



**Austin  
Chamber**

# TAXES & INCENTIVES



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**OVERVIEW**

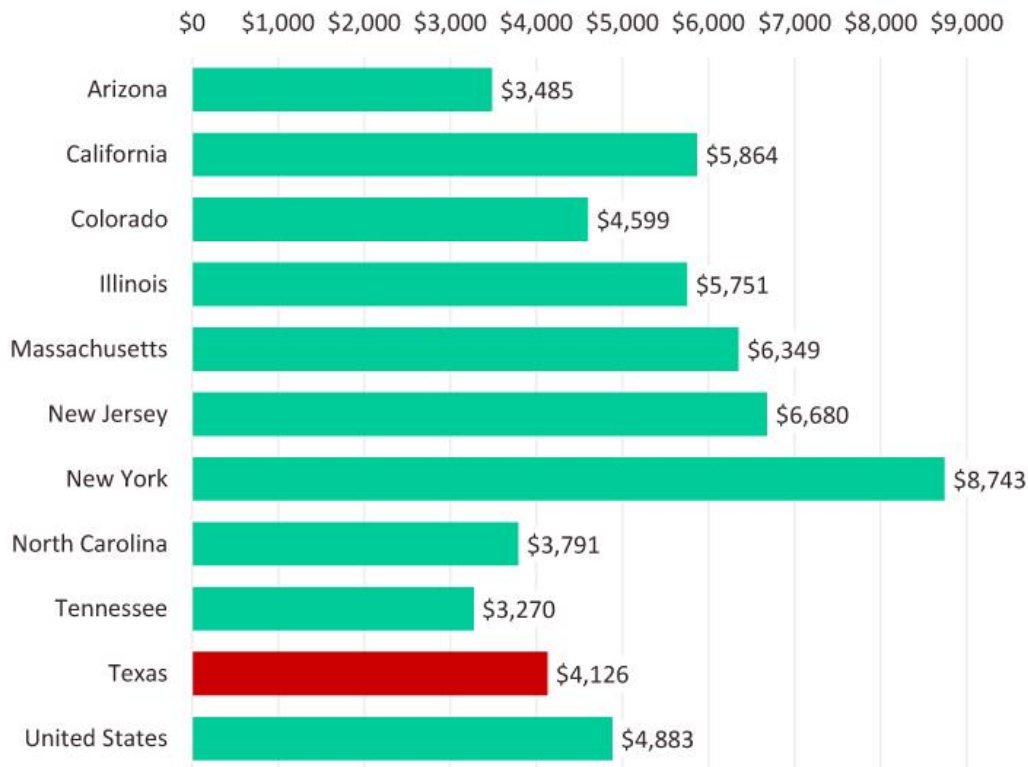
**Taxation**

In Texas and the Austin region, we've formalized a friendly attitude into a business climate that is truly user friendly. The tax structure is fair, competitive and designed to make companies feel welcome.

Texas is one of only a handful of states with no individual income tax (a very attractive environment for transferring employees).

Total state and local taxes averaged \$4,126 per person in 2015, 15.5% less than the national average. Similarly, state and local taxes in Texas are low relative to income, amounting to \$88 per \$1,000 of personal income, compared to the national average of \$101 per \$1,000.

STATE & LOCAL TAXES PER CAPITA 2015



TAX BURDEN 2015

	Texas	United States
State & local taxes per capita, total	\$4,126	\$4,883
Property	1,734	1,521
Sales	2,085	1,698
Individual income	-	1,146
Corporate income	-	178
Other taxes	308	340
State & local taxes per \$1000 of personal income	88	101

Source: U.S. Bureau of the Census, State & Local Government Finances.

## Texas Incentive Opportunities

The State of Texas offers a variety of incentive programs designed to make capital more available for businesses looking to expand or locate in the state, as well as for companies already doing business in Texas. Committed to retaining its "business friendly" reputation, Texas stands ready to help businesses expand, and become globally competitive.

Throughout Central Texas, local governmental and economic development organizations work hand-in-hand to develop competitive incentive packages for qualified companies. Projects are generally reviewed on a case-by-case basis with consideration given to type of industry, number of employees, average wages, capital investment, financial strength, community involvement and other factors.

The region's incentives available for investment and job creation are competitive with peer regions anywhere in the nation.

**Texas offers the Most Favorable Business Climate for the 7th consecutive year according to survey of C-suite executives.**

(Development Counsellors International, 9/18/17)

**Texas has the nation's Best Corporate Tax Environment.**

(Area Development, 9/18/17)

**Texas is the most business-friendly state according to survey of site selectors.**

(Site Selection, 11/2/16)

**Texas is the Best State for Business for the 12<sup>th</sup> consecutive year.**

(Chief Executive, 5/9/16)

**Texas has the nation's Best Business Climate.**

(Business Facilities, 7/30/15)

**Texas is No. 2 on annual Top States for Business ranking.**

(CNBC, 6/24/15)

**Texas offers one of the 3 Most Competitive Corporate Tax Environments.**

(Bloomberg BNA, 6/15)

**Texas has one of the 10 most competitive business tax systems according to the 2015 State Business Tax Climate Index.**

(Tax Foundation, 10/28/14)

**Texas is the No. 2 State for Doing Business.**

(Area Development, 9/12/14)

**Texas garners Gold Shovel Award for Excellence in State Job Creation & Economic Development Efforts.**

(Area Development, Q2/14)

## TAXES

### Income Tax

Texas has no individual income tax, nor does Texas have a corporate income tax.

### Corporate Franchise Tax

In 2008, Texas replaced its franchise tax with a tax based on the taxable entity's "margin." Changes made amended [Texas Tax Code Chapter 171](#) to revise the existing franchise tax by changing the tax base, lowering the rate, and extending coverage to active businesses receiving state law liability protection. The [Texas Comptroller](#) has published detailed information on the revision in the [Franchise Tax Overview](#) as well as a [Franchise Tax Calculator](#) worksheet. The Comptroller also provides an extensive and well organized [Frequently Asked Questions](#) page.

#### Entities Subject to Tax

The tax applies to corporations, limited liability companies, partnerships (general, limited and limited liability), business trusts, professional associations, business associations, joint ventures and other legal entities organized in Texas or that do business in Texas. The tax is not imposed on: sole proprietorships, general partnerships directly owned by natural persons, and other specified entities such as certain financial services businesses, nonprofits, and others.

In addition, a corporation in Texas engaged solely in the business of manufacturing, selling, or installing solar energy devices is exempted from the franchise tax. There is no ceiling on this exemption, so it is a substantial incentive for solar manufacturers.

