STATE and LOCAL INCENTIVES

State Incentives

Texas Enterprise Fund (TEF)
The Governor, in unanimous agreement with the Lieutenant 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 must demonstrate a project’s worthiness, maximize the State’s benefit, and realize a significant rate of return for public dollars. Criteria include but are not limited to the following:

- Competition with another state for the project must exist, and the business must not have already made a location decision.
- Projected new job creation must be significant – typically creating more than 75 jobs in urban areas or more than 25 in rural areas.
- The new positions must be high-paying jobs – above the average wage of the county where the project would be located.
- Capital investment by the company must be significant.
- The project must have community involvement from the city, county, and/or school district, primarily in the form of local economic incentive offers.
- The applicant must be financially sound.
- The applicant’s business sector must be an advanced industry that could potentially locate in another state or country.
- Application fee is $1,000.

Texas Emerging Technology Fund (TETF)
To date, the TETF has allocated nearly $220 million in grant matching and research superiority funds to Texas universities and more than $205 million to over 145 early stage companies. Additionally, since the inception of the TETF, more than $2.2 billion in additional investment from other non-state sources has followed on to the TETF investment, more than quadrupling the amount invested by the TETF.

TETF Funding Opportunities:
1. Commercialization Awards: investments in university spin-off or university-related startup companies.
2. Research Award Matching: funds create consortia which leverage the unique strengths of universities, federal government grant programs, and industry.
3. Acquisition of Research Superiority: grants to enable public institutions of higher education in Texas to recruit the best research talent in the world.
4. Regional Centers for Innovation and Commercialization: grants to universities and not-for-profit organizations to support the Texas entrepreneurial ecosystem and to recommend company investments to the TETF Advisory Committee.

All applicants make presentations to a 17-member advisory committee of high-tech leaders, entrepreneurs, and research experts who recommend funding allocations to the Governor, Lieutenant Governor, and Speaker of the House.

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. For the 2014-2015 fiscal year, $48 million in training dollars were provided to support high-quality customized training projects statewide. SDF training grants have averaged approximately $1,500 per qualifying trainee. More information can be found at: http://www.twc.state.tx.us/partners/skills-development-fund-training-providers-workforce-development-partners.

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.
Texas Manufacturing Assistance Center
The Texas Manufacturing Assistance Center (TMAC) was designed to help Texan 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 Exemptions – Gulf Coast
State sales and use tax exemptions are available to taxpayers who manufacture, fabricate or process tangible property for sale. The exemption generally applies to tangible personal property that becomes an ingredient or component of an item manufactured for sale, as well as taxable services performed on a manufactured product to make it more marketable. Natural gas/electricity exemptions require a “predominant use study” that shows that at least 50 percent of the electricity or natural gas consumed by the business is used directly in the manufacturing process. Manufacturing exemptions are administered by the State Comptroller of Public Accounts. For information see the Comptroller’s website: http://comptroller.texas.gov/taxinfo/taxpubs/tx94_124.html.

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, equipment, land, and vehicles used to control air, water, or land pollution. To be eligible for a positive use determination, the application must meet these standards:
1. It must be used wholly or partly for preventing, monitoring, controlling, or reducing air, water, or land pollution.
2. It must have been purchased or installed after January 1, 1994 in order to meet or exceed the requirements of a rule or regulation adopted by a federal, state, or local political subdivision of Texas.
3. It must provide an environmental benefit.
For further information see the Texas Commission on Environmental Quality (TCEQ) website: https://www.tceq.texas.gov/airquality/taxrelief/archive.

