

# Senate panel weighs future of state's tax abatement law

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Texas state Sen. Konni Burton speaks during a news press conference at the Texas Capitol on Wednesday, Feb. 15, 2017. Burton is the author of Senate Bill 600, which proposes eliminating the Texas Economic Development Act. RICARDO B. BRAZZIELL/AMERICAN-STATESMAN

Posted: 3:52 p.m. Tuesday, April 18, 2017

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During a state Senate committee hearing Tuesday, there was broad agreement that high property taxes in Texas are a big potential impediment to businesses that might consider relocating here.

But there was less agreement on whether the Texas Economic Development Act — a 16-year-old law that allows school districts to waive a portion of a company's property tax bill for a decade in exchange for a deal to move significant operations within its boundaries — has helped or exacerbated the problem.

Such tax abatement deals “subsidize some businesses on the backs of other businesses and taxpayers” across the state because the school districts are reimbursed from state coffers for the tax revenue they agree to give up, said state Sen. Konni Burton, R-Fort Worth.

“The time has arrived for Texas to end this program,” she said.

Burton has proposed doing just that. Her bill to eliminate the act, Senate Bill 600, was the topic of Tuesday's hearing before the Senate Natural Resources and Economic Development Committee.

Representatives of a number of businesses organizations turned out to oppose the bill, saying communities in Texas need some way of leveling the playing field with other states when they're trying to lure economic development. Deals reached under the Texas Economic Development Act are known as "Chapter 313 agreements," because of the chapter of the state tax code covering them.

"Our property taxes (in Texas) are among the highest in the nation — that is the price we pay here for not having a personal income tax," said Dale Craymer, president of the business-backed Texas Taxpayers and Research Association. "If (SB 600) passes, the ultimate winners are going to be the states we compete against."

The Texas Economic Development Act has been under fire before at the state Capitol, with critics saying the tax abatements it creates are a form of corporate welfare and citing a lack of oversight to ensure the businesses receiving the tax breaks follow through on promised job creation. Two years ago, the state stepped up its monitoring of the deals as a result.

According to the latest report from the Texas Comptroller's Office, local school districts in Texas had signed 311 such agreements through 2015. Businesses that made the deals have invested \$80.8 billion in the state over that time, with the lifetime investment of the deals estimated at \$145.7 billion, according to the comptroller's office

A total of 6,562 "qualifying jobs" have been committed to under the agreements, according to the comptroller's office.

Fred Welch, chairman of the Texas Economic Development Council, said Tuesday that many thousands more jobs have been created as a result of the agreements when indirect, supply-chain businesses are included.

Economic development fueled by Chapter 313 agreements "have been vital investments for the state and for the local communities," Welch said. "There has been a big increase in the supply chain (stemming from Chapter 313 agreements). These are small to medium enterprises" that otherwise wouldn't exist.

But others said Texas would be better served by scrapping the law allowing Chapter 313 agreements and instead focusing on ways to revamp the state's tax code to make it more fair for everyone and to render property tax rates more competitive with other states from the start.

Tax abatements "just shift the burden of government" onto those who haven't received them, said Carine Martinez-Gouhier of the conservative Texas Public Policy Foundation. "We should stick to the Texas model of low taxes for everyone."

Hector Rivero, president of the Texas Chemical Council, a trade group, said he fears businesses in his industry will just expand elsewhere if the act is repealed, given the state's high property tax rates.

"A lot of these project can be placed anywhere in the country, and can be placed anywhere in the world," Rivero said. The Chapter 313 agreements are "a very important economic development tool to make Texas more competitive on expansion projects."