

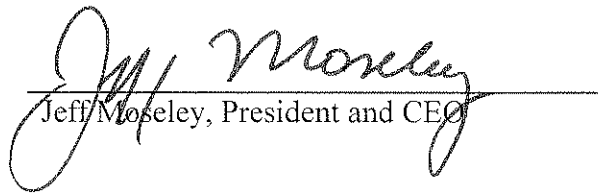
Resolution of the Board of Directors in Opposition to the Elimination or Imposition of Undue Burdens on Tax Code Chapter 313, the Texas Economic Development Act

The Greater Houston Partnership opposes legislative efforts to eliminate or impose undue burdens on Tax Code Chapter 313, the Texas Economic Development Act. The Texas Economic Development Act provides crucial incentives for new investments and job creation in Texas and the 10-county region.

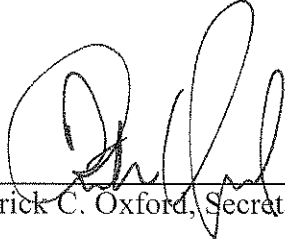
The greater Houston region is Texas' and the nation's premier business region. As the primary advocate for the business community, the Greater Houston Partnership promotes robust economic development efforts to secure the region's continued economic success.



Daniel G. Bellow, Chairman



Jeff Moseley, President and CEO



Patrick C. Oxford, Secretary

MEMORANDUM

DATE: March 18, 2009

TO: Greater Houston Partnership Board of Directors

FROM: Roland Rodriguez
Chairman, Tax and Fiscal Advisory Committee

SUBJECT: Resolution of the Board of Directors in Opposition to the Elimination or Imposition of Undue Burdens on Tax Code Chapter 313, the Texas Economic Development Act

RECOMMENDATION:

The greater Houston region is Texas' and the nation's premier business region. As the primary advocate for the business community, the Greater Houston Partnership promotes robust economic development efforts to secure the region's continued economic success.

The Greater Houston Partnership opposes legislative efforts to eliminate or impose undue burdens on Tax Code Chapter 313, the Texas Economic Development Act. The Texas Economic Development Act provides crucial incentives for new investments and job creation in Texas and the 10-county region.

BACKGROUND:

Enacted in 2001, Tax Code Chapter 313, the Texas Economic Development Act, allows school districts to grant tax credits and limitations on the appraised value of qualified property. The limitation applies solely to the maintenance and operation portion of the tax rate. The statute provides school districts with the opportunity to promote economic development in the region. A school district may enter into a Chapter 313 agreement for economic development purposes but is not required to do so by law. The school district and the property owner enter into an agreement that provides detailed information regarding the requirements of both parties, including the amount of investment and number of jobs to be created by the property owner.

The Texas Legislature enacted Tax Code Chapter 313 for the following purposes (*See Section 313.003*):

- 1) encourage large-scale capital investments in this state, especially in school districts that have an ad valorem tax base that is less than the statewide average ad valorem tax base of school districts in this state;
- 2) create new, high-paying jobs in this state;
- 3) attract to this state new, large-scale businesses that are exploring opportunities to locate in other states and other countries;

- 4) enable local government officials and economic development professionals to compete with other states by authorizing economic development incentives that meet or exceed incentives being offered to prospective employers by other states and to provide local officials with an effective means to attract large-scale investments;
- 5) strengthen and improve the overall performance of the economy of this state; and
- 6) enhance this state's economic development efforts by providing school districts with an effective local economic development option.

Companies implementing the following types of projects are eligible for Chapter 313 agreements (*See Section 313.024*):

- 1) manufacturing
- 2) research and development
- 3) a clean coal project
- 4) an advance clean energy project
- 5) renewable energy electric generation
- 6) electric power generation using integrated gasification combined cycle technology
- 7) nuclear electric power generation

The two factors that determine the required minimum amount of qualified investment and appraised value limitation are whether the school district is rural or non-rural and the amount of taxable property value in the district. A rural school district is one that has property in (*See Section 313.051*):

- 1) a strategic investment area, as defined by Section 171.721 or
- 2) a county:
 - a) that has a population of less than 50,000;
 - b) that is not partially or wholly located in a metropolitan statistical area; and
 - c) in which, from 1990 to 2000, according to the federal decennial census, that population:
 - i) remained the same;
 - ii) decreased; or
 - iii) increased, but at a rate of not more than three percent per annum.

Non-rural school districts are categorized according to amount of taxable property, while rural school districts are categorized according to amount of industrial taxable property.

In addition to the appraised value limitation, Chapter 313 provides for a tax credit to be granted to qualified entities.

In 2007, the Texas Legislature amended Chapter 313 to require the Comptroller to issue a biennial report on the projects subject to this statute. In January 2009, the Comptroller issued the *Report of the Texas Economic Development Act*, assessing 89 of the 90 active projects (1 company did not respond to Comptroller's request). According to the report, these approved agreements show \$40.98 billion in estimated investments and 5,590 estimated jobs for Texas. The Partnership's 10-county region has a total estimated investment of \$1,772,061,944 and has a commitment for 81 new jobs.

IMPLEMENTATION:

To implement this recommendation, the Partnership would communicate its support of this resolution to the Legislature.

FISCAL IMPACT:

To remain strong economically, Texas must retain an advantage over competing states in its ability to attract new investments and job creation. Tax Code Chapter 313 provides the state and the Greater Houston Partnership's 10-county region with an important mechanism to accomplish this goal through tax credits and appraisal value limitations. Eliminating or imposing significant constraints on this Act will negatively impact the economic prosperity of the state and the region by removing or hindering this crucial tool.

RESOURCES REQUIRED:

No resources are required to implement this recommendation.