

Economic Incentives

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

Local Incentives

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 313 – SCHOOL PROPERTY TAX LIMITATION

An appraised value limitation agreement in which a taxpayer agrees to build or install property and create jobs in exchange for a limitation on the taxable property value for school district maintenance and operations tax (M&O) purposes and a tax credit. The minimum limitation value varies by school district.

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

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. Examples of brownfields include properties that were:

- Service stations
- Auto repair shops
- Industrial facilities
- Landfills
- Warehouses

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.

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.

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.

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.

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.

FREEPORT EXEMPTION FOR AIRCRAFT PARTS

As of January 1, 2014, taxing jurisdictions in Texas may extend the length of time aircraft parts can remain temporarily in the state of Texas before being subject to ad valorem taxation. The extension is up to 730 days after the date the person acquired or imported the aircraft parts into the state.

- Individual taxing jurisdictions would have to approve this extension for it to become effective.

FREEPORT EXEMPTION LOCATIONS

Austin County

County: Austin County

Cities: N/A

School Districts: N/A

Brazoria County

County: N/A

Cities: Alvin, Brazoria, Brookside Village, Clute, Hillcrest Village, Jones Creek Village, Lake Jackson, Liverpool, Pearland*, Richwood, Surfside Beach

School Districts: Brazosport ISD, Pearland ISD*

Chambers County

County: N/A

Cities: N/A

School Districts: N/A

Ft. Bend County

County: N/A

Cities: Arcola, Houston*, Missouri City*, Pearland*, Rosenberg, Stafford

School Districts: Ft. Bend ISD*, Lamar Consolidated ISD, Stafford MSD*

Galveston County

County: N/A

Cities: Bayou Vista, Clear Lake Shores, Crystal Beach, Friendswood*, Galveston, Hitchcock, Jamaica Beach, Kemah, La Marque, League City*, Santa Fe, Tiki Island

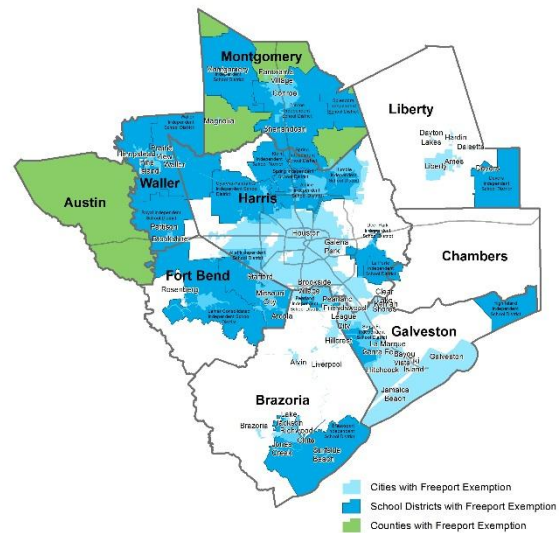
School Districts: High Island ISD, Santa Fe ISD

Harris County

County: N/A

Cities: Friendswood*, Galena Park, Houston*, League City*, Missouri City*, Pearland*, Waller

School Districts: Aldine ISD, Alief ISD, Cypress-Fairbanks ISD, Deer Park ISD, Humble ISD, Klein ISD, La Porte ISD, Pearland ISD*, Spring ISD, Stafford MSD*, Waller ISD



