



SUMMARY OF STATE INCENTIVES & PROGRAMS

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DISCLAIMER: *The material contained in this Summary of State Incentives is provided for informational purposes only and cannot be construed as a commitment. Assumptions are based on creating jobs and providing a capital investment. Total jobs and capital investment have been included as eligible costs for the various incentive programs available. However, actual jobs and capital investment may vary from the assumptions made due to final determination of program eligibility and site location.*



TEXAS ENTERPRISE FUND

The 78th Texas Legislature established the Texas Enterprise Fund to provide financial resources to help strengthen the state's economy. The Governor, Lieutenant Governor, and the Speaker of the House must unanimously agree to support the use of the Texas Enterprise Fund for each specific project.

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 being used for economic development in Texas. Capital investment, job creation, wages generated, financial strength of the applicant, applicant's business history, analysis of the relevant business sector, and federal and local government and private sector financial support of a project will all be significant factors in approving the use of the Enterprise Fund.

EMERGING TECHNOLOGY PROGRAM

The \$200 million Texas Emerging Technology Program is designed to help Texas create jobs and grow the economy over the long-term by expediting the development and commercialization of new technologies and attracting and creating jobs in technology fields that will form the backbone of our economy. The program will work through partnerships between the state, institutions of higher education and private industry to focus greater attention on the research, development and commercialization of emerging technology. The Emerging Technology Program is dedicated to three areas:

1. Regional Centers of Innovation and Commercialization (RCICs). These centers will become concentrated with applied R&D activities, be incubators (including specialized workforce training) for startup firms and encourage expansion of existing companies resulting from commercializing their developments.
2. Matching grant funds. Applied technology research and development projects that accelerate commercialization into production and have a demonstrated ability to receive or have received federal grants or non-state grants may apply for matching dollars from the Emerging Technology Fund. Grants such as Small Business Innovation Research grants, Small Business Technology Transfer grants, etc
3. Attracting research talent. The state will help Texas public universities attract highly renowned research teams from universities and institutions in other states.

For more information regarding the application process or funding, please contact Mark Ellison with the Office of the Governor at 512/463-1472.

SKILLS DEVELOPMENT FUND

The Skills Development Fund is an innovative program created to assist Texas public community and technical colleges finance customized job training for their local businesses. The Fund was established by the Legislature in 1995 and is administered by the Texas Workforce Commission. Grants are provided to help companies and labor unions form partnerships with local community colleges and technical schools to provide custom job training. Benefits may vary depending on the proposal.

For detailed information regarding the application process and funding, please contact Dale Robertson with the Texas Workforce Commission at 512/936-0406.



SELF-SUFFICIENCY FUND

The Self-Sufficiency Fund is a job-training program that is specifically designed for individuals that receive Temporary Assistance for Needy Families (TANF). The program links the business community with local educational institutions and is administered by the Texas Workforce Commission. The goal of the Fund is to assist TANF recipients become independent of government financial assistance.

The Fund makes grants available to eligible public colleges or to eligible private, non-profit organizations to provide customized job training and training support services for specific employers. A joint application from the employer and the eligible public college and/or eligible private, non-profit organization is required to be submitted to the Local Workforce Development Board for review and comment prior to approval.

For detailed information regarding the application process and funding, please contact Dale Robertson with the Texas Workforce Commission at 512/936-0406.

TEXAS ENTERPRISE ZONE PROGRAM

A community with less than 250,000 in population may have up to four enterprise projects. A community with 250,000 in population or greater may have up to six enterprise projects.

Upon a community designating a business as an enterprise project, and upon that project's designation being approved by the state, the business would be eligible for the following incentives:

State Sales and Use Tax refunds

Beginning September 1, 2003 an enterprise project is eligible for a refund for state sales and use taxes paid for building materials, machinery and equipment, electricity and natural gas purchased and consumed in the normal course of business and depending on investment amount and number of jobs created/retained.

