

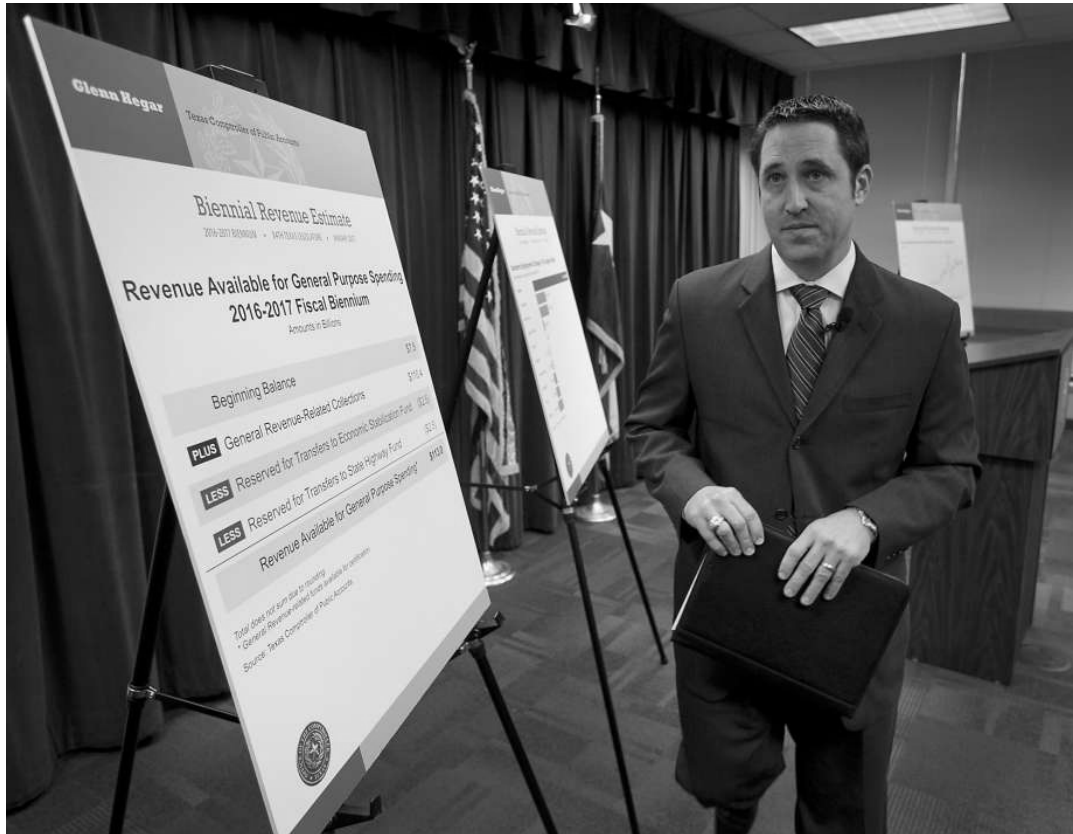


<http://www.chron.com/business/texanomics/article/Texas-biggest-economic-development-incentive-10916880.php>

Texas' biggest tax incentive set to double by 2022

The state will soon grant companies \$1.1 billion in property tax relief, if trends hold.

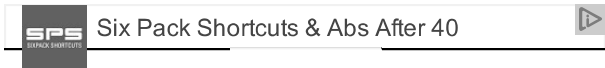
By Lydia DePillis, Houston Chronicle Published 8:34 am, Wednesday, February 8, 2017



Texas State Comptroller Glenn Hegar announces an overwhelmingly Republican Legislature will have \$113 billion in revenue to spend over the next two years, at an announcement made on Monday, Jan. 12, 2015, in Austin, Texas, the day before the 84th legislature is sworn into office. (AP Photo/Austin American-Statesman, Ralph Barrera) AUSTIN CHRONICLE OUT, COMMUNITY IMPACT OUT, INTERNET AND TV MUST CREDIT PHOTOGRAPHER AND STATESMAN.COM, MAGS OUT

The Texas Comptroller's biannual report on tax exemptions is pretty dry reading, describing all the loopholes and options that the state has to let individuals and corporations off the hook. But in **this year's edition**, there was a bit of a surprise.

The state's most powerful tool for luring companies to locate capital-intensive projects in Texas is called a Chapter 313 agreement, which temporarily lowers the otherwise very high property tax burden businesses would have to pay. Usually, the bean counters in Austin only project the cost of already-signed agreements. For 2017



