



SUMMARY OF STATE INCENTIVES & PROGRAMS

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DISCLAIMER: *The material contained in this Summary of State Incentives is provided for informational purposes only and cannot be construed as a commitment. Assumptions are based on creating jobs and providing a capital investment. Total jobs and capital investment have been included as eligible costs for the various incentive programs available. However, actual jobs and capital investment may vary from the assumptions made due to final determination of program eligibility and site location.*



TEXAS ENTERPRISE FUND

The 78th Texas Legislature established the Texas Enterprise Fund to provide financial resources to help strengthen the state's economy. The Governor, Lieutenant Governor, and the Speaker of the House must unanimously agree to support the use of the Texas Enterprise Fund for each specific project.

Projects that are considered for Enterprise Fund support must demonstrate a project's worthiness, maximize the benefit to the State of Texas and realize a significant rate of return of the public dollars being used for economic development in Texas. Capital investment, job creation, wages generated, financial strength of the applicant, applicant's business history, analysis of the relevant business sector, and federal and local government and private sector financial support of a project will all be significant factors in approving the use of the Enterprise Fund.

EMERGING TECHNOLOGY PROGRAM

The \$200 million Texas Emerging Technology Program is 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 will form the backbone of our economy. The program will work through partnerships between the state, institutions of higher education and private industry to focus greater attention on the research, development and commercialization of emerging technology. The Emerging Technology Program is dedicated to three areas:

1. Regional Centers of Innovation and Commercialization (RCICs). These centers will become concentrated with applied R&D activities, be incubators (including specialized workforce training) for startup firms and encourage expansion of existing companies resulting from commercializing their developments.
2. Matching grant funds. Applied technology research and development projects that accelerate commercialization into production and have a demonstrated ability to receive or have received federal grants or non-state grants may apply for matching dollars from the Emerging Technology Fund. Grants such as Small Business Innovation Research grants, Small Business Technology Transfer grants, etc
3. Attracting research talent. The state will help Texas public universities attract highly renowned research teams from universities and institutions in other states.

For more information regarding the application process or funding, please contact Alan Kirchhoff with the Office of the Governor at 512/475-2818.

SKILLS DEVELOPMENT FUND

The Skills Development Fund is an innovative program created to assist Texas public community and technical colleges finance customized job training for their local businesses. The Fund was established by the Legislature in 1995 and is administered by the Texas Workforce Commission. Grants are provided to help companies and labor unions form partnerships with local community colleges and technical schools to provide custom job training. Average training costs are \$1,000 per trainee; however, the benefit may vary depending on the proposal.

For detailed information regarding the application process and funding, please contact Dale Robertson with the Texas Workforce Commission at 512/463-8844.



The Self-Sufficiency Fund is a job-training program that is specifically designed for individuals that receive Temporary Assistance for Needy Families (TANF). The program links the business community with local educational institutions and is administered by the Texas Workforce Commission. The goal of the Fund is to assist TANF recipients become independent of government financial assistance.

The Fund makes grants available to eligible public colleges or to eligible private, non-profit organizations to provide customized job training and training support services for specific employers. A joint application from the employer and the eligible public college and/or eligible private, non-profit organization is required to be submitted to the Local Workforce Development Board for review and comment prior to approval.

For detailed information regarding the application process and funding, please contact Dale Robertson with the Texas Workforce Commission at 512/463-8844.

TEXAS ENTERPRISE ZONE PROGRAM

Under the statewide cap of 105 projects per biennium a community with less than 250,000 in population may have up to six enterprise projects. A community with 250,000 in population or greater may have up to nine enterprise projects.

Upon a community designating a business as an enterprise project, and upon that project's designation being approved by the state, the business would be eligible for the following incentives:

State Sales and Use Tax refunds

Beginning September 1, 2007 an enterprise project is eligible for a refund for all state sales and use taxes paid and used at the qualified business site. The total amount of any refund will continue to be predicated on investment amount and number of jobs created/retained.

