

# STATE AND LOCAL INCENTIVES

Dallas-Fort Worth has a strong business culture, and a variety of state and local incentive programs are available to expanding or relocating businesses, ranging from tax abatements and tax increment financing to development of infrastructure and free-trade zones. The programs help keep the cost of doing business low, enabling companies that are creating jobs in the DFW region to gain a competitive advantage.

Locally, several programs exempt qualifying companies from certain taxes, in some cases for up to 10 years. Programs vary by city, but they offer a breadth that can provide value for a variety of projects. Additional statewide programs assist companies with job training, obtaining capital and expanding venture capital investment.

## DEVELOPING AREAS

**THE COUNTY DEVELOPMENT DISTRICT SALES TAX:** Enables counties of less than 400,000 residents to create county assistance districts and adopt local sales taxes. Eligible counties must not contain a 4A or 4B city or any transit authority territory.

**TEXAS CAPITAL FUND:** Programs within this fund provide financial resources to non-entitlement communities for public infrastructure or for real estate development needed to assist a business that commits to creating and/or retaining permanent jobs, primarily for low and moderate-income persons. The maximum award is \$750,000, and may not exceed 50 percent of the total project cost.

**THE RURAL MUNICIPAL FINANCE PROGRAM** Assists in the economic development of rural areas. Eligible applicants include city and county governments, economic development corporations, hospital districts, rail districts, utility districts, special districts, agricultural districts and private water and wastewater corporations.

## LOCAL INCENTIVES

**FREEPORT EXEMPTION:** Property tax exemption offered by cities, school districts, and counties, or all three. It applies to various types of property detained in Texas for no more than 175 days, to be transported out of state. Goods must be in Texas for assembling, storing, manufacturing, repair, maintenance, processing, or fabricating purposes.

**ECONOMIC DEVELOPMENT ACT (CHAPTER 313):** 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 (M&O) portion of the property tax and a tax credit. Projects must be located in a reinvestment zone or enterprise zone.

**TAX INCREMENT FINANCING DISTRICT:** A tool that local governments can use to publicly finance needed improvements to infrastructure and buildings within a designated area known as a reinvestment zone. The cost of improvements to the reinvestment zone is repaid by the future tax revenues of each taxing unit that levies taxes against the property.

**TAX ABATEMENTS:** A local agreement between a taxpayer and a taxing unit that exempts all or part of the increase in the value of the real property and/or tangible personal property from taxation for a period not to exceed 10 years.

**CHAPTER 380/381 AGREEMENTS:** Allow municipalities and counties to offer grants and loans for economic development, or a variety of other economic incentives.

**TYPE A AND B ECONOMIC DEVELOPMENT CORPORATIONS:** Cities located within a county of fewer than 500,000 residents can form economic development corporations and institute a sales tax, if the new combined tax doesn't exceed 2 percent. Some cities in more populated counties may also participate under certain conditions. Type A is generally for industrial and manufacturing, while Type B is for quality-of-life projects. Voters must approve the creation of a Type A or Type B tax.

## STATE INCENTIVES

**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 where a single Texas site is competing with another viable out-of-state option for relocation or expansion. Funds can be used for infrastructure development, community development, job training, and business incentives.

**MANUFACTURING EXEMPTIONS:** Exemption from state sales-and-use tax for taxpayers who manufacture, fabricate, or process tangible property for sale. It generally applies to tangible personal property involved in the manufacturing process.

**NATURAL GAS AND ELECTRICITY:** Manufacturing companies may be exempt from paying state sales-and-use tax on electricity and natural gas used in manufacturing, processing, or fabricating tangible personal property.

**DATA CENTER INCENTIVES:** This new incentive allows data centers that meet certain conditions on or after Sept. 1, 2013, to qualify for an exemption on state sales-and-use tax on certain items necessary and essential to the data center operation.

**RESEARCH AND DEVELOPMENT:** Companies can choose a state sales tax exemption for property purchased, stored, or used by a person engaged in qualified research or a franchise tax credit. Local communities can also consider providing a sales tax exemption for R&D using tools such as a Chapter 380 agreement.

**SKILLS DEVELOPMENT FUND:** Assists with customized job training. Businesses and trade unions must partner with a community or technical college, the Texas Engineering Extension Service or a community-based organization working with one of these establishments. Businesses should have a training plan and pay wages that are equal to or greater than current wages in the local market. Grants for a single business may be limited to \$500,000.

**GOVERNOR'S UNIVERSITY RESEARCH INITIATIVE (GURI):** GURI was enacted in 2015 with a goal of bringing the best and brightest distinguished researchers in the world to Texas. This matching grant program will enable eligible Texas academic institutions to build expertise in key research areas; attract and inspire students to pursue advanced degrees in math, science, engineering, and medicine; and foster innovation and commercialization in the State.

**TEXAS PRODUCT DEVELOPMENT AND SMALL BUSINESS INCUBATOR FUND (PDSBI):** PDSBI is a revolving loan program to aid in the development, production and commercialization of new or improved products and to foster and stimulate small business in the state. Loan proceeds can be used for a broad range of capital and operating expenditures. Applicants must have at least 3 years of operating history and have unencumbered assets available for collateral. Preference for funding is given to the state's defined industry clusters including, but not limited to: nanotechnology, biotechnology, biomedicine, renewable energy, agriculture and aerospace.

## FEDERAL INCENTIVES

**FOREIGN TRADE ZONES:** A restricted-access site located in or near a U.S. Customs Service port of entry that provides users, such as importers, manufacturers, and distributors, with cost-saving benefits.

# SPREADING THE WEALTH

ECONOMIC INCENTIVES HAVE HELPED SUPPORT OFFICE, INDUSTRIAL, AND MIXED-USE PROJECTS THROUGHOUT NORTH TEXAS.