Over 60 Can Get Into Killer Shape



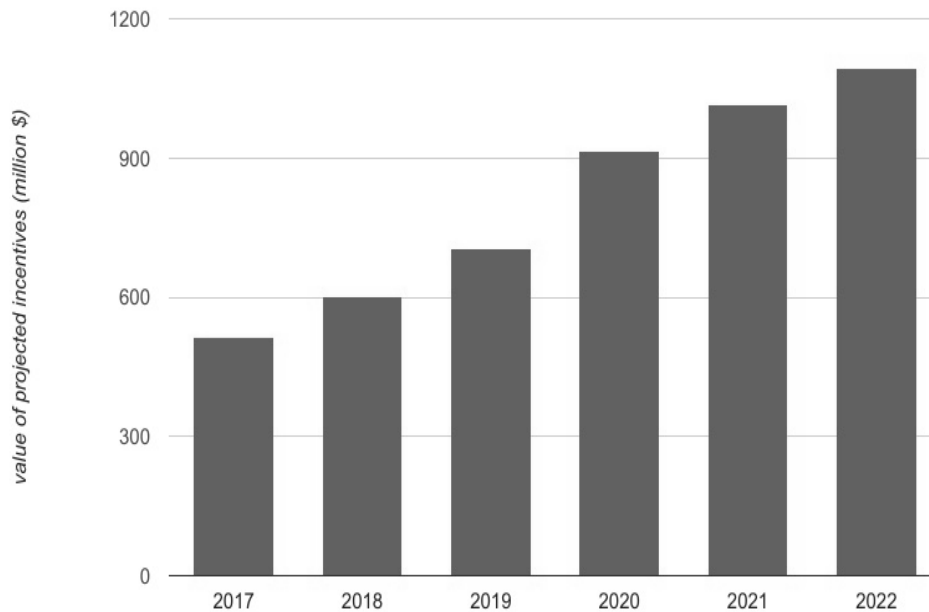
Men 60+ Need To See This

Watch this crusty old 63 year old snap a bat with his bare hands.

however, they forecast what the program will cost if new agreements are signed at the historical rate.

If the trend continues, the program will go from costing local school districts about \$326 million in 2016 to \$1.1 billion in 2022.

Projected total value of Texas' Chapter 313 Incentive program



There are a couple of ways of looking at that tremendous growth.

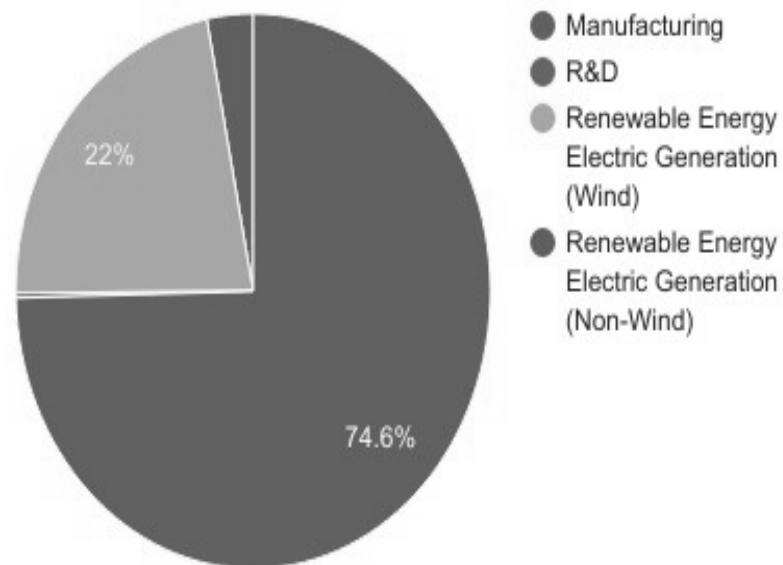
On the positive side, we can turn to the Texas Taxpayers and Research Association, which is supported by many of the companies that have benefited from tax incentive over the years. They put out a report on the Chapter 313 program this year, attempting to rebut the skepticism about the economic payback from these and other tax breaks.

"It's it's bringing what wouldn't come here anyway," says Dale Craymer, the groups president. "At a minimum, we're getting an additional billion dollars in taxes from those projects."

Under Chapter 313, companies are only supposed to get the tax break if it's a deciding factor in their decision to do projects in Texas to ensure that the economic benefits — jobs and other taxes — wouldn't have come to the state anyway. According to the Comptroller's **report on Chapter 313 agreements**, the deals in place have directly supported 10,818 jobs in Texas through 2015, adding some \$754 million in wages.

The program also has helped spur the rapid development of wind energy capacity in Texas. Most wind projects in the state receive Chapter 313 abatements, and they make up about half the exemptions granted, 144 out of the 309 total.

Gross total tax benefit for the length of the agreement



Skeptics, however, argue that the program's guidelines are weak, even after a **critical report** from the state auditor in 2014 prompted additional requirements for school districts to verify that beneficiaries indeed created the jobs they promised.

Nate Jensen, a political science professor at the University of Texas at Austin, says that Chapter 313's cost-benefit analysis requirement is still too easy to satisfy and companies don't really have to prove that the incentive was a deciding factor. Wind projects, for example, usually just say that states like California and Kansas are also under consideration.

Take **one agreement** for a wind farm in Oldham County, which was approved in 2013. Its **economic impact evaluation** reads, "the applicant can locate the project anywhere in the U.S. with sufficient prevailing wind conditions conducive to power generation." No further proof required.

"Companies have private information on how important the incentive is for their relocation decision," Jensen says. "Some companies will receive incentives that didn't need them."

The Chapter 313 program isn't the state's only way of lowering costs for corporations. Texas can also give away money through the Texas Enterprise Fund and local governments have the ability to forgive municipal and county taxes as well.

But school property tax abatements may be the program that's growing fastest, according to these new figures — and it's worth thinking about whether localities are giving away more than they should.

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