The refund can be an amount ranging from a minimum of \$2,500 per job to a maximum of \$7,500 per job as follows:

1. If project investment amount is greater than \$40,000 and less than \$400,000, then refund amount is \$2,500 per job up to a maximum of 10 jobs created/retained;
2. If project investment amount is equal to or greater than \$400,000 and less than \$1,000,000, then refund amount is \$2,500 per job up to a maximum of 25 jobs created/retained;
3. If project investment amount is equal to or greater than \$1,000,000 and less than \$5,000,000, then refund amount is \$2,500 per job up to a maximum of 125 jobs created/retained;
4. If project investment amount is equal to or greater than \$5,000,000 and less than \$150,000,000, then refund amount is \$2,500 per job up to a maximum of 500 jobs created/retained;
5. If project investment amount is equal to or greater than \$150,000,000 and less \$250,000,000, then refund amount is \$5,000 per job up to a maximum of 500 jobs created/retained;
6. If project investment amount is equal to or greater than \$250,000,000, then refund amount is \$7,500 per job up to a maximum of 500 jobs created/retained;



Receipts for purchases of building materials and machinery and equipment and payroll information are required to be retained as part of the audit process. (Note: All contracts should separate the costs for building materials and/or equipment from the costs of labor and services in order to be eligible.)

The refund for sales and use tax must be for all eligible items for use at the qualified business site.

TEXAS CAPITAL FUND INFRASTRUCTURE PROGRAM

The Texas Capital Fund Infrastructure 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 (water, sewer, roads, etc.) needed to assist a business, which commits to create and/or retain permanent jobs, primarily for low and moderate-income persons. The minimum award is \$50,000 and the maximum is \$750,000. The award may not exceed fifty percent (50%) of the total project cost.

The Texas Department of Agriculture administers the Texas Capital Fund Program. For further details on the program, please contact Karl Young at 512/936-0281.

TEXAS CAPITAL FUND REAL ESTATE DEVELOPMENT PROGRAM

The Texas Capital Fund Real Estate Development Program is designed to provide financial resources to non-entitlement communities. Funds must be used for real estate development (acquisitions, construction and/or rehabilitation) to assist a business, which commits to create and/or retain permanent jobs, primarily for low and moderate-income persons. This program encourages business development and expansions located in non-entitlement communities. The minimum award is \$50,000 and the maximum is \$750,000. The award may not exceed fifty percent (50%) of the total project cost. Funds are provided with no interest accruing and with payments based on a 20-year amortization schedule.

The Texas Department of Agriculture administers the Texas Capital Fund Program. For further details on the program, please contact Karl Young at 512/936-0281.

** Total Texas Capital Fund participation from both Infrastructure program and Real Estate Development program may not exceed \$750,000.

STATE SALES & USE TAX EXEMPTIONS

Manufacturing Machinery & Equipment

Leased or purchased machinery, equipment, replacement parts, and accessories that have a useful life of more than six months, and that are used or consumed in the manufacturing, processing, fabricating, or repairing of tangible personal property for ultimate sale, are exempt from state and local sales and use tax. Texas businesses are exempt from paying state sales and use tax on labor for constructing new facilities.

Texas businesses are exempt from paying state sales and use tax on the purchase of machinery exclusively used in processing, packing, or marketing agricultural products by the original producer at a location operated by the original producer.



Natural Gas & Electricity

Texas companies are exempt from paying state sales and use tax on electricity and natural gas used in manufacturing, processing, or fabricating tangible personal property. The company must complete a “predominant use study” that shows that at least 50% of the electricity or natural gas consumed by the business directly causes a physical change to a product.

CHAPTER 380

Section 380.001 of the Local Government Code authorizes municipalities to offer a range of incentives designed to promote state or local economic development. Specifically, it allows for the provision of loans and grants of city funds, as well as the use of city staff, city facilities or city services, at minimal or no charge.