Taxable entities with revenues of \$1,080,000 or less owe no tax. Taxable entities who calculate their tax due to be less than \$1,000 will owe no tax. However, all taxable entities, including those who will owe no tax, must file a return.

#### Tax Base

The revised tax base is the taxable entity's "margin." Margin equals the lesser of a taxable entity's: total revenue minus cost of goods sold, total revenue minus compensation, total revenue minus \$1 million, or 70% of total revenue. Taxable margin will be the lowest of the four computations times the apportionment factor. An alternative to computing margin is available to taxable entities with revenue of \$10 million or less (see Tax Rate section below).

- **Total revenue** is determined based on federal income tax reporting, with certain exclusions.
- **Cost of goods sold** generally includes costs related to the acquisition and production of tangible personal property and real property. There are other cost of goods sold allowances for certain industries. Taxable entities that only sell services will not generally have a cost of goods sold deduction.
- **Compensation and benefits** include: W-2 wages and cash compensation paid to officers, directors, owners, partners and employees; and benefits provided to all personnel, including workers' compensation, health care and retirement benefits. Compensation does not include 1099 labor or payroll taxes paid by the employer.

The tax base is apportioned to Texas using a single-factor gross receipts apportionment formula—Texas gross receipts<sup>1</sup> divided by gross receipts everywhere.<sup>2</sup> Gross receipts everywhere will equal total revenue for almost all taxpayers<sup>3</sup>.

Taxable entities that are part of an affiliated group engaged in a unitary business must file a combined group report.<sup>4</sup> Members of a combined group must use the same method to compute margin.

### Tax Rate

The tax rate is 0.75% of margin for most taxable entities. The tax rate is 0.375% for entities primarily engaged in retail and wholesale trades (as defined in Divisions F and G of the 1987 Standard Industrial Classification Manual), excluding retailing or wholesaling of utilities, including telecommunications services, electricity or gas.<sup>5</sup>

Tax payers whose total revenue is \$20 million<sup>6</sup> or less may elect for the E-Z Computation which provides an alternative to computing margin. E-Z filers may not claim any credits. For these filers, the franchise tax due is by multiplying total revenue by the apportionment factor and then multiplying the apportioned total revenue by a tax rate of 0.331%.<sup>7</sup>

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<sup>1</sup> Gross receipts in Texas include sales of real property located in Texas, sales of tangible personal property when the property is delivered or shipped to a purchaser within Texas, services performed within Texas, rentals of property situated in Texas, royalties from use of patents or copyrights within Texas, revenues from the use of trademarks, franchises or licenses within Texas and all other business revenue within Texas including dividends and interest from Texas payers. Generally, any amounts excluded from total revenue may not be included in the determination of Texas gross receipts.

<sup>2</sup> Gross receipts everywhere includes all sales of real property, all sales of tangible personal property, all services, all rentals, all royalties from use of patents, copyrights, trademarks, franchises or licenses and all other business revenue including dividends and interest. Generally, any amounts excluded from total revenue may not be included in the determination of Everywhere Gross Receipts.

<sup>3</sup> Exceptions include health care providers, health care institutions, lawyers and security broker/dealers.

<sup>4</sup> Combined groups include all entities, even those without nexus, that meet two criteria: ownership and unitary.

<sup>5</sup> These rates apply to tax returns due on or after January 1, 2016. Rates were permanently reduced by legislation enacted in 2015. The previous rates were 1% for most entities and 0.5% for retail and wholesale trade businesses.

<sup>6</sup> This threshold was permanently raised from \$10 million to \$20 million for returns due on or after January 1, 2016 by legislation enacted in 2015.

<sup>7</sup> This rate also reflects a reduction enacted by the 2015 legislation. The rate applicable for returns due before January 1, 2015 is 0.575%.



## Property Tax

Local governments and special taxing districts levy taxes on real and tangible personal property. Texas has no state property tax. All property is appraised at full market value, and taxes are assessed by local county assessors on 100% of appraised value. The total tax rate is the sum of the rates of all applicable taxing units including cities, counties, schools, and special districts.

Local governments have the option to **exempt goods exported from Texas (freeport goods) and goods in transit** from ad valorem taxation. Freeport goods are inventories acquired or brought into the state by businesses and held for no more than 175 days before being shipped out of state. A number of **jurisdictions in the Austin area** have chosen to allow the exemption. Property utilized for **pollution control and solar or wind-powered energy devices** are exempt from ad valorem taxation.

Local governments can enter into agreements with businesses to abate local ad valorem taxes on real and personal property for up to 10 years.

### Property Tax Rates (%) in Selected Austin Metro Area Communities 2017

City	County	County	City	School District	Comm. College	Other	Total
Austin	Travis	0.3690	0.4448	1.1920	0.1008	0.1074	2.2140
Austin	Williamson	0.4665	0.4448	1.3048	0.1008	0.0200	2.3369
Bastrop	Bastrop	0.4816	0.5640	1.4410	-	0.1081	2.5947
Buda	Hays	0.4450	0.3673	1.5377	0.1008	0.1500	2.6008
Cedar Park	Williamson	0.4665	0.4575	1.5119	0.1008	0.0200	2.5567
Dripping Springs	Hays	0.4450	0.1900	1.5200	-	0.1087	2.2637
Elgin	Bastrop	0.4816	0.6569	1.5400	0.1008	0.1081	2.8874
Georgetown	Williamson	0.4665	0.4200	1.4090	-	-	2.2955
Hutto	Williamson	0.4665	0.5152	1.6200	0.0457	0.1000	2.7474
Jarrell	Williamson	0.4665	0.4195	1.4200	-	0.1000	2.4060
Kyle	Hays	0.4450	0.5416	1.5377	0.1008	0.1446	2.7697
Lago Vista	Travis	0.3690	0.6500	1.3200	-	0.2074	2.5464
Leander	Williamson	0.4665	0.5779	1.5119	0.1008	0.0200	2.6771
Liberty Hill	Williamson	0.4665	0.5000	1.5400	-	0.0983	2.6048
Lockhart	Caldwell	0.7753	0.7260	1.3324	-	0.0446	2.8783
Luling	Caldwell	0.7753	0.5300	1.1140	-	-	2.4193
Manor	Travis	0.3690	0.7722	1.5150	0.1008	0.2074	2.9644
Pflugerville	Travis	0.3690	0.5399	1.5400	-	0.2074	2.6563
Rollingwood	Travis	0.3690	0.2089	1.2000	-	0.1829	1.9608
Round Rock	Williamson	0.4665	0.4300	1.3048	0.1008	0.0200	2.3221
San Marcos	Hays	0.4450	0.6139	1.4141	-	-	2.4730
Smithville	Bastrop	0.4816	0.5660	1.3900	-	0.1081	2.5457
Sunset Valley	Travis	0.3690	-	1.1920	0.1008	0.1074	1.7692
Taylor	Williamson	0.4665	0.7980	1.5700	-	-	2.8345
West Lake Hills	Travis	0.3690	0.0650	1.2000	-	0.2775	1.9115

Note: The totals in this table represent the "typical" property tax rates in each community. In practice, a range of rates may apply within a single community due to the boundaries of school and other special districts which do not align with municipal boundaries.