The refund can be an amount ranging from a minimum of \$2,500 per job to a maximum of \$7,500 per job as follows:

1. If project investment amount is greater than \$40,000 and less than \$400,000, then refund amount is \$2,500 per job up to a maximum of 10 jobs created/retained;
2. If project investment amount is equal to or greater than \$400,000 and less than \$1,000,000, then refund amount is \$2,500 per job up to a maximum of 25 jobs created/retained;
3. If project investment amount is equal to or greater than \$1,000,000 and less than \$5,000,000, then refund amount is \$2,500 per job up to a maximum of 125 jobs created/retained;
4. If project investment amount is equal to or greater than \$5,000,000 and less than \$150,000,000, then refund amount is \$2,500 per job up to a maximum of 500 jobs created/retained;
5. If project investment amount is equal to or greater than \$150,000,000 and less \$250,000,000, then refund amount is \$5,000 per job up to a maximum of 500 jobs created/retained;
6. If project investment amount is equal to or greater than \$250,000,000, then refund amount is \$7,500 per job up to a maximum of 500 jobs created/retained;



Further eligible items include tangible personal property purchased and consumed in the normal course of business and taxable services. Receipts for purchases of building materials and machinery and equipment and payroll information are required to be retained as part of the audit process. (Note: All contracts should separate the costs for building materials and/or equipment from the costs of labor and services in order to be eligible.)

The refund for sales and use tax must be for all eligible items for use at the qualified business site.

TEXAS CAPITAL FUND INFRASTRUCTURE PROGRAM

The Texas Capital Fund Infrastructure Program is an economic development tool designed to provide financial resources to non-entitlement communities. Funds from this program can be utilized for public infrastructure (water, sewer, roads, etc.) needed to assist a business, which commits to create and/or retain permanent jobs, primarily for low and moderate-income persons. The minimum award is \$50,000 and the maximum is \$750,000. The award may not exceed fifty percent (50%) of the total project cost.

The Texas Department of Agriculture administers the Texas Capital Fund Program. For further details on the program, please contact Robert Wood at 512/463-7577.

TEXAS CAPITAL FUND REAL ESTATE DEVELOPMENT PROGRAM

The Texas Capital Fund Real Estate Development Program is designed to provide financial resources to non-entitlement communities. Funds must be used for real estate development (acquisitions, construction and/or rehabilitation) to assist a business, which commits to create and/or retain permanent jobs, primarily for low and moderate-income persons. This program encourages business development and expansions located in non-entitlement communities. The minimum award is \$50,000 and the maximum is \$750,000. The award may not exceed fifty percent (50%) of the total project cost. Funds are provided with no interest accruing and with payments based on a 20-year amortization schedule.

The Texas Department of Agriculture administers the Texas Capital Fund Program. For further details on the program, please contact Robert Wood at 512/463-7577.

** Total Texas Capital Fund participation from both Infrastructure program and Real Estate Development program may not exceed \$750,000.

RURAL MUNICIPAL FINANCE PROGRAM

The Rural Municipal Finance Program was created by the Texas Agricultural Finance Authority (TAFA) to stimulate economic activity in rural Texas. TAFA was created in 1987 as a Public Authority within the Texas Department of Agriculture

This loan program is designed for eligible applicants located within rural areas of the state that provide significant benefits for the rural area, and provide evidence of ability to repay the commitments. Applicants can include: city and county governments; economic development corporations; hospital districts; rail districts; utility districts; special districts; agricultural districts; and private water and wastewater corporations.



An applicant must certify to TAFE that:

1. The project is located in a non-metropolitan statistical area (county); or
2. If in a metropolitan statistical area, the project is in an unincorporated area; or
3. Located in a city with a population of under 20,000, that is not adjoining a city or group of cities with an aggregate population of 50,000 or greater.

Loan amounts range from \$50,000 to an amount approved by TAFE's board of directors, but target projects for less than \$1,000,000. Loans may be used for real estate purchase, building construction, site improvements, equipment, water and wastewater systems, municipal infrastructure projects and any other use that can be identified to improve or assist in the economic development of the rural area.

The Texas Department of Agriculture administers the Rural Municipal Finance Program. For further details on the program, please contact Robert Wood at 512/463-7577.

STATE SALES & USE TAX EXEMPTIONS

Manufacturing Machinery & Equipment

Leased or purchased machinery, equipment, replacement parts, and accessories that have a useful life of more than six months, and that are used or consumed in the manufacturing, processing, fabricating, or repairing of tangible personal property for ultimate sale, are exempt from state and local sales and use tax. Texas businesses are exempt from paying state sales and use tax on labor for constructing new facilities.