To establish a loan or grant or to offer discounted or free city services, the city must meet the requirements contained in the Texas Constitution and in applicable Texas statutes. Additionally, cities must review their city charters and any other local provisions that may limit the city’s ability to provide such a grant or loan. To determine the latitude of whether a municipality is able to offer a particular incentive or combination of incentives, local communities should consult their city attorney.

TEXAS INDUSTRY DEVELOPMENT

The Office of the Governor Economic Development and Tourism Division hereby gives notice that The Texas Small Business Industrial Corporation is accepting applications for loans to be funded through the Texas Industry Development Revolving Loan program.

The Texas Industry Development Revolving Loan Program, provides capital to Texas communities and eligible 501(c) 3 corporations at favorable market rates. The program supports eligible tax exempt public purpose projects that stimulate economic development within the community. The loans are available with low cost, variable rate long term financing with the term of the loan not extending beyond the useful life of the assets and up to bond maturity in 2025.

Eligible projects must meet the project definition as described in the Development Corporation Act, Texas Local Government Code, Chapter 503, the Texas Industry Development Program Guidelines and all appropriate state and federal regulations as applicable to the program. Examples of public projects include: public facilities; community infrastructure (i.e. water, wastewater, drainage, streets); remediation on public land/facilities, and public transportation. Loan terms are available for participants with a credit rating of an A or above with a term not to exceed December 2025.

A project must be found to be required or suitable for the promotion of economic development as deemed by the Corporation’s board of directors in the performance of its public purposes, functions and duties.

A project will not be eligible for funding under the program for moving existing jobs from one municipality or county in Texas to another municipality or county within the state.

Applications will be accepted at any time during a quarterly round. The quarterly round dates are the first business day of September, December, March and June. Application may be found at:

http://governor.state.tx.us/files/ecodev/TID_Application_Public_Project.doc



For additional information please contact Donna Weinberger-Rourke with The Office of the Governor Economic Development and Tourism Division at 512/936-6443.

TEXAS LEVERAGE FUND

The Texas Leverage Fund (TLF) is an "economic development bank" offering an added source of financing to communities that have passed the economic development sales tax. Approximately 500 communities in Texas have adopted the local economic development sales tax. EDT may loan funds directly to a local Industrial Development Corporation (IDC) to finance eligible projects. Sales tax revenues pledged by the IDC need only be sufficient to cover projected annual debt service as specified in the Texas Leverage Fund Program Guidelines. This allows cities to leverage their economic development sales tax and to pursue additional projects.

BONDS

Sales Tax Bonds

Sales Tax Bonds do not fall under the volume cap and are eligible to communities that have passed the economic development sales tax. Ineligible projects include for-profit hospitals, multi-family projects and municipal services.

Exempt-Facility Bonds

Bonds can be issued to finance certain facilities such as airports, dock and wharf facilities, mass commuting facilities, high-speed inter-rail facilities, or certain qualified hazardous waste facilities (including certain training and storage facilities). There is no limit on the amount of the issue and these issues do not require a reservation under the volume cap. Although the facility must be governmentally owned, it may be leased or subject to management contracts with the business.

Other types of exempt bonds include projects for water, sewage and solid waste facilities, facilities for the local furnishing of electricity or gas, local district heating or cooling facilities. These types of exempt-facility issues must reserve a portion of the volume cap. Exempt-facility bonds that are not governmentally owned may reserve up to \$50 million in tax-exempt volume cap allocation each year, however, there is no restriction to project size.

Tax-Exempt Industrial Revenue Bonds

Tax-Exempt Industrial Revenue Bonds are designed to provide tax-exempt financing to finance land and depreciable property for eligible industrial or manufacturing projects. The bond amount can not exceed \$10 million and the total capital expenditure limitation for the project is \$20 million. This includes costs that are incurred 3 years back and 3 years forward. These issues must receive a reservation under the State's volume limitation ("volume cap") managed by the Texas Bond Review Board.

The Tax Reform Act of 1986 imposes a volume ceiling on the aggregate principal amount of "private activity bonds" that may be issued with the State during any calendar year. Generally, the reservation of state ceiling issues is allocated by lottery in October each program year.