Source: County assessors or appraisal districts.

## Sales & Use Tax

The state levies a sales and use tax of 6.25% on sales of tangible personal property and certain services. Cities, counties, and transit authorities may add to the sales tax rate up to a maximum combined state and local rate of 8.25%.

Texas grants **sales and use tax exemptions** on machinery and equipment utilized in the manufacturing process. Purchases of machinery and 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.

Natural gas and electricity are exempt from sales taxes when sold to commercial businesses that are "predominantly" manufacturing.

Groceries and over-the-counter drugs and medicines, as well as prescription drugs, are exempt from sales tax.

### Sales & Use Tax Rates in Selected Metro Area Communities

City	County	State	County	City	Metro Transit Authority	Special Purpose District	Total
Austin	Travis	6.25%		1.00%	1.00%		8.25%
Austin	Williamson	6.25		1.00	1.00		8.25
Bastrop	Bastrop	6.25	0.50%	1.50			8.25
Buda	Hays	6.25	0.50	1.50			8.25
Cedar Park	Williamson	6.25		2.00			8.25
Dripping Springs	Hays	6.25	0.50	1.25		0.25%	8.25
Elgin	Bastrop	6.25	0.50	1.50			8.25
Georgetown	Williamson	6.25		2.00			8.25
Hutto	Williamson	6.25		2.00			8.25
Jarrell	Williamson	6.25		2.00			8.25
Kyle	Hays	6.25	0.50	1.50			8.25
Lago Vista	Travis	6.25		1.00	1.00		8.25
Leander	Williamson	6.25		1.00	1.00		8.25
Liberty Hill	Williamson	6.25		1.75		0.25	8.25
Lockhart	Caldwell	6.25	0.50	1.50			8.25
Luling	Caldwell	6.25	0.50	1.50			8.25
Manor	Travis	6.25		1.00	1.00		8.25
Pflugerville	Travis	6.25		1.50		0.50	8.25
Rollingwood	Travis	6.25		1.50		0.50	8.25
Round Rock	Williamson	6.25		2.00			8.25
San Marcos	Hays	6.25	0.50	1.50			8.25
Smithville	Bastrop	6.25	0.50	1.50			8.25
Sunset Valley	Travis	6.25		1.875			8.125
Taylor	Williamson	6.25		2.00			8.25
West Lake Hills	Travis	6.25		1.50		0.50	8.25

Source: Texas Comptroller of Public Accounts.

## Unemployment Insurance

Businesses that employ one or more individuals may be subject to the state unemployment tax. New employers pay 2.7% on the first \$9,000 of wages per employee. A minimum of six quarters is required to obtain an experience rating in order to determine an employer's revised rate. The [Texas Workforce Commission](#) indicates that the effective tax rate in 2017 ranges from a minimum of 0.59% to a maximum of 8.21% for experienced-rated accounts and the average experience tax rate is 1.64%.

### ESTIMATED EMPLOYER CONTRIBUTION RATES, 2017

	Average employer tax rate as a % of taxable wages	Average employer tax rate as a % of total wages
Texas	2.60%	0.51%
United States	2.27	0.59

Source: U.S. Employment & Training Administration, *Average Employer Contribution Rates by State*.

## Workers' Compensation

Texas' workers' compensation is managed by the [Division of Workers Compensation \(DWC\)](#) of the [Texas Department of Insurance](#). Workers compensation is not mandatory in Texas.

The Texas Workers' Compensation Act limits a business' liability for job-related injuries if the employer has a workers' compensation policy from a licensed insurance carrier or has been certified to self-insure by the Texas Workers' Compensation Commission. Only companies specifically licensed to sell workers' compensation in Texas may legally offer such insurance. They may sell only the standard policy adopted by the Commissioner of Insurance.

Businesses without workers' compensation coverage face unlimited liability if an employee is injured and can prove in court that the employer was negligent in any way. Texas employers who do not carry workers' compensation insurance coverage are required to report their non-coverage status to their employees and to the DWC, as well as report work-related injuries and occupational diseases to the DWC.

An insurance carriers may choose to base its rates on (1) the Texas workers' compensation classification relativities (relativities) established by the Commissioner of Insurance; (2) its own independent company-specific relativities filed by the company; or (3) loss costs filed by the National Council on Compensation Insurance. Thus, rates and rating plans varying from one insurance carrier to another. It is now to an employer's benefit to shop around for the most affordable coverage. The TDI publishes [basis of rate tables](#) which set out the relativities by classification which are the base rates for a majority of insurance carriers. This will assist employers in comparison shopping for workers' compensation and employers' liability insurance in Texas

The insurance company assigns policyholders to one or more [classifications based on the policyholder's type of business](#). The company then determines the employer's payroll for each classification. The total payroll for each classification is multiplied by the company's rate for that classification (rate per \$100 payroll). The employer's premium is the sum of the premiums for the individual classifications, plus fees and credits.

There are other factors that may be utilized to increase or decrease the employer's premium. An experience rating modifier that reflects the employer's past loss history may be applied to the premium. (The employer may be able to negotiate the experience modifier downward if they have improved loss ratios or implemented improved safety programs.) A schedule rating debit or credit may be applied to the premium depending on individual characteristics of the employer's business that may not be reflected in the rate. In addition, there are several

optional rating plans such as deductibles or retrospective rating that are available to insureds that may reduce premiums.

**WORKERS' COMPENSATION PROGRAM COSTS PER \$100 OF COVERED WAGES**

	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>Employer costs</b>			
Texas	\$0.74	\$0.73	\$0.67
United States	1.30	1.33	1.36
<b>Benefit payouts</b>			
Texas	\$0.35	\$0.32	\$0.31
United States	0.97	0.92	0.86

Source: National Academy of Social Insurance, *Workers' Compensation: Benefits, Coverage, and Costs, 2015*, October 2017.

## INCENTIVES

### Texas Enterprise Zone Program

The **Texas Enterprise Zone Program** is an economic development tool for local communities to partner with the State of Texas to promote job creation and capital investment in economically distressed areas of the state.

Designated projects are eligible to apply for state sales and use tax refunds on purchases of all taxable items purchased for use at the qualified business site related to the project or activity. The level and amount of refund is related to the capital investment and jobs created at the qualified business site.