Texas businesses are exempt from paying state sales and use tax on the purchase of machinery exclusively used in processing, packing, or marketing agricultural products by the original producer at a location operated by the original producer.

Natural Gas & Electricity

Texas companies are exempt from paying state sales and use tax on electricity and natural gas used in manufacturing, processing, or fabricating tangible personal property. The company must complete a "predominant use study" that shows that at least 50% of the electricity or natural gas consumed by the business directly causes a physical change to a product.

CHAPTER 380

Section 380.001 of the Local Government Code authorizes home-rule municipalities to offer a range of incentives designed to promote state or local economic development. To determine the latitude of whether a particular incentive or combination of incentives constitutes a "program ...to promote state or local economic development", local communities should consult their city attorney.



TEXAS LEVERAGE FUND

The Texas Leverage Fund (TLF) is an "economic development bank" offering an added source of financing to communities that have passed the economic development sales tax. Approximately 500 communities in Texas have adopted the local economic development sales tax. EDT may loan funds directly to a local Industrial Development Corporation (IDC) to finance eligible projects. Sales tax revenues pledged by the IDC need only be sufficient to cover projected annual debt service as specified in the Texas Leverage Fund Program Guidelines. This allows cities to leverage their economic development sales tax and to pursue additional projects.

BONDS

Sales Tax Bonds

Sales Tax Bonds do not fall under the volume cap and are eligible to communities that have passed the economic development sales tax. Ineligible projects include for-profit hospitals, multi-family projects and municipal services.

Exempt-Facility Bonds

Bonds can be issued to finance certain facilities such as airports, dock and wharf facilities, mass commuting facilities, high-speed inter-rail facilities, or certain qualified hazardous waste facilities (including certain training and storage facilities). There is no limit on the amount of the issue and these issues do not require a reservation under the volume cap. Although the facility must be governmentally owned, it may be leased or subject to management contracts with the business.

Other types of exempt bonds include projects for water, sewage and solid waste facilities, facilities for the local furnishing of electricity or gas, local district heating or cooling facilities. These types of exempt-facility issues must reserve a portion of the volume cap. Exempt-facility bonds that are not governmentally owned may reserve up to \$25 million in tax-exempt volume cap allocation each year, however, there is no restriction to project size.

Tax-Exempt Industrial Revenue Bonds

Tax-Exempt Industrial Revenue Bonds are designed to provide tax-exempt financing to finance land and depreciable property for eligible industrial or manufacturing projects. The maximum bond amount is \$10 million (which can include certain capital and administrative costs). These issues must receive a reservation under the State's volume limitation ("volume cap") managed by the Texas Bond Review Board. The Tax Reform Act of 1986 imposes a volume ceiling on the aggregate principal amount of "private activity bonds" that may be issued with the State during any calendar year. Generally, the reservation of state ceiling issues is allocated by lottery in October each program year.

For more information on the "volume cap" or the lottery dates, contact the Texas Bond Review Board at 512/463-1741.



SECTION 108

Entitlement communities may access the Section 108 program through HUD. The program allows entitlement communities the ability to borrow funds guaranteed by Section 108 through pledging their current and future CDBG allocations (up to the loan amount) as security for the loan. HUD provides additional security for the loan (as a loan-loss reserve or debt-service) to reduce the exposure of a community's CDBG funds. Economic Development Initiative (EDI) provides grants to local governments that can be used to enhance both the security of loans guaranteed through Economic Development Loan Fund and the feasibility of the large economic development and revitalization projects they finance. The guaranteed amount may be extended up to five times the community's most recent CDBG allocation. Eligible activities include property acquisition; rehabilitation of publicly owned property; economic development activities; installation of public facilities; and other site improvements.

TEXAS ECONOMIC DEVELOPMENT ACT

In 2001, the 77th Texas Legislature enacted House Bill 1200 creating Tax Code Chapter 313, Texas Economic Development Act, to encourage large-scale manufacturing, research and development, and renewable energy capital investment projects to the State of Texas. It requires companies to invest a specified amount of money to qualify for a tax credit and an eight-year limitation on the appraised value of a property for the maintenance and operations portion of the school district property tax. The local school district must elect to participate in order for the Company to recognize this benefit.