For more information on the "volume cap" or the lottery dates, contact the Texas Bond Review Board at 512/463-1741.



DEFENSE ECONOMIC ADJUSTMENT ASSISTANCE GRANT (DEAAG)

The Defense Economic Adjustment Assistance Grant Program (DEAAG), created in 1997, is a job creation grant program designed to assist adversely impacted defense communities that are responding to or recovering from a U.S. Department of Defense Base Realignment and Closure (BRAC) action, or reductions or termination of defense contracts. The program was later expanded to assist defense communities that have been positively affected by BRAC with new or expanded military missions, as well as, qualified job retention.

DEAAG funding is available to local municipalities, counties, defense base development authority, junior college districts and Texas State Technical College campuses, and regional planning commissions representing these communities. Funding is available to meet matching requirements for federal funding or for the purchase of Department of Defense property, new construction, rehabilitation of facilities or infrastructure, or purchase of capital equipment or insurance. Grants awarded may range from \$50,000 to \$2 million per project. For more information please contact Martin Fox at 512/936-0517.

TEXAS MILITARY VALUE REVOLVING LOAN FUND

Created by the 78th Legislature and signed into law by Governor Rick Perry, the Texas Military Value Revolving Loan Fund, or the "Revolving Loan Fund" as it has become known, is designed to:

- Assist defense communities in enhancing the military value of a military facility in their area.
- Provide financial assistance to defense communities for job creating economic development projects that minimize the negative effects of a defense base realignment or closure decision that occurred in 2005 or later.
- Provide financial assistance to defense communities for an infrastructure project to accommodate new or expanded military missions resulting from a base realignment and closure decision that occurred in 2005 or later.

The Revolving Loan Fund provides a low cost source of revenue to eligible communities who meet the application criteria. The minimum amount of a loan is \$1,000,000 while the maximum amount of a loan is determined by the availability of funds and the creditworthiness of the applicant, State funding will be obtained through the sale of general obligation bonds. The State may provide up to 100% of the cost of the described project, dependent upon the creditworthiness of the applicant. For more information please contact Martin Fox at 512/936-0517.

TEXAS PRODUCT/BUSINESS FUNDS

The Texas Product/Business Funds provides asset based financing to aid companies coming to the state or currently located in Texas. The Texas Bank for Economic Development administers the Texas Product/Business Funds (TP/BF), a fund readily accessible to companies doing business in Texas. Asset based loans offer companies opportunities to apply their assets towards secure funding for future projects. Any business, locating or expanding in Texas, is eligible to apply through the TP/BF fund. The TP/BF funds must be utilized in Texas and can be used towards day-to-day operating expenses or as capital for restructuring, purchasing equipment, more efficient production lines and more. Past TP/BF loans have varied in use and amounts, which have been as low as \$225,000 and as high as \$40,000,000.



With one of the lowest tax burdens in the U.S., including no personal income tax, living and working in Texas means boundless opportunities for anyone who dreams big. Texas lawmakers have worked hard to maintain a reasonable regulatory structure, provide incentives for emerging and growing businesses, and produce an educated workforce. These efforts have strengthened Texas' economic infrastructure, proving that no matter what the industry, the Lone Star State is committed to keeping *Texas Wide Open for Business*. To find out more email: TexasProductFund@governor.state.tx.us or visit the website www.TexasWideOpenForBusiness.com.

SECTION 108

Entitlement communities may access the Section 108 program through HUD. The program allows entitlement communities the ability to borrow funds guaranteed by Section 108 through pledging their current and future CDBG allocations (up to the loan amount) as security for the loan. HUD provides additional security for the loan (as a loan-loss reserve or debt-service) to reduce the exposure of a community's CDBG funds. Economic Development Initiative (EDI) provides grants to local governments that can be used to enhance both the security of loans guaranteed through Economic Development Loan Fund and the feasibility of the large economic development and revitalization projects they finance. The guaranteed amount may be extended up to five times the community's most recent CDBG allocation. Eligible activities include property acquisition; rehabilitation of publicly owned property; economic development activities; installation of public facilities; and other site improvements.