Local communities must nominate a company as an Enterprise Project to be eligible to participate in the Enterprise Zone Program. In addition, in order to qualify a project for the **Enterprise Zone Program**, local communities must offer incentives to the project such as tax abatement, tax increment financing, and one-stop permitting. Legislation limits the number of projects that can be designated per biennium. The state accepts applications quarterly with deadlines on the first working day of March, June, September and December.

Communities may nominate projects for a designation period up to five years, non-inclusive of a 90-day window prior to the application deadline. Employment and capital investment commitments must be incurred and met within this timeframe.

Projects may be physically located in or outside of an Enterprise Zone:

- If located within a zone, the company commits that at least 25% of their new employees will meet economically disadvantaged or enterprise zone residence requirements.
- If located outside of a zone, the company commits that at least 35% of their new employees will meet economically disadvantaged or enterprise zone residency requirements.

Under limited statutory provisions, an enterprise project designation may be granted for job retention.

Enterprise Zones exist in all five of the Austin metropolitan area's counties.

#### State Benefits to Participation

Level of capital investment	Maximum number of jobs allocated	Maximum potential refund	Maximum refund per job allocated
\$40,000 to \$399,999	10	\$ 25,000	\$2,500
\$400,000 to \$999,999	25	62,500	2,500
\$1,000,000 to \$4,999,999	125	312,500	2,500
\$5,000,000 to \$149,999,999	500	1,250,000	2,500
\$150,000,000 to \$249,999,999 ("Double Jumbo Project")	500	2,500,000	5,000
\$250,000,000 or more ("Triple Jumbo Project")	500	3,750,000	7,500

## Franchise Tax Exemptions & Credits

### Solar Energy Franchise Tax Exemption

A corporation in Texas engaged solely in the business of manufacturing, selling, or installing solar energy devices is **exempted from the franchise tax**. There is no ceiling on this exemption, so it is a substantial incentive for solar manufacturers.

For the purposes of this exemption, a solar energy device means "a system or series of mechanisms designed primarily to provide heating or cooling or to produce electrical or mechanical power by collecting and transferring solar-generated energy. The term includes a mechanical or chemical device that has the ability to store solar-generated energy for use in heating or cooling or in the production of power."

### Refund for Job Creation in an Enterprise Zone

Taxpayers located in an enterprise zone that create at least 10 new permanent jobs can qualify for a **franchise tax refund**. **Qualifying firms** must be certified by the Texas Economic Development Bank. The refund is the lesser of \$5,000 or 25% of the amount of franchise tax due for the period.

### Research & Development Tax Credit

Companies engaged in qualified research activities (as defined under federal tax law) in Texas may choose between accepting a **sales tax exemption** or a **franchise tax credit** for materials, software and equipment used for R&D purposes.

The credit available is 5% of the difference between: (1) qualified research expenses incurred during the period on which the reporting period and (2) 50% of the average amount of qualified research expenses incurred during the three tax periods preceding the period on which the report is based. If the taxable entity has no qualified research expenses in one or more of the three tax periods preceding the period on which the report is based, the credit for the period on which the report is based equals 2.5% of the qualified research expenses incurred during that period.

An additional franchise tax credit would be available to companies that partnered on research projects with universities and private higher education institutions. In this case, the credit available is 6.25% of the difference between: (1) qualified research expenses incurred during the period on which the reporting period and (2) 50% of the average amount of qualified research expenses incurred during the three tax periods preceding the period on which the report is based. If the taxable entity has no qualified research expenses in one or more of the three tax periods preceding the period on which the report is based, the credit for the period on which the report is based equals 3.125% of the qualified research expenses incurred during that period.

Unused credits may be carried forward.

### Relocation Expenses Deduction

Companies **may deduct from apportioned margin relocation costs** incurred in relocating their main office or other principal place of business to Texas from another state provided the company (1) did not do business in Texas before the relocation and (2) is not a member of an affiliated group engaged in a unitary business, another member of which is already doing business in Texas.

Deductible relocation costs include (1) costs of relocating computers and peripherals, other business supplies, furniture, and inventory; and (2) any other costs related to the relocation that are allowable deductions for federal income tax purposes. The deduction must be taken on the company's initial franchise tax filing.

### Renewable Energy Device Deductions

A taxable entity may deduct from its apportioned margin 10% of the amortized cost of a solar energy device. Under the statute's definition, wind energy is also included as an eligible technology. A similar deduction is available for equipment associated with a clean coal project. The Texas Comptroller publishes guidelines for the solar and wind-powered energy device exemption.

### Tax Credit for Rehabilitation of Historic Structures

A tax credit of 25% of the total eligible costs and expenses incurred in the certified rehabilitation of the certified historic structure can be applied to a taxpayer's franchise tax due. The tax payer must have an ownership interest in the certified historic structure in the year during which the structure is placed in service after the rehabilitation. Eligible structures are Recorded Texas Historic Landmarks, listed in the National Register of Historic Places, or located in specified historic districts. Eligible costs and expenses are defined by the Internal Revenue Code. Carryforward is available and credits can be sold or assigned.

## Property Tax Abatements & Exemptions

### Value Limitation & Tax Credits

The Texas Economic Development Act, Tax Code Chapter 313, is intended to encourage large-scale manufacturing, research and development, and other investment projects to the State of Texas. It requires companies to invest a specified amount of money to qualify for an 8-year reduction in property taxes (as long as the local school district elects to participate). The qualifying investment amount is determined on a sliding scale that begins at \$100 million for large urban areas and is reduced for areas with a lower tax base.

An appraised value limitation is an agreement in which a taxpayer agrees to build or install property and create jobs in exchange for an 8-year limitation on the taxable property value for school district maintenance and operations tax (M&O) purposes and a tax credit.

To qualify, the property must be in a reinvestment zone or enterprise zone and must be devoted to manufacturing, research and development, a clean coal project, an advanced clean energy project, renewable energy electric generation, electric power generation using integrated gasification combined cycle technology, nuclear electric power generation, or a computer center used primarily in connection to one of the other categories.

Additional information on this incentive is provided by the Comptroller of Public Accounts.

### Property Tax Abatement Agreements

A property tax abatement is 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. Tax abatements are an economic development tool available to cities, counties and special districts to attract new industries and to encourage the retention and development of existing businesses through property tax exemptions or reductions. School districts may not enter into abatement agreements. The statutes governing tax abatements are located in Texas Tax Code Chapter 312. Each taxing unit that wants to consider tax abatement proposals must designate a reinvestment zone or an enterprise zone.

