

# ECONOMIC DEVELOPMENT INCENTIVES

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

HOUSTON



# STATE INCENTIVES

## TEXAS ENTERPRISE FUND

The Governor, with approval of the Lt. Governor and Speaker of the House, can award cash grants to companies relocating or expanding in the State of Texas. Projects considered for the Texas Enterprise Fund must demonstrate a project's worthiness through a significant projected job creation and capital investment in order to maximize the benefit to the State of Texas and realize a return of the public dollars.

- Projects must create a minimum of **25** new jobs in a rural community or **75** new jobs in an urban community with wages at or above the county average.
- Award amounts have been in the range of **\$5,000 up to \$10,000** per job created, with an average of **\$7,500** per qualifying new job in Texas.
- Application fee is **\$1,000** with a 30-day approval process.
- Award amount and cost benefit analysis is heavily based on the number of new jobs, the job ramp up, and the new job wages.
- Program includes claw-back provisions if the company does not meet their obligations of the agreement.

For more information, please review

<https://gov.texas.gov/business/page/texas-enterprise-zone-program>.

## SKILLS DEVELOPMENT FUND

Grants are available to assist Texas community and technical colleges with financing for customized job training for Texas businesses and employees. This fund assists businesses and trade unions by financing the design and implementation of customized job training projects.

- Training grants have averaged approximately **\$1,800** per qualifying trainee.
- The average maximum award is **\$500,000** per company; however, the benefit may vary depending on the proposal.
- The partner college applies for the grant and administers the grant on the company's behalf.
- The Texas Workforce Commission has an approval process for the current two fiscal years (Sept 1, 2015 – Aug 31, 2017).

For more information, please contact Dale Robertson with the Texas Workforce Commission at (512) 463-8844 or visit the following link:

<http://www.twc.state.tx.us/svcs/funds/skills-development-fund.html>.

## SKILLS FOR SMALL BUSINESS

Businesses with fewer than 100 employees can apply to the Texas Workforce Commission (TWC) for training offered by their local community college or technical college, or the Texas Engineering Extension Service (TEEX). The program pays up to **\$1,800** for each new employee being trained and **\$900** for existing employees per 12-month period.

For more information, please review

<http://www.twc.state.tx.us/businesses/skills-small-business-employers>.

## ECONOMIC DEVELOPMENT AND DIVERSIFICATION WAIVER

The Economic Development and Diversification In-State Tuition Incentive may be offered to qualified businesses that are in the decision-making process to relocate or expand their operations into Texas.

The waiver allows employees and family members of the qualified business to pay Texas resident tuition rate at a Texas public institution of higher education before establishing residency.

For more information, please review:

<http://www.collegeforalltexas.com/apps/financialaid/tofa2.cfm?ID=567>.





# TAX AND FINANCING INCENTIVES

## MANUFACTURING SALES TAX EXEMPTION

State sales and use tax exemptions are available on the purchase of machinery or equipment for businesses engaged in manufacturing, processing, or fabricating of tangible personal property for sale.

For more information, please visit

[https://www.comptroller.texas.gov/taxes/publications/94-124.php?\\_ga=1.169694119.743726793.1471549453](https://www.comptroller.texas.gov/taxes/publications/94-124.php?_ga=1.169694119.743726793.1471549453)

## 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 their 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. Requires a predominant use study through the utility provider.

## POLLUTION CONTROL PROPERTY TAX ABATEMENTS

Ad Valorem 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 to the Texas Commission on Environmental Quality.

## RENEWABLES FRANCHISE TAX DEDUCTION

Companies solely engaged in manufacturing, selling, or installing solar or wind devices are exempt from the Texas franchise tax. Other businesses that install solar or wind energy systems are eligible for a franchise tax deduction of 10% of the system's cost.

## RENEWABLES PROPERTY TAX EXEMPTION

Residential, commercial, and industrial renewable energy devices are exempt from property tax under Texas law. This exemption is applicable to most renewable technologies, including solar, wind, and biomass.

## PROPERTY ASSESSED CLEAN ENERGY (PACE)

PACE is designed to provide low cost, long term financing for water and energy efficiency and conservation improvements to commercial and industrial properties. Under PACE, property owners would evaluate measures that achieve energy savings improvements or retrofits and receive financing, repaid as an assessment on the building. The assessment term would be up to 20 years.

## BUSINESS RELOCATION

A taxable entity may deduct relocation costs incurred from relocating a main office or other principal place of business to the State of Texas from another state or country if the taxable entity did not do business in the State of Texas before relocating.

## INDUSTRIAL REVENUE BOND

Provides tax-exempt or taxable financing for eligible industrial or manufacturing projects. This allows cities, counties, conservation and reclamation districts to form non-profit industrial development corporations (IDCs) or authorities on their behalf. The purpose is to provide bonds for projects within their jurisdiction.

## TEXAS MANUFACTURING ASSISTANCE CENTER (TMAC)

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.

## TEXAS ENTERPRISE ZONE PROGRAM

Local communities partner with Texas to promote job creation and capital investment in economically distressed areas. Approved projects are eligible to apply for state sales and use tax refunds on qualified expenditures.

- 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, veterans, or residents of an enterprise zone can receive state sales & use tax refunds on items purchased for the designation site.
- Projects must meet or exceed country weekly wage average to be eligible.

The benefits are based on job creation or retention and capital investment.