Renewable Energy
Texas is a leading producer and consumer of alternative, renewable energy. Various tax exemptions, franchise tax exemptions and deductions are available for renewable energy equipment and systems. Renewable energy encompasses solar, wind, ethanol and biodiesel energy. Several incentive programs apply:
- A franchise tax exemption is available to manufacturers, sellers, or installers of solar energy devices. The state also permits a corporate deduction from the state’s franchise tax for renewable energy sources. Business owners may deduct the cost of the system from the company’s taxable capital or deduct 10 percent from the company’s income. Wind energy can qualify under the term “solar energy” for the exemption and deduction.
- Texas property tax code permits a 100 percent exemption on the appraised value of solar, wind, or biomass energy devices installed or constructed for the production and use of energy on-site. See Texas property tax Form 50-123, “Exemption Application for Solar or Wind-Powered Energy Devices” to claim this exemption.
- Texas also offers a loan program to fund energy retrofits in public buildings. The “LoanSTAR” program is targeted to state agencies, school districts, higher education, local governments, and hospitals for financed energy retrofits that pay for themselves in energy cost savings over time. Detailed information on a variety of renewable energy exemptions and deductions is available on the State Energy Conservation Office website, http://www.seco.cpa.state.tx.us/.

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. Terms of the abatement agreement and the minimum required investments and job creation vary among the taxing jurisdictions. Maximum tax abatement is 100% and cannot exceed 10 years in length.
Texas Enterprise Zone Program
This program is an economic development tool for local communities to partner with the State of Texas to promote job creation and significant private investment that will assist economically distressed areas of the state. Approved projects are eligible to apply for state sales and use tax refunds on qualified expenditures. The level and amount of refund is related to the capital investment and jobs created at the qualified business site. The Enterprise Zone Program is administered through the Office of the Governor, Economic Development Bank.

The benefits are based on job creation or retention and capital investment for a period of five years. The TEZ program offers up to $2,500 per qualifying employee for companies with up to $5 million in capital investment.

Green Building Tax Abatement (Harris County)
To be eligible for the tax abatement, projects must be registered with the U.S. Green Building Council before submitting an application to Harris County Community Services Department and must be submitted to the County before construction of the project commences. Tax abatement agreements are effective for up to 10 years and are based on a percentage of the incremental investment associated with obtaining LEED certification.

This type of tax abatement may be sought by an applicant of the County’s standard economic development tax abatement or as a stand-alone tax abatement. When an applicant seeks only a LEED Certification Tax Abatement, no job creation target or competitive siting is required in order to qualify. The investment requirement is at least $1 million for a commercial structure with Platinum LEED Certification, and at least $10 million for a commercial with the Basic Certification. There is a non-refundable application fee of $1,000.

The value of the tax abatement is calculated on the appraised value after LEED Certification is obtained. The value of the tax abatement may be increased by up to $1,000 in the final year of the Agreement, at the County’s discretion. For further information, visit [http://www.csd.hctx.net/edah_taxabatement.aspx](http://www.csd.hctx.net/edah_taxabatement.aspx).

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. Visit [http://www.hcad.org/Resources/Exemptions/Freeport.asp](http://www.hcad.org/Resources/Exemptions/Freeport.asp) for an application.

Goods-in-Transit Exemption
The Goods-in-Transit Exemption provides an 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. Visit [http://www.hcad.org/Resources/Exemptions/GoodsInTransit.asp](http://www.hcad.org/Resources/Exemptions/GoodsInTransit.asp) for an application.

Foreign Trade Zones (FTZs)
FTZs are available in the Houston region and they offer users special benefits. For example, customs duties on imported goods entering the FTZ can be delayed until the cargo is removed from the zone. No duty is paid if the merchandise is exported directly from the zone. Foreign Trade Zone #265 serves the Greater Montgomery County and surrounding areas. A number of tax and tariff savings can be obtained by companies located in the zone that have international business activity.

Limiting Taxes on Property
The Texas Economic Development Act provides an eight-year limitation on the taxable value of the property extended to a taxpayer who agrees to build or install property and create jobs. The value limitation applies to the local school district maintenance and operations tax (M&O) portion of the property tax and a tax credit, and varies by school district. The property tax credit is awarded at the end of the eight-year value limitation term. The credit is for the M&O tax portion of the property tax paid to the school district for each complete tax year during the qualifying time period. The qualifying time period is the two years preceding the eight-year value limitation term, during which time the company pays taxes on the full value of the property. To participate, the company must apply to the effective school district. Value Limitation Tax Credits are administered through the Comptroller of Public Accounts, [http://www.texasahead.org/tax_programs/chapter313/](http://www.texasahead.org/tax_programs/chapter313/).