## Chapter 380/381 Financing

Chapters 380 and 381 of the Local Government Code provide legislative authority for Texas municipalities and counties to provide a **grant or a loan of city or county funds or services** in order to promote economic development. Local governments have utilized the provisions under this law to provide a wide array of incentives that have drawn businesses and industries to locales throughout Texas. Whether a local government provides any such incentive is completely discretionary. A city or county may provide a Chapter 380 or 381 grant in the form of a sales or property tax rebate.

## Reinvestment Zones

The designation of specified areas as "reinvestment zones" is a local economic development tool used by municipalities and counties throughout the state of Texas. Reinvestment zones have been used to stimulate local economies by attracting new companies and encouraging the growth of existing businesses. These zones can be created for the purpose of granting local businesses ad valorem property tax abatements on a portion of the value of real and/or tangible personal property located in the zone, for a period of up to 10 years.

Special taxation entities having jurisdiction over a reinvestment zone may participate in executed abatement agreements; however, the special taxing districts may not designate reinvestment zones or initiate tax abatement agreements. Reinvestment zones are designated by local ordinance or resolution. Incorporated cities, counties and special districts are allowed to enter into tax abatement agreements. However, school districts no longer possess this ability.

The Comptroller of Public Accounts has responsibility for the state's central registry of reinvestment zones for tax abatements and tax increment financing. The 2016 **biennial report** indicates active reinvestment zones in six communities in three area counties (Austin, Georgetown, Kyle, Leander, Pflugerville, and Taylor).

## Pollution Control Equipment

A Texas constitutional amendment providing an exemption from property taxation for pollution control equipment 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 Environmental 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.

## Solar or Wind-Powered Energy Devices

The Texas property tax code allows an exemption of the amount of the appraised property value that arises from the installation or construction of a **solar or wind-powered energy device** that is primarily for the production and distribution of thermal, mechanical, or electrical energy for on-site use, or devices used to store that energy.



**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 certain aircraft parts, a community, by official action, may extend the deadline to 730 days. A **freeport exemptions map** is also located on the Chamber’s website.

**FREEPORT EXEMPTION AVAILABILITY IN SELECTED COMMUNITIES**

		City	County	School district
Austin	Travis & Williamson Counties	Yes	Yes	No/Yes <sup>8</sup>
Bastrop	Bastrop County	Yes	Yes	Yes
Buda	Hays County	Yes	Yes	Yes
Cedar Park	Williamson & Travis Counties	Yes	Yes	Yes
Dripping Springs	Hays County	No	Yes	Yes
Elgin	Bastrop County	No	Yes	No
Georgetown	Williamson County	Yes	Yes	Yes
Hutto	Williamson County	Yes	Yes	Yes
Jarrell	Williamson County	Yes	Yes	Yes
Kyle	Hays County	Yes	Yes	Yes
Lago Vista	Travis County	Yes	Yes	No
Leander	Williamson County	Yes	Yes	Yes
Liberty Hill	Williamson County	Yes	Yes	Yes
Lockhart	Caldwell County	Yes	Yes	Yes
Luling	Caldwell County	Yes	Yes	Yes
Manor	Travis County	Yes	Yes	Yes
Pflugerville	Travis County	Yes	Yes	Yes
Rollingwood	Travis County	Yes	Yes	No
Round Rock	Williamson & Travis Counties	Yes	Yes	Yes
San Marcos	Hays County	Yes	Yes	Yes
Smithville	Bastrop County	Yes	Yes	Yes
Taylor	Williamson County	Yes	Yes	Yes
West Lake Hills	Travis County	No	Yes	No

<sup>8</sup> Austin ISD has not approved the Freeport exemption, however, portions of the City of Austin include the following school districts that do have Freeport: Del Valle ISD, Leander ISD, Manor ISD, Pflugerville ISD & Round Rock ISD.

## 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**. Tangible personal property that becomes an ingredient or component of an item manufactured for sale, as well as taxable services performed on a manufactured product to make it marketable are exempt. The exemption also applies to tangible personal property that makes a chemical or physical change in the product being manufactured and is necessary and essential in the manufacturing process, as well as semiconductor fabrication and pharmaceutical biotechnology cleanrooms and equipment. Texas businesses are exempt from paying state sales and use tax on labor for constructing new facilities.

### 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.

Gas and electricity are also exempted from state sales and use taxes if used in the processing, storage, and distribution of data by a qualified data center (a facility certified by the Comptroller as a qualifying data center under **Section 151.359**).

### Construction Labor

Construction labor is not taxable for new construction projects (building new structures and completing unfinished structures). In addition, the labor to increase the production capacity of a manufacturing or processing production unit in a petrochemical refinery or chemical plant is not taxable.

### Food & Over-the-Counter Drugs & Medicines

Food products (such as flour, sugar, bread, milk, eggs, fruits, vegetables and similar groceries) and over-the-counter drugs and medicines that are required by the U.S. Food and Drug Administration to be labeled with a Drug Facts panel, as well as prescription drugs, are not taxable.

### Data Centers

Tangible property necessary to operate a data center is **exempt from state sales and use taxes** provided the data center meets certain criteria. The single-occupant Texas data center must be at least 100,000 square feet, specifically built or refurbished to house servers and data processing and storage equipment, not be used primarily for delivery of telecommunications services, and have an uninterruptable power source, backup generator, and advanced security and safety technology.

The data center would have to create at least 20 permanent jobs, not including jobs transferred from within the state, with a salary 120% or higher than the average salary in the county in which the data center was built. The data center owner would have to make or agree to make a capital investment of at least \$150 million in the data center over a 5-year period. The exemption would expire 10 years after the date of the first exemption for an operator that invested more than \$150 million and less than \$200 million, and 15 years if the operator invested more than \$200 million.

Large data center projects, those comprising at least 250,000 square feet of space, creating at least 40 new full-time jobs paying at least 120% of the average county wage, and entailing a capital investment of at least \$500 million in the project over a 5-year period are eligible for a 20-year state and local tax exemption.

A data center is not eligible for these sales tax exemptions if the data center has entered into a **Chapter 313 agreement** limiting the appraised value of the data center's property.

### **Research & Development**

Beginning January 2014, companies engaged in qualified research activities (as defined under federal tax law) in Texas may choose between accepting a **sales tax exemption** or a **franchise tax credit** for materials, software and equipment used for R&D purposes. The sales tax exemption can be applied to the sale, storage, or use of depreciable tangible personal property directly used in qualified research.

### **Chapter 380/381 Financing**

Chapters **380** and **381** of the Local Government Code provide legislative authority for Texas municipalities and counties to provide a **grant or a loan of city or county funds or services** in order to promote economic development. Local governments have utilized the provisions under this law to provide a wide array of incentives that have drawn businesses and industries to locales throughout Texas. Whether a local government provides any such incentive is completely discretionary. A city or county may provide a Chapter 380 or 381 grant in the form of a sales or property tax rebate.