The qualifying investment amount is determined on a sliding scale that begins at \$100 million for large urban areas and \$30 million for rural areas. The qualifying investment amount is reduced for areas with a lower tax base.

For detailed information regarding this incentive, please contact Tim Wooten with the Comptroller of Public Accounts at 512/305-9838.

AD VALOREM/ PROPERTY TAX EXEMPTION

A Texas constitutional amendment providing an exemption from property taxation for pollution control was approved in 1993. The intent was to ensure that compliance with environmental mandates, through capital investments, did not result in an increase in a facility's property taxes. A facility must first receive a determination from the Texas Commission on Environment Quality (TCEQ) that property is for pollution control purposes. That positive use determination is then provided to the local appraisal district, which must accept the TCEQ's decision and grant the property an exemption from property taxes.

To be eligible for a positive use determination, the property must have been purchased, acquired, constructed, installed, replaced, or reconstructed after January 1, 1994 to meet or exceed federal, state, or local environmental laws, rules, or regulations.

For detailed information regarding this incentive, please contact Ken Zarker with the Texas Commission on Environmental Quality at 512/239-3145.



PROPERTY TAX RULE 9.105

The Texas Comptroller of Public Accounts offers a refund of State franchise and sales/use taxes paid by companies owning certain abated property. A company who meets the following three conditions may apply for a refund:

1. Paid property taxes to a school district on property that is located in a reinvestment zone established under Chapter 312.
2. Is exempt in whole or in part from property tax imposed by a city or county under a tax abatement agreement established under Chapter 312.
3. Is not in a tax abatement agreement with a school district.

The refund is equal to the amount of property taxes that would have been paid had the company entered into a school district abatement agreement with terms identical to the city or county abatement agreement, not to exceed the net state sales and use taxes and state franchise taxes paid or collected and remitted during that calendar year. The refund amount may also be limited by a statewide appropriation per year for this refund program.

For more information and assistance on this incentive, contact the Comptroller of Public Accounts at 800/252-9121 or 512/305-9999.

FREEPORT EXEMPTION

A community may choose to offer the Freeport exemption for various types of goods that are detained in Texas for a short period of time. Freeport property includes goods, wares, merchandise, ores, and certain aircraft and aircraft parts. Freeport property qualifies for an exemption from ad valorem taxation only if it has been detained in the state for 175 days or less for the purpose of assembly, storage, manufacturing, processing, or fabricating. For more information, please visit the following links:

Texas Constitution Article 8, Section 1-J: <http://www.capitol.state.tx.us/tconst/sections/cn000800-01-j00.html>

Administrative Code:

[http://info.sos.state.tx.us/pls/pub/readtac\\$ext.TacPage?sl=R&app=9&p_dir=&p_rloc=&p_tloc=&p_ploc=&pg=1&p_tac=&ti=34&pt=1&ch=9&rl=415](http://info.sos.state.tx.us/pls/pub/readtac$ext.TacPage?sl=R&app=9&p_dir=&p_rloc=&p_tloc=&p_ploc=&pg=1&p_tac=&ti=34&pt=1&ch=9&rl=415)

Tax Code: <http://www.capitol.state.tx.us/statutes/tx.toc.htm>

FRANCHISE TAX CREDITS FOR ECONOMIC DEVELOPMENT

The 76th Texas Legislature passed Senate Bill 441, which created new franchise tax credits for economic development. Eligible corporations may take advantage of certain research and development, capital investment, and jobs creation credits. Businesses located in designated county strategic investment areas (SIA) qualify for these tax credits.

Research and Development (R & D)

A corporation may claim a credit for certain incremental qualified research expenses incurred and basic research payments made for research conducted in Texas during the period upon which the tax is based.



Amount of Credit

For reports originally due on or after January 1, 2002, the credit equals 5 percent of qualifying expenses and payments. In computing the credit, a corporation will receive a bonus for any qualified R & D expenditures made in a SIA. For reports due on or after January 1, 2002, a corporation may double the amount of such expenditures made in an SIA.

Although corporations primarily engaged in agricultural processing in a Texas county with a population of less than 50,000 may qualify for the jobs-creation and capital investment credit, they cannot qualify for the research credit bonus--unless the qualified R & D expenditures are made in an SIA.

