

## Business Incentives

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

- **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. It successfully merges business needs and local customized training opportunities into a winning formula to increase the skills level and wages of the Texas workforce.
- The **Texas Enterprise Fund** allows the Governor, with approval of the Lt. Governor and Speaker of the House, to 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. The TEF is the largest 'deal-closing' fund in the nation intended to attract business and jobs to Texas and more than \$200 million is available in the 2010-2011 biennium.
- The **Texas Emerging Technology Fund (ETF)** was 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 and leverage both critical expertise and financial resources. The ETF has an allocation of \$203.5 million available for the 2010-2011 biennium for emerging scientific or technology projects, emerging technology grant matching and the acquisition of research superiority.
- A variety of cities and counties in the Houston region offer **Tax Abatement** agreements that exempt part of the increased value in real or personal property from taxation for a period not to exceed 10 years. The terms of the agreement and the minimum thresholds 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).
- The Texas Tax Code provides for **State Tax Refunds** to encourage economic development. To be eligible for a refund, a property owner must have established a new business in a reinvestment zone or expanded or modernized an existing business located in the zone. The business owner 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.
- Businesses engaged in manufacturing, processing, fabricating or repairing tangible equipment enjoy a **Manufacturing 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.
- 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.

- 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
- The **Enterprise Zone Program** allows local communities to 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, 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 **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.
- 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.
- Many Houston area cities, counties and school districts have adopted the **Freeport Tax Exemption** exempting ad valorem property taxes for any inventory exported outside the state within 175 days. Freeport property includes goods, wares, merchandise, ores, and certain aircraft and aircraft parts. The City of Houston, several school districts and numerous other jurisdictions in the region offer the 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.
- Some manufacturing businesses may qualify for low-interest bond financing of up to \$10 million through the state's **Industrial Revenue Bond** program. 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 jurisdictions.
- Locating in Houston's **Foreign Trade Zone** allows 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. Foreign trade zones (FTZs) are sites 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.

- The **New Markets Tax Credit** program is designed to encourage private sector investment in low-income communities by providing tax incentives to the private sector investor. Qualified businesses located in a distressed community may receive loans or equity through this program.
- 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.