### **Telecom, Internet & Cable TV**

Providers of telecommunications, internet access, and cable television services can obtain a **refund of the state sales and use taxes paid** on tangible personal property use or consumed in transmitting, routing, or distributing those services.

### **Film, Video & Audio Production Companies & Broadcasting Companies**

A production company may claim a **sales or use tax exemption** on items or services necessary and essential and used or consumed during the production of a motion picture, commercial, television project, corporate film, infomercial, or video game. These rules apply only to projects intended for commercial distribution, broadcast, or some other exhibition.

Exempt items include tangible personal property that becomes a component part of the qualifying motion picture, video or audio recording, or broadcast; cameras; film; film developing chemicals; lights; props; sets; teleprompters; microphones; digital equipment; special effects equipment and supplies; audio or video routing switchers located in a studio; certain services; and certain other equipment and tangible personal property that are necessary and essential to and used directly in the production.

Non-exempt items include office equipment or supplies; maintenance or janitorial equipment or supplies; machinery, equipment, and supplies used in sales or transportation activities; machinery, equipment, or supplies used in distribution activities, unless otherwise exempted; taxable items used incidentally in a qualifying production or broadcast; telecommunications equipment and services; transmission equipment; security services; motor vehicle parking services; and food and beverages.

Production companies can also obtain **hotel occupancy tax exemptions** (state and local occupancy taxes can be waived after the 30<sup>th</sup> day for stays longer than 30 consecutive days) and tax refunds or exemptions for **fuels used off road**.

### **Enterprise Zones**

The **Texas Enterprise Zone Program** also offers opportunities for sales and use tax refunds. See Texas Enterprise Zone Program section at the beginning of the INCENTIVES section of this document.

## **Training Programs**

### **Skills Development Fund**

The **Skills Development Fund** is Texas' premier job-training program providing local customized training opportunities for Texas businesses and workers to increase skill levels and wages of the Texas workforce. The Texas Workforce Commission administers funding for the program. Grants are provided to help a business, consortium of businesses, or trade union form partnerships with local community colleges and technical schools to provide custom job training. The Skills Development Fund pays for the training, the college administers the grant, and businesses create new jobs and improve the skills of their current workers. Average training costs are \$1,800 per trainee. However, the benefit may vary depending on the proposal. Grants for a single business may be limited to \$500,000.

### **Skills for Small Business Program**

The **Skills for Small Business Program** is an opportunity for small businesses (less than 100 employees) to train new workers or upgrade the skills of incumbent workers. The initiative was implemented by the Texas Workforce Commission in coordination with the Office of the Governor's Small Business Forums to address the training needs of small business in Texas. Small businesses can apply funds to training offered by their local community or technical college, or the Texas Engineering Extension Service. TWC processes the applications and works with the college to fund the specific courses selected by businesses for their employees. The program funds tuition and fees up to \$1,450 per newly hired employee and up to \$725 per incumbent employee per 12-month period.

### **Skills for Veterans**

The TWC **Skills for Veterans** initiative addresses the unique challenges and training needs of post-9/11 veterans entering the Texas workforce. TWC has set aside \$1 million to fund this initiative to enhance the skills of veterans, which will benefit employers. All private businesses, including private, nonprofit hospitals, can apply to TWC for training offered by their local community or technical college, or the Texas Engineering Extension Service (TEEX), to upgrade the skills of newly hired veterans. Skills for Veterans pays up to \$1,800 to be used in a 12-month period for an eligible post-9/11 era veteran hired within the 12 months prior to receipt of the training application.

### **Self-Sufficiency Fund**

The **Self-Sufficiency Fund** is a job-training program that is primarily 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 to 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. Grant costs may include curriculum development, instructor fees and

training materials, and certain work-related expenses for the trainees. Grants are typically for 12 months. Contracts that include one business partner may be limited to a maximum of \$500,000.

### Workforce Solutions

Two regional workforce development boards serve employers in the Austin metropolitan area. *Workforce Solutions—Capital Area* delivers services in Travis County and *Workforce Solutions—Rural Capital* delivers services in the remaining metro counties. Each year Workforce Solutions assists thousands of local employers with their recruitment, hiring, and retention needs. Most services are available at no cost or low cost and include:

- *Applicant recruiting*: Recruitment<sup>9</sup>, pre-screening and referral of motivated, qualified job applicants.
- *Skills Testing, Assessment and Evaluation*: Skills testing, assessments and evaluations to measure job applicants' aptitude and ability.
- *Tax Credits & Incentives*: Information and assistance on applying for available worker tax credit programs.
- *WorkInTexas.com*: Unlimited, real time, free job posting through statewide online job matching tool with access to thousands active job seekers.
- *Professional Outplacement Assistance/Rapid Response*: Professional outplacement support for companies restructuring, downsizing or closing operations.
- *Conference Center*: Conference center for meetings, customized job fairs and applicant interviews.
- *Business-focused seminars*: Seminars and workshops targeting issues and challenges of employers in Central Texas.
- *Customized Labor Market Information*: Local and state labor market information including growth trends, wage data and labor supply.

## Financing Programs

### Texas Enterprise Fund

The **Texas Enterprise Fund** was established in 2003 to allow the state to respond quickly and aggressively to opportunities to bring jobs and employers to Texas. The funds are used primarily to attract new business to the state or assist with the substantial expansion of an existing business as part of a competitive recruitment situation.

Award dollar amounts are determined using an analytical model applied uniformly to each TEF applicant. This model assures that the State of Texas will see a full return on its investment within the period of a project contract due to the resulting increase in estimated sales tax revenues. Variations in award amounts are influenced by the number of jobs to be created, the expected timeframe for hiring, and the average wages to be paid. In the past, awards have ranged from \$194,000 to \$50 million.

To be eligible for Texas Enterprise Fund support, a project must demonstrate a significant return on the state's investment and strong local support. The review process will consider a variety of factors associated with each project, including job creation and wages, capital investment, the financial strength of the applicant, the applicant's business history, analysis of the relevant business sector, and public and private sector financial support. The project must have community involvement from the city, county, and/or school district, primarily in the form of local economic incentive offers. Before funds can be awarded, the Governor, Lieutenant Governor and Speaker must unanimously agree to support the use of the Texas Enterprise Fund for each specific project.

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<sup>9</sup> Recruitment services include regularly scheduled weekly as well as customized job fairs conducted by Workforce Solutions. Workforce Solutions can also conduct interviewing and orientations.