Limitations on Credit

For reports originally due on or after January 1, 2002, the total R & D credit for a report (including any credit carryforward) is limited to 50 percent. Any unused credit may be carried forward until the credit is used for up to 20 consecutive reports. A corporation that establishes an R & D credit cannot establish a jobs-creation credit in the same period. However, a corporation with an R & D credit carryforward may establish a jobs-creation credit in a period to which an R & D credit is carried forward.

Jobs-Creation

To be eligible for a jobs-creation credit, a corporation must be a qualified business and must create at least 10 qualifying jobs. In addition, the corporation must pay an average weekly wage for each year in which credits are claimed of at least 110 percent of the county-average weekly wage for the counties where the jobs are located.

Qualifying Job

A "qualifying job" is a new permanent full-time job that is located in a strategic investment area, or, if the job is created by a business primarily engaged in agricultural processing, a Texas county with a population of less than 50,000. A "qualifying job" requires at least 1,600 hours of work a year, and pays at least 110 percent of the county average weekly wage for the county where the job is located.

The job must be covered by a group health benefit plan for which the corporation pays at least 80 percent of the premiums or other charges assessed under the plan for the employee. The job must not be transferred from one area in Texas to another, and must not be created to replace a previous employee. A "qualifying job" must meet all of these requirements.

Amount of Credit

The credit equals 25 percent of total wages and salaries paid for qualifying jobs for the applicable year. The credit must be taken in five equal installments over the five consecutive reports beginning with the report based upon the period during which the qualifying jobs were created.

Limitations on Credit

The total credit for a report (including any credit carryforward) is limited to 50 percent of the tax due on the report before any other applicable credits. A corporation eligible for a credit from an installment that exceeds the 50 percent limitation amount may carry forward the unused portion of the installment until used for up to 5 consecutive reports.



A corporation that establishes the jobs-creation credit cannot establish the R & D credit in the same period. However, a corporation with a jobs-creation credit carryforward may establish an R & D credit in a period to which a jobs-creation credit installment is taken or carried forward.

Capital Investment

A corporation may use a capital investment credit to reduce its franchise tax liability. To take advantage of this credit a corporation must be a qualified business; pay an average-weekly wage that is at least 110 percent of the county-average weekly wage in the county where the job is located; offer a specified group health benefit plan to all full-time employees, for which the corporation pays at least 80 percent of the costs; and make a minimum \$500,000 qualified capital investment (QCI).

Qualified Capital Investment (QCI)

A qualified capital investment is tangible personal property first placed in service in an SIA, or, if the QCI is made by a corporation primarily engaged in agriculture processing, first placed in service in a Texas county with a population under 50,000.

Amount of Credit

The credit equals 7.5 percent of the qualified capital investment during the period upon which the tax is based. The credit must be taken in five equal installments over the five consecutive reports beginning with the report based upon the period during which the QCI was made.

Limitations on Credit

The total credit for a report (including any credit carryforward) is limited to 50 percent of the tax due for the report before other applicable tax credits. A corporation eligible for a credit from an installment that exceeds the 50 percent limitation amount may carry forward the unused portion of the installment until used for up to 5 consecutive reports.

A corporation that establishes a capital investment credit cannot claim the enterprise zone deduction authorized under Section 171.1015. (A corporation designated as an enterprise project may reduce its apportioned taxable capital or apportioned taxable earned surplus by qualifying capital investments made in the enterprise zone in which the enterprise project is located. For more information about the enterprise zone deduction, see Franchise Tax Rule 3.561.)

For questions and further information, please contact Jerry Oxford with the Comptroller of Public Accounts at 512/463-4662.

http://www.window.state.tx.us/taxinfo/taxpubs/tx98_673.html

PERMIT ASSISTANCE

TCEQ and the Office of the Governor Economic Development & Tourism division have established a relationship to assist companies, which may experience unwarranted delays in their environmental permitting process for projects that could affect job creation or have a high economic impact.



**ECONOMIC DEVELOPMENT & DIVERSIFICATION
IN-STATE TUITION FOR EMPLOYEES**

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 incentive allows employees and family members of the qualified businesses to pay in-state tuition fees if the individual files with a Texas institution of higher education. Without this incentive designation, a student must reside in Texas for a 12-month period to be entitled to pay the tuition fees of a Texas resident.