For most projects, the maximum sales tax rebate is \$2,500 per qualifying employee, up to 500 employees. Larger projects can qualify for higher rebates up to \$7,500 per qualifying employee. For additional information, please review

<https://texaswideopenforbusiness.com/services/tax-incentives>.

## TEXAS PROPOSITION 10, TAX EXEMPTION ON MEDICAL EQUIPMENT & INVENTORY

With the passage of State Proposition 10 on November 7, 2023, this landmark legislation offers a multitude of benefits to medical and biomedical manufacturers, chiefly by exempting them from the state's inventory and equipment taxes, thereby significantly reducing their overall effective tax rate starting in 2024. This authorized the state legislature to exempt from ad valorem taxation tangible personal property, including finished goods or goods used in the manufacturing process, possessed by a manufacturer of medical or biomedical products.

This legislation defines medical and biomedical property as tangible property that is:

- Stored, used or consumed in the manufacturing or processing of medical or biomedical products by a medical or biomedical manufacturer; or
- Intended for use in the diagnosis, cure, mitigation, treatment or prevention of a condition or disease or in medical or biomedical research.

This includes devices, therapeutics, pharmaceuticals, personal protective equipment, tools, implants, instruments and apparatuses.



# STATE RESEARCH & DEVELOPMENT INCENTIVES

## RESEARCH & DEVELOPMENT TAX CREDIT

Beginning in January 2014, the Research & Development tax credit provides qualified companies with an option for tax savings. A company may select one of the below options:

- A sales tax exemption for purchases of equipment and software used in qualified research in Texas, OR
- A franchise tax credit for R&D expenditures.
- The Texas R&D credit also provides an incentive for taxpayers to contract with institutions of higher education to perform qualified research in Texas.
- The total credit cannot exceed 50 percent of the company's franchise tax due for the period.

## GOVERNOR'S UNIVERSITY RESEARCH INITIATIVE (GURI)

Passed in 2015, the Governor's University Research Initiative matches grants to assist eligible higher education institutions in recruiting distinguished researchers.

Researchers considered must meet all eligibility requirements necessary to qualify as a distinguished researcher.

The applicant must be at an eligible institution.

The grant application must have the support of the applicant institution's president and the institution's governing board, the chair of the institution governing board, or the chancellor of the University System.

The grant match commitment amount is \$5,000,000 or less per distinguished researcher.

For additional information, please review

<http://gov.texas.gov/ecodev/guri/home>





# LOCAL INCENTIVES

## TEXAS JOBS, ENERGY, TECHNOLOGY & INNOVATION (JETI) ACT

The Texas Jobs, Energy, Technology & Innovation (JETI) Act, established by House Bill 5 of the 88th Legislature, Regular Session is a competitive economic incentive program aimed at attracting large-scale, capital-intensive development projects to Texas communities, fostering new capital investment and generating high-paying jobs. Companies planning a new project within the following categories are eligible to apply for the program:

- Manufacturing facilities
- Dispatchable electric generation facilities
- Natural resource development facilities
- Research, development or manufacturing facilities for high-tech infrastructure equipment or technology
- Construction or expansion of critical infrastructure

*\*Renewable energy projects or energy storage facilities are not eligible*

JETI emphasizes the creation of quality careers while offering tailored tax incentives, including a 10-year school district maintenance and operations (M&O) tax appraised value limitation of up to 50%, with an additional 25% available for projects in qualified Opportunity Zones. The program's tiered structure accommodates businesses of all sizes

based on county population, ensuring opportunities for both major corporations and startups. For additional information, visit [Jobs, Energy, Technology & Innovation \(JETI\) Act \(texas.gov\)](https://www.texas.gov/jobs-energy-technology-innovation-jeti-act). Interested companies can access application forms online and submit them to the Texas Comptroller for review, with approval required from both the Governor and the relevant school district.

## CHAPTER 312 - PROPERTY TAX ABATEMENT

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

- Maximum tax abatement is 100% per year and cannot exceed 10 years in length. Terms of the abatement agreement, including the minimum required investments and job creation, vary among the taxing jurisdictions.
- 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).



## CHAPTER 380 / 381 - ECONOMIC DEVELOPMENT AGREEMENTS

Chapter 380 / 381 Economic Development Agreements are allowed by the Texas Local Government Code permitting cities (Chapter 380) and counties (Chapter 381) to offer flexible incentives designed to promote economic development such as commercial and retail projects.

Key components may provide for offering loans and grants of city funds or services; commitments for infrastructure; or payments to a business of an amount equal to a portion of the local sales tax generated by the project. The terms of the agreements may be flexible to suit both the needs of the businesses and the local community and are determined on a case-by-case basis.

### TYPE A & B ECONOMIC DEVELOPMENT CORPORATIONS

Authorized by the legislature in 1979, an important tool used by local communities to support real estate, infrastructure, and training. Both type A and B corporations are authorized to fund projects which create or retain primary jobs or business infrastructure. Allowable expenditures include:

- Land and facilities improvements
- Machinery and supplies
- Financial transaction and planning costs
- Cleanup costs (requires voter approval)
- Bonded debt expenses

### 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. Custom's 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.

### FREEPORT EXEMPTION

Taxing authorities in Texas are allowed to exempt ad valorem property taxes for 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.

- Multiple jurisdictions in the Houston region offer this exemption on Freeport eligible goods.
- Freeport eligible items include - goods, wares, merchandise, other tangible personal property (including aircraft parts) and ores. Non-eligible items include oil, natural gas and other petroleum products.
- No approval required