**Chapter 380/381 Financing**

Chapters 380 and 381 of the Local Government Code provide legislative authority for Texas municipalities and counties to provide a grant or a loan of city funds or services in order to promote economic development. Local governments have utilized the provisions under this law to provide a wide array of incentives that have drawn businesses and industries to locales throughout Texas. Whether a local government provides any such incentive is completely discretionary.

**Economic Development Sales Tax Corporations**

Voters in Texas cities have the option of imposing a local sales and use tax to help finance economic development efforts. Cities may adopt an economic development sales tax under Section 4A or Section 4B of the Development Corporation Act of 1979. Chapters 501, 504 and 505 of the Local Government Code outline the characteristics of Type A and Type B economic development corporations (EDCs), authorize cities to adopt a sales tax to fund the corporations and define projects EDCs are allowed to undertake.

Type A EDCs are typically created to fund industrial development projects such as business infrastructure, manufacturing and research and development. Type A EDCs can also fund military base realignment, job training classes and public transportation. EDCs may use Type A revenue to fund land, buildings, equipment, facilities expenditures, and targeted infrastructure and improvements for projects that create or retain primary jobs.

Type B EDCs can fund all projects eligible for Type A, as well as parks, museums, sports facilities and affordable housing. However, Type B EDCs are subject to more administrative restrictions than Type A, such as public hearings and waiting provisions.

An EDC must enter into a written performance agreement with any business enterprise that it funds directly or makes expenditures that benefit an eligible project. At a minimum, the performance agreement must contain: a schedule of additional payroll or jobs to be created or retained; the capital investment to be made by the business enterprise; and the terms for repayment of the EDC's investment if the business fails to meet the performance requirements specified in the agreement.

**4A & 4B ECONOMIC & INDUSTRIAL DEVELOPMENT CORPORATIONS IN THE AUSTIN REGION**

4A	4B	
Cedar Park	Bastrop	Liberty Hill
Georgetown	Bee Cave	Lockhart
Hutto	Buda	Luling
Jarrell	Cedar Park	Pflugerville
Taylor	Elgin	Rollingwood
	Georgetown	Round Rock

Source: Texas Comptroller of Public Accounts.

**Certified Capital Companies—Growth Capital for Texas Small Business**

A Certified Capital Company (CAPCO) is a private government-sponsored venture capital company formed to increase the availability of growth capital for small businesses located in Texas and stimulate job creation in Texas.

Eligible businesses must be headquartered in Texas (or relocate to Texas within 90 days of the CAPCO's first investment), have no more than 100 employees at the time of investment, and 80% of payroll/manpower must be located within Texas. Primary business activity may be manufacturing, processing, or assembling products; research and development; or providing services. The business may not be primarily engaged in retail sales, real estate development, insurance, banking, leasing, lending, or professional services.

Businesses may contact CAPCO-certified venture capital companies for information on available financing. Texas CAPCOs can be identified in the Comptroller of Public Accounts' *Biennial Certified Capital Companies Report*.

### Texas Capital Fund

The **Texas Capital Fund** consists of programs administered by the Texas Department of Agriculture that are designed to promote growth in rural non-entitlement areas generally defined as cities with fewer than 50,000 residents or counties with less than 200,000 residents. Awards are made through eligible cities and counties to assist businesses that employ low- to moderate-income persons.

- The **Texas Capital Fund Infrastructure Development 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 **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 renovation) to assist a business which commits to create and/or retain permanent jobs, primarily for low and moderate-income persons.

Minimum and maximum awards are \$50,000 and \$1,500,000, respectively. Awards may not exceed 50% of the total project cost. The programs are administered by the **Texas Department of Agriculture**.

### Jobs for Texas Venture Capital Program

**Jobs For Texas**, or J4T, is an innovative program of the Texas Department of Agriculture (TDA) designed to increase small businesses' access to capital and enable private entrepreneurs to make market-driven decisions to grow jobs. This program is open to almost any small business that demonstrates it has the capacity to attract private investment and create economic development opportunities into the future. Eligible applicants may include companies that are high growth and in early-stages of development; or a business that is commercializing a technology, products, process, or service that reflects a strong potential to raise private capital, in addition to J4T funds.

To be considered for J4T venture capital investment, a business must 1) be based in Texas; 2) have 500 or fewer employees; and 3) engage primarily in non-retail industries that are involved in commercializing technologies, products, processes or services.

The TDA has selected venture capital fund managers to manage potential investment for J4T funds. Currently two firms have been selected. One targets *loans* to small and medium sized businesses in amounts ranging from \$500,000 to \$3,000,000, and the other focuses in *equity investments* in small businesses.

### Texas Leverage Fund

The **Texas Leverage Fund (TLF)** offers added sources of financing to communities that have adopted the **economic development sales tax**. The TLF is a successful and popular economic development financing tool that offers communities a cost-effective alternative to bond issuance. The TLF allows communities to leverage future sales tax revenues to support job retention or creation. The Fund may be used to provide financing to local businesses for industry expansion or recruitment, industrial parks establishment, or certain community project financing.

The Office of the Governor, [Department of Economic Development Finance](#), which administers the fund, may loan funds directly to a local EDC to finance the costs of eligible projects. Examples of eligible costs include land, buildings, machinery and equipment for manufacturing and industrial operations. Favorable terms are available for either long-term or interim financing with maturities of up to 15 years.

Future sales tax revenues serve as collateral for loan repayment and sales tax revenues pledged by the EDC need only be sufficient to cover projected annual debt service as specified in the TLF program guidelines. Pledged tax collections not needed for actual debt service are available for other projects. This allows cities to leverage their economic development sales tax and to pursue additional projects.

### **Texas Product Development & Small Business Incubator Fund**

The [Texas Product Development & Small Business Incubator Fund \(PDSBI\)](#) is a revolving loan program financed through original bond issuances. The primary objective of the program is to aid in the development, production and commercialization of new or improved products and to foster and stimulate small business in the state. The fund provides asset-based lending with flexible loan terms, competitive Loan-to-Value (LTV) and interest rates. Loan proceeds can be used for a broad range of capital and operating expenditures. Loans can be secured with property, plant and equipment which can be amortized over the life of the asset. Communities or individual investors can assist as Guarantors. To be eligible, applicants must have at least three 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. The Office of the Governor, [Department of Economic Development Finance](#) administers the Fund.

### **Tax Increment Financing**

[Tax increment financing \(TIF\)](#) is a tool that local governments can use to publicly finance needed structural improvements and enhanced infrastructure within a defined area. These improvements usually are undertaken to promote the viability of existing businesses and to attract new commercial enterprises to the area. The statutes governing TIF are located in [Chapter 311](#) of the Texas Tax Code.