Liberty County

County: N/A

Cities: Ames, Daisetta, Dayton Lakes, Devers, Hardin, Liberty

School Districts: Devers ISD

Montgomery County

County: Montgomery County

Cities: Conroe, Magnolia, Montgomery, Panorama Village, Shenandoah

School Districts: Conroe ISD, Montgomery ISD, Splendor ISD

Waller County

County: N/A

Cities: Brookshire, Hempstead, Pattison, Pine Island, Prairie View, Waller

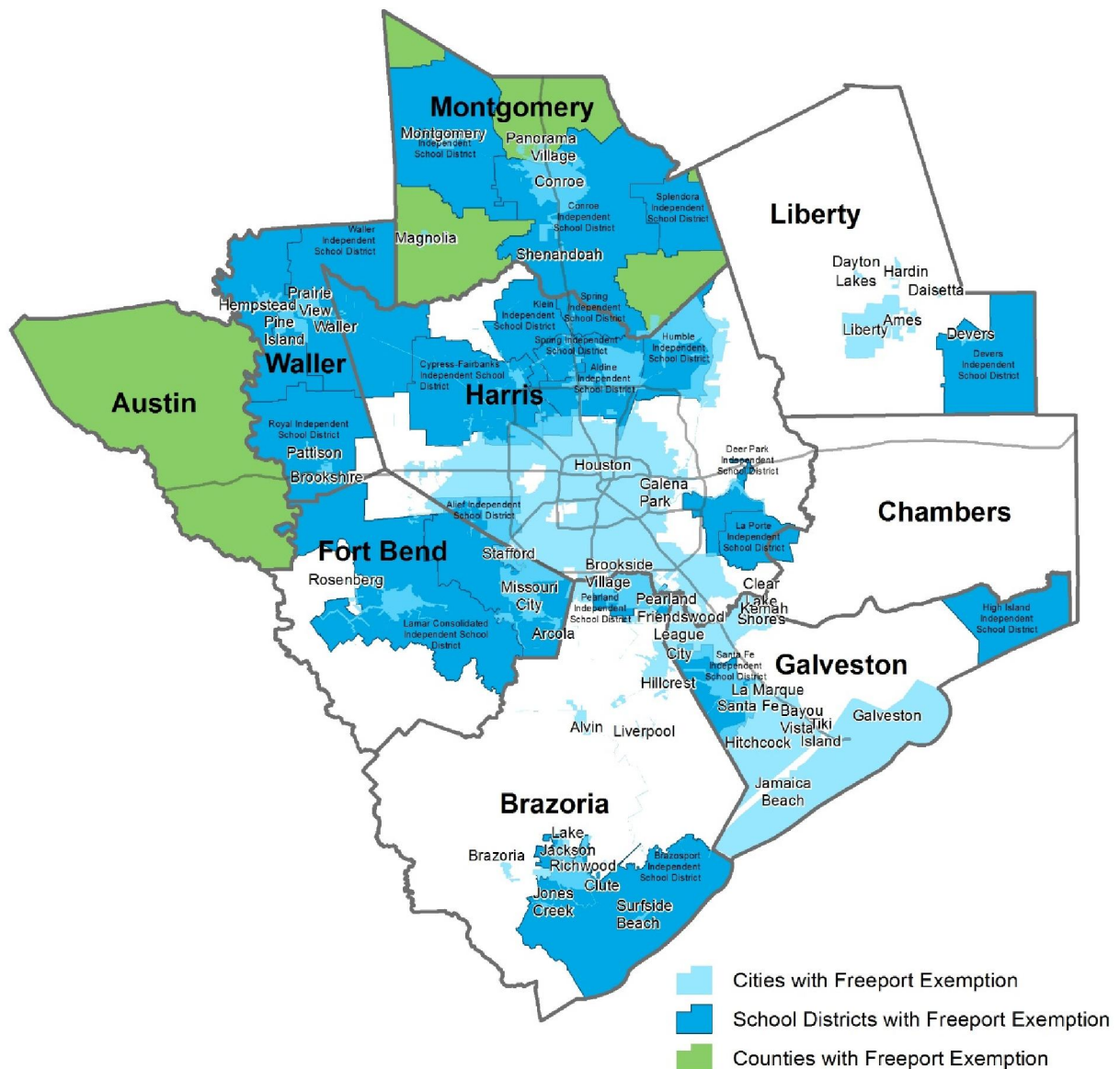
School Districts: Hempstead ISD, Royal ISD, Waller ISD

* = in multiple counties

Note: Other jurisdictions within a county may also offer Freeport Exemptions, but are too numerous to list. E.g., Harris County Flood Control District, Port of Houston Authority, Fort Bend Drainage, Fort Bend WCID #2.

Freeport Exemption in the Houston Area: Cities, Counties, and ISDs

Available in half of the Houston Metropolitan Statistical Area



Map: Greater Houston Partnership Research