TEXAS ECONOMIC DEVELOPMENT ACT

In 2001, the 77th Texas Legislature enacted House Bill 1200 creating Tax Code Chapter 313, Texas Economic Development Act, to encourage large-scale manufacturing, research and development, renewable energy, nuclear and integrated gasification combined cycle electric generation facilities capital investment projects in the State of Texas. It requires companies to invest a specified amount of money to qualify for a tax credit and an eight-year limitation on the appraised value of a property for the maintenance and operations portion of the school district property tax. The local school district must elect to participate in order for the Company to recognize this benefit.

The qualifying investment amount is determined on a sliding scale that begins at \$100 million for large urban areas and \$30 million for rural areas. The qualifying investment amount is reduced for areas with a lower tax base.

For detailed information regarding this incentive, please contact Gary Price with the Comptroller of Public Accounts at 512/463-3993.

AD VALOREM/ PROPERTY TAX EXEMPTION

Freeport Exemption

A community may choose to offer the Freeport exemption for various types of goods that are detained in Texas for a short period of time. Freeport property includes goods, wares, merchandise, ores, and certain aircraft and aircraft parts. Freeport property qualifies for an exemption from ad valorem taxation only if it has been detained in the state for 175 days or less for the purpose of assembly, storage, manufacturing, processing, or fabricating. For more information, please visit the following links:

Texas Constitution Article 8, Section 1-J: <http://www.window.state.tx.us/taxinfo/taxforms/50-113.pdf>

Application for Exemption of Goods Exported from Texas (50-113):



<http://www.window.state.tx.us/taxinfo/taxforms/50-113.pdf>

Goods-in-Transit Incentive

House Bill 621 of the 80th Texas Legislature amends the Tax Code and the Government Code to add an exemption from ad valorem taxation for goods-in-transit.

To qualify for the exemption, personal property used for assembling, storing, manufacturing, processing, or fabricating purposes would have to be acquired in Texas or imported into Texas and stored at a Texas location in which the owner of the goods does not have a direct or indirect ownership interest. The goods-in-transit would have to be transported to another location in Texas or out of state no later than 175 days after the property was acquired in or imported into the state. Oil and gas and their immediate derivatives, aircraft, and dealer's special inventories would not qualify for the exemption.

For more information, please visit the following links:

<http://www.capitol.state.tx.us/BillLookup/BillSummary.aspx?LegSess=80R&Bill=HB621>

<http://www.capitol.state.tx.us/tlodocs/80R/fiscalnotes/html/HB00621F.HTM>

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. A facility must first receive a determination from the Texas Commission on Environment Quality (TCEQ) that property is for pollution control purposes. That positive use determination is then provided to the local appraisal district, which must accept the TCEQ's decision and grant the property an exemption from property taxes.

To be eligible for a positive use determination, the property must have been purchased, acquired, constructed, installed, replaced, or reconstructed after January 1, 1994 to meet or exceed federal, state, or local environmental laws, rules, or regulations.

For detailed information regarding this incentive, please contact David Greer with the Texas Commission on Environmental Quality at 512/239-5344.

ECONOMIC DEVELOPMENT REFUND

The Texas Comptroller of Public Accounts offers a refund of State franchise and sales/use taxes paid by companies owning certain abated property. A company who meets the following three conditions may apply for a refund:

1. Paid property taxes to a school district on property that is located in a reinvestment zone established under Chapter 312.
2. Is exempt in whole or in part from property tax imposed by a city or county under a tax abatement agreement established under Chapter 312.
3. Is not in a tax abatement agreement with a school district.

The refund is equal to the amount of property taxes that would have been paid had the company entered into a school district abatement agreement with terms identical to the city or county abatement agreement, not to exceed the net state sales and use taxes and state franchise taxes paid or collected and remitted during that



calendar year. The refund amount may also be limited by a statewide appropriation per year for this refund program.