The cost of improvements to the area is repaid by the contribution of future tax revenues by each taxing unit that levies taxes against the property. Specifically, each taxing unit can choose to dedicate all, a portion of, or none of the tax revenue that is attributable to the increase in property values due to the improvements within the reinvestment zone. The additional tax revenue that is received from the affected properties is referred to as the tax increment. Each taxing unit determines what percentage of its tax increment, if any, it will commit to repayment of the cost of financing the public improvements.

TIF may be initiated only by a city. If a property is located outside of the city limits (within the city's extraterritorial jurisdiction or beyond), it is not eligible for TIF. Once a city has initiated TIF, counties, school districts, and special districts are allowed to consider participating in the TIF agreement.

### **Industrial Revenue Bond Program**

The State of Texas [Industrial Revenue Bond Program \(IRB\)](#) provides tax-exempt or taxable financing for eligible industrial or manufacturing projects as defined in the Development Corporation Act of 1979. The Act allows cities, counties, and conservation and reclamation districts to form non-profit industrial development corporations (IDCs) or authorities on their behalf to provide bond financing for projects within their jurisdictions. The IDC issues bonds to finance the capital costs for an industrial or manufacturing business.

Generally, the bond debt service is paid by the business under the terms of a lease, sale or loan agreement. As such, it does not constitute a debt or obligation of the sponsoring governmental unit, the IDC or the State of Texas.



Small issue bonds are limited to manufacturing facilities. The bond amount cannot exceed \$10 million and the total capital expenditure limitation for the project is \$20 million.

Exempt facility bonds can be issued to finance facilities for the furnishing of water, sewage and solid waste disposal facilities, electric energy or gas production facilities, local district heating or cooling facilities and qualified hazardous waste facilities. Other exempt facility bonds can be issued to finance airports, dock and wharf facilities, mass commuting facilities and high-speed inter-rail facilities. These facilities must be government owned, but they can be leased or operated by management contractors.

Businesses interested in applying for an industrial revenue bond should contact the local industrial development corporation as well as legal counsel specializing in the issuance of municipal bonds who will submit application materials on the business' behalf. The IRB program is administered through the Office of the Governor, [Department of Economic Development Finance](#).

### **Texas Moving Image Industry Incentive Program**

The [Texas Moving Image Industry Incentive Program](#) offers qualifying feature films, television programs, commercials, video games, and visual effect projects the opportunity to receive a payment of 5.0-22.5% of eligible Texas spending upon completion of a review of their Texas expenditures. There is no cap on the incentive amount.

Film & television projects are qualified based on at least \$250,000 in Texas spending, 60% of shooting days completed in Texas, 70% of paid crew are Texas residents, and 70% of paid cast (including extras) are Texas residents. Benefits include:

- Tiered incentive payments of 5-20% based on level of Texas spending.
- Possible bonus of 2.5% if 25% of production completed in underutilized area.
- Texas spending can include eligible pre-production, production and post-production expenditures.

Commercial projects (commercials and related; music, educational and instructional videos) are qualified based on at least \$100,000 in Texas spending, 60% of shooting days completed in Texas, and 70% of paid crew, cast & extras combined are Texas residents. Benefits include:

- Tiered incentive payments of 5-10% based on level of Texas spending.
- Possible bonus of 2.5% if 25% of production completed in underutilized area.
- Texas spending can include eligible pre-production, production and post-production expenditures.

Video game projects are qualified based on at least \$100,000 in Texas spending, 60% of production days are completed in Texas, and 70% of paid employees and contract labor are Texas residents. Benefits include:

- Tiered incentive payments of 5-20% based on level of Texas spending.
- Possible bonus of 2.5% if 25% of production completed in underutilized area.

Visual effects projects (a self-contained production whereby computer generated images are created or manipulated to integrate with live-action film, television, educational/instructional video, and commercials) benefit from incentive payments of 5-20% of Texas spending. The percentage is based on type of project and level of Texas spending. Projects applying under the visual effects classification are eligible if the visual effects work occurs concurrently with production. Visual effects that occur in post-production are not eligible to apply as stand-alone projects.

## Foreign Trade Zone 183 of Central Texas

A Foreign Trade Zone (FTZ) is a geographic area within the U.S. where foreign and domestic merchandise are considered to be within the realm of international commerce and as such, not within U.S. Customs territory. Any foreign or domestic merchandise not otherwise prohibited by law may be stored in a FTZ for an unlimited period of time. This allows merchandise to be stored duty-free indefinitely while waiting for receptive markets and favorable sales opportunities.

Foreign Trade Zone 183 covers the five-county Austin metropolitan area and is overseen by the grantee, the **Foreign Trade Zone of Central Texas** (c/o Austin Chamber of Commerce). In 2012, the FTZ of Central Texas received approval from the federal government to operate under new streamlined procedures designed to make U.S. business more competitive. Under the new Alternative Site Framework designation, the five-county metropolitan area has been preapproved by the federal government as eligible foreign trade zone property. With the concurrence of local taxing entities and the zone grantee, companies located anywhere in the metro area can apply for foreign trade zone designation on an expedited and simplified basis.

There are costs involved in obtaining and operating an FTZ. Consequently, a company should first conduct an evaluation to decide whether the economic benefits outweigh the costs. If your company can benefit from FTZ user designation, first contact the grantee for approval and support and to determine applicable fees. An application will have to be filed with the Foreign Trade Zone Board for approval. Once the applications are approved, the company will work with FTZ of Central Texas and Customs and Border Protection Services to obtain activation approval for the facility.

## Other Assistance

### Texas In-State Tuition Incentive for Employees & Family Members

Texas has an **Economic Development and Diversification In-State Tuition incentive** that may be offered by the Economic Development and Tourism division of the Office of the Governor 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 the Texas resident tuition rate at a Texas public institution of higher education without first establishing residency if the business is admitted to the program not earlier than five years before the relevant enrollment date. Qualified businesses must be an industry that will have a high economic impact to the Texas region in which it locates and should be a targeted industry of the state or an ancillary or support industry. The business should also promote highly skilled, high-wage jobs. A letter of request for consideration to the Executive Director of the Economic Development & Tourism is to be submitted by the city or county or economic development organization on behalf of the company. The **Texas Higher Education Coordinating Board**, in consultation with the Economic Development and Tourism office, administers the benefit for approved companies.

### Utility Incentives

Area municipal utilities and cooperatives may offer financial incentives to qualifying customers. These economic development riders and business incentive plans are designed to encourage industrial and commercial development by providing additional start-up cost savings to large users of natural gas and electricity. Utility cost reductions can also be a benefit of Enterprise Zone projects.

