resale may apply for a Sales Tax Exemption on Utilities. The sales tax exemption applies to all utilities purchased through a single point of delivery as long as the utilities are predominantly used to manufacture, process, or fabricate the product.

POLLUTION CONTROL PROPERTY TAX ABATEMENTS

Pollution Control Property Tax Abatements are available to companies with facilities, devices and equipment used to control air, water or land pollution. Companies wishing to apply for tax relief for their efforts in controlling pollution can apply for a positive use determination from the Texas Commission on Environmental Quality (TCEQ).

Local Incentives

PROPERTY TAX ABATEMENT

Cities and counties within the Houston area offer abatements that exempt part of the increased value in real or personal property from taxation.

- Maximum tax abatement is 100% and cannot exceed 10 years in length.
 - Terms of the abatement agreement and the minimum required investments and job creation vary among the taxing jurisdictions.
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- Harris County, the largest county in the region requires the creation of 25 new jobs and a minimum of \$1 million in abatable investment.

4A AND 4B SALES TAX

The '4A' and '4B' Sales Tax is an economic development sales tax that has been approved by voters in more than 450 communities across Texas. The tax revenues in two forms, the original '4A' tax and the more flexible '4B' tax, are used to finance economic development programs that create primary (or direct) jobs.

ENTERPRISE ZONE PROGRAM

Local communities partner with Texas to promote job creation and capital investment in economic distressed areas.

- Employers who commit to creating or retaining permanent jobs, make capital investment, and fill at least 25% of its new jobs with individuals who are either economically disadvantaged or residents of an enterprise zone can receive State Sales & Use Tax refunds on items purchased for the project site.
- The benefits are based on job creation or retention and capital investment for a period of five years. The TEZ program offers \$2,500 per qualifying employee up to 500 employees for companies with over \$5 million in capital investment.

GREEN BUILDING TAX ABATEMENT

Harris County offers a commercial green-building tax abatement for up to 10 years on new construction receiving certification through the U.S. Green Building Council's LEED (Leadership in Energy and Environmental Design) program.

- The tax abatements will be based on the level of LEED certification – basic, silver, gold or platinum – and will be limited to the amount of additional cost entailed in building to that level.

FREEPORT EXEMPTION

Taxing authorities in Texas are allowed to exempt from ad valorem property taxes all business inventories acquired in or brought into Texas for fabrication, assembling, manufacture, storage or processing and then exported outside the state within 175 days. Many jurisdictions in the Houston region offer this exemption on Freeport eligible goods.

INDUSTRIAL REVENUE BONDS (IRB's)

IRBs, are tax-exempt or taxable revenue bonds issued by or on behalf of a state, city, county or other political subdivision for the purpose of promoting industrial development within its boundaries. Some manufacturing businesses may qualify for low-interest bond financing up to \$10 million.

- The interest received by the bondholder is not subject to federal income tax. Bonds can be sold at interest rates below conventional loan rates, providing substantial savings to the borrower.
 - The political subdivision forms a non-profit industrial development corporation (IDC) on their behalf.
 - The bond debt service is paid by the business under the terms of a lease, sale or loan agreement. The process includes the governmental unit of the IDC passing a bond resolution approving the project, setting the bond amount and making findings required by law.
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- All terms of the bond sale are negotiated among the appropriate parties. Up to 2 percent of bond proceeds may be used to cover issuance expenses. All other financing costs are paid by the user. Non-capitalized costs, which include issuance costs, cannot exceed 5% of the bond proceeds.

Eligible project costs include the acquisition by a business of an existing facility, acquisition of land, construction of new facilities, machinery, tools, and equipment.

GOODS-IN-TRANSIT EXEMPTION

A small number of taxing entities in Texas have adopted the Goods-in-Transit Exemption for inventory that is temporarily stored at a third-party location that has no direct or indirect ownership interest in the inventory. To be eligible, the inventory must be transported to another location, inside or outside the state, within 175 days after the items were acquired or imported into the state.

FOREIGN TRADE ZONES (FTZs)

FTZs are available in the Houston region and they allow companies dealing in foreign trade to delay payment of U.S. Customs' import duties until their goods and merchandise actually enter U.S. commerce.

- Sites are typically in or near a U.S. Customs port of entry where foreign and domestic merchandise is generally considered to be in international trade.
- Goods can be brought into a zone without formal Customs entry or without incurring Customs duties or excise taxes unless and until they are imported into the United States.

EMPLOYER TAX CREDITS

The Texas Workforce Commission (TWC) encourages employers to take advantage of federal tax savings available through Work Opportunity Tax Credits (WOTC) and Welfare-to-Work (WtW) programs. WOTC is a federal tax credit of up to \$2,400 per employee for employers who hire from targeted groups of job seekers. WtW offers up to \$8,500 per employee in tax credits to employers who hire from families that have received long-term Temporary Assistance for Needy Families benefits.

ECONOMIC DEVELOPMENT ACT

The Economic Development Act is a mechanism for school districts to offer property tax relief to business undertaking extremely large economic development projects in their community by limiting the appraised value of a specific property for a specific number of years. Under current law, only six categories of projects are eligible: (1) manufacturing, (2) research and development, (3) clean coal projects, (4) advanced clean energy project, (5) renewable energy electric generation and (6) nuclear electric power generation.

CITY OF HOUSTON BROWNFIELD REDEVELOPMENT PROGRAM

The City of Houston Brownfield Redevelopment Program functions to facilitate the identification, assessment, cleanup and re-use of environmentally contaminated properties within the City of Houston. The program focuses on projects that result in urban revitalization by restoring environmentally contaminated land and generating new employment opportunities to benefit the local community. Currently, the program has 30 sites enrolled, 14 projects have been completed and 16 sites are in various stages of development.
