

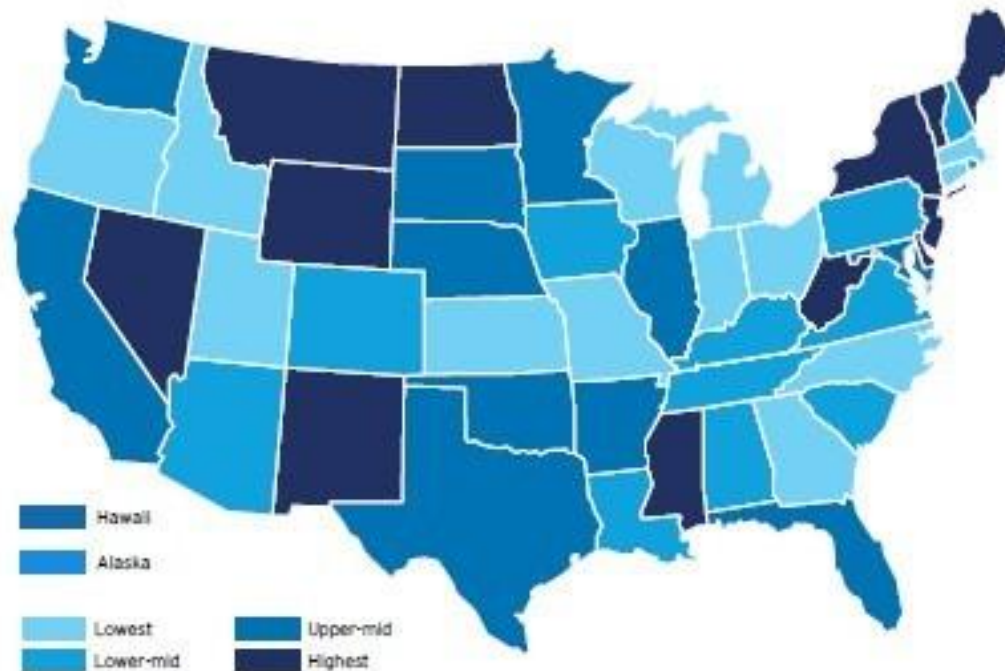
Why Do Businesses Come to Texas?



Total Effective Business Tax Rates (TEBTR) by State

Business taxes ÷ Private-sector gross state product (GSP) = Total effective business tax rate (TEBTR).

Figure 4. Total effective business tax rate (TEBTR) by state, FY21
(state and local business taxes divided by private-sector gross state product in each state)



Source: Ernst & Young LLP estimates based on data from the Bureau of Economic Analysis and the U.S. Census Bureau Annual Survey of State and Local Government Finances.

Business share of total state and local taxes by state FY21

Businesses in Texas contribute a greater share of state and local tax revenue than in most other states. Across all states, businesses contribute an average of 46% of total tax revenue **but in Texas, the business share is nearly 60%.**

Source: EY, STRI, COST, December 2022

North Dakota	70.9%	
Wyoming	69.3%	
Alaska	61.6%	
New Mexico	60.1%	
South Dakota	59.6%	
Texas	59.3%	← Texas: 59.3%
Tennessee	54.5%	
District of Columbia	54.3%	
Florida	53.0%	
Nevada	52.3%	
Delaware	51.1%	
Mississippi	50.7%	
Maine	50.6%	
Vermont	49.9%	
Oklahoma	48.8%	
West Virginia	48.8%	
Washington	48.4%	
Louisiana	48.3%	
Nebraska	47.9%	
New Hampshire	47.9%	
Montana	46.6%	
Alabama	46.1%	
South Carolina	45.5%	
Iowa	45.4%	
Colorado	45.2%	
New Jersey	44.7%	
Kentucky	44.6%	
Illinois	44.3%	
Georgia	43.2%	
New York	42.9%	
Pennsylvania	42.4%	
Kansas	41.7%	
Virginia	41.5%	
Arizona	41.0%	
Idaho	40.9%	
Arkansas	40.8%	
Wisconsin	40.5%	
Oregon	40.4%	
Missouri	39.8%	
Ohio	39.8%	
Indiana	39.1%	
California	38.8%	
Rhode Island	38.5%	
Hawaii	38.1%	
Utah	37.9%	
Minnesota	37.0%	
North Carolina	36.8%	
Massachusetts	36.7%	
Michigan	34.7%	
Connecticut	32.6%	
Maryland	31.3%	

Average: 46.0%

JETI Act vs Chapter 313

Jobs, Energy, Technology, and Information Act, - House Bill 5 (88th Regular Session)

- Like Chapter 313, provides M&O tax reduction in return for capital investment and job creation.

Key Differences between Chapter 313 and the JETI Act:

- Increased investment / job creation requirements
- Wind and solar projects not allowed, but other eligibility categories were added
- Less tax savings during 10-year limitation period, particularly for large projects
- 100% M&O tax abatement during construction period - added in JETI
- Agreement is between the company, the ISD and the Governor
- Increased “determining factor” standard
- Schools can no longer receive monetary benefit
- Requires a performance bond to cover the “interests of the state and district”

Government Benefits Received vs. Taxes Paid ("Business-Tax-To-Benefit-Ratio")

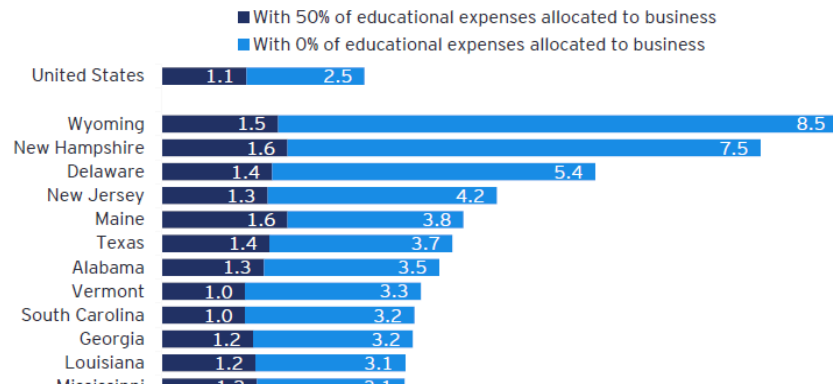
Two identical businesses do not face the same tax burden if one receives more benefit from government spending than the other.

- Education
- Administrative & Insurance
- Public Safety
- Social Welfare
- Transportation
- Natural Resources
- Health

FY21 Study & FY22 Trends

FY 21 Study

Figure 6. Business taxes per dollar of net government spending that benefits businesses, FY21
(values shown are equal to business taxes divided by government spending that benefits businesses)



FY21 Notes & FY22 Trends

When education spending is assumed not to benefit businesses, Texas has the 6th highest tax-to-benefit ratio at \$3.70.

- For every **\$3.70** of tax that Texas businesses pay, they receive \$1.00 in benefits.
- National average is \$2.50 (business taxes) to \$1.00 (benefits).

When 50% of education spending is assumed to benefit business, Texas still has 6th highest tax-to-benefit ratio at \$1.40:

- For every **\$1.40** Texas businesses pay, they receive \$1.00 in benefits.

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