

LOCAL & STATE

# TAXES & INCENTIVES



## LOCAL TAXES AND INCENTIVES

- **Neighborhood Empowerment Zone Program (Local)**
  - This program offers fee waivers, expedited permitting, removal of City liens and abatement of City property taxes for up to seven (7) years for eligible projects within six (6) NEZ zones approved by City Council
- **Chapter 380 Abatements**
  - State-authorized program to offer tax abatements as well as tax rebates to finance infrastructure necessary for an eligible project, which is also able to offer Hotel Occupancy Tax rebates for eligible projects
- **Chapter 312 Abatements (Reinvestment Zone)**
  - State-authorized program of property tax abatements of up to ten (10) years for eligible projects in area identified by the State

- **Federal Opportunity Zone**

- A new program established as part of the 2017 Tax Act. This program allows significant tax benefits to those investing in a "Qualified Opportunity Fund" that invests in Opportunity Zones designated by the State of Texas and the U.S. Treasury.

- **Texas Enterprise Fund**

- The Texas Enterprise Fund (TEF) is the largest "deal-closing" fund of its kind in the nation. The fund is a cash grant used as a financial incentive tool for projects that offer significant projected job creation and capital investment, and where a single Texas site is competing with another viable out-of-state option.
- Award dollar amounts are determined using an analytical model applied uniformly to each TEF applicant. This model assures that the State of Texas will see a full return on its investment within the period of a project contract due to the resulting increase in estimated sales tax revenues. Variations in award amounts are influenced by the number of jobs to be created, the expected time frame for hiring, and the average wages paid.

- **Texas Emerging Technology Fund**

- The Texas Emerging Technology Fund (TETF) is a cash grant program 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 form the backbone of our economy. The program works through partnerships between the State, higher education institutions, and the private industry to focus greater attention on the research, development, and commercialization of emerging technology. Grants are awarded in commercialization, matching awards and research superiority acquisition.

- **Industrial Revenue Bond Program**

- The State of Texas Industrial Revenue Bond Program (IRB) is designed to provide tax-exempt or taxable financing for eligible industrial or manufacturing projects as defined in the Development Corporation Act of 1979. The Act allows cities, counties and conservation and reclamation districts to form non-profit industrial development corporations (IDCs) or authorities on their behalf. The purpose is to provide bond financing for projects within their jurisdiction.

- **Texas Capital Fund**

- The Texas Capital Fund Infrastructure/Real Estate Development 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, or real estate development, needed to assist a business which commits to create and/or retain permanent jobs, primarily for low and moderate income persons.

- **Data Center Incentives**

- A data center exemption applies to state sales and use tax on certain items necessary and essential to the operation of a qualified data center. The exemption is for state sales tax only. Local sales taxes are due on purchases of the qualifying items.

- **Texas Enterprise Zone Program**

- The Texas Enterprise Zone 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.

- **Manufacturing Exemptions**

- 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 involved in the manufacturing process. Texas manufacturing companies may also be exempt from paying state sales and use tax on electricity and natural gas used in the manufacture, processing and fabrication of tangible personal property.



- **Texas Economic Development Act**

- An appraised value limitation may be extended to a taxpayer who agrees to build or install property and create jobs in exchange for an eight-year limitation on the taxable value of the property. The value limitation applies to the local school district maintenance and operations tax portion of the property tax and a tax credit.

- **R&D Tax Credit**

- The Research & Development tax credit provides companies the option of selecting either a sales tax exemption on property purchased by persons engaged in qualified research activities, or the franchise tax credit, but not both.

- **Skills Development Fund**

- The Skills Development Fund is Texas' premier job training program. The program provides grants to community and technical colleges to develop customized job training programs for businesses who want to train new workers or upgrade the skills of their existing workforce.

- **Pollution Control Equipment Incentive**

- 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. The Pollution Control Equipment Incentive provides a property tax exemption for property used for pollution control purposes.

- **Renewable Energy Incentives**

- Various tax exemptions, franchise tax exemptions, and franchise tax deductions are available for renewable energy equipment and systems. Renewable energy encompasses solar, wind, ethanol and biodiesel energy.

*For more information on opportunities available to you in the Southeast Texas area, visit:  
<https://gov.texas.gov/business/page/incentives>*