For more information and assistance on this incentive, contact the Comptroller of Public Accounts at 800/252-9121 or 512/305-9999.

RENEWABLE ENERGY INCENTIVES

Wind and Solar Energy Tax Exemptions and Deductions

Tax Code Section 171.056 extends a franchise tax exemption to manufacturers, sellers, or installers of solar energy devices. The state also permits a corporate deduction from the state's franchise tax for renewable energy sources. Business owners may deduct the cost of the system from the company's taxable capital or deduct 10% from the company's income.

Wind energy qualifies under the term "solar energy" for the exemption and deduction under Sections 171.056 and 171.107. For more information on the tax exemption, visit the State Energy Conservation Office's website at http://www.seco.cpa.state.tx.us/re_incentives.htm or contact the Comptroller of Public Accounts.

Texas property tax code permits a 100% exemption on the appraised value of solar, wind or biomass energy devices installed or constructed for the production and use of energy on-site.

See Texas property tax Form 50-123, "Exemption Application for Solar or Wind-Powered Energy Devices" to claim this exemption.

Texas also offers a loan program for eligible efficiency technologies. The "LoanSTAR" program is available to schools, hospitals and local governments. The low interest loans are capped at a \$5 million maximum and are required to meet certain technical guidelines including a detailed energy assessment report.

Website: <http://seco.cpa.state.tx.us/lr.htm>

Franchise tax questions

1-800-531-5441, ext. 5-9952 or (512) 305-9952

Property tax questions

1-800-531-5441, ext. 5-9806 or (512) 305-9806

PERMIT ASSISTANCE

TCEQ and the Office of the Governor Economic Development & Tourism division have established a relationship to assist companies, which may experience unwarranted delays in their environmental permitting process for projects that could affect job creation or have a high economic impact.

MOVING IMAGE INDUSTRY INCENTIVE PROGRAM

In 2007, the 81st Texas Legislature enacted House Bill 1634 establishing the Moving Image Industry Incentive Program. Under the legislation, grants to promote industry growth in Texas can be made to applicant production companies.



The incentive is available in the form of a production grant equal to 5% of in-state spending, including wages paid to Texas residents. Grants are available upon project completion to features, television programs, television commercials and video games. Both live action and animated projects are eligible. The maximum grant amounts available after September 1, 2007 are:

- \$2 million for features;
- \$2.5 million for television programs (for episodic series, \$2.5 million per season);
- \$200,000 for a commercial, series of commercials or music videos; and
- \$250,000 for video games.

Available for review at the Texas Film Commissions website are the specific eligibility qualifications for projects including investment thresholds, employment requirements and content. Specific incentive enhancements related to underused areas are provided.

Website: <http://governor.state.tx.us/film/incentives/miip/>

CANCER PREVENTION AND RESEARCH GENERAL OBLIGATION BONDS

On November 6, 2007, Texas voters approved Proposition 15 - HJR 90, the constitutional amendment which allows the State of Texas to establish the Cancer Prevention and Research Institute of Texas (the Institute) and allows the Institute to issue \$3 billion in general obligation bonds over ten years to fund grants for cancer research and prevention. The Institute may invest the grants strategically in cancer research, clinical trials, and laboratory facility construction in Texas. The Institute will continue to implement the Texas Cancer Plan.

For more information regarding grant opportunities, please visit the Institute's website at www.cprit.state.tx.us or contact the office at 512-463-3190.

ECONOMIC DEVELOPMENT & DIVERSIFICATION IN-STATE TUITION FOR EMPLOYEES

The Economic Development and Diversification In-state Tuition incentive may be offered to qualified businesses that are in the decision-making process to relocate or expand their operations into Texas. The incentive allows employees and family members of the qualified businesses to pay in-state tuition fees if the individual files with a Texas institution of higher education. Without this incentive designation, a student must reside in Texas for a 12-month period to be entitled to pay the tuition fees of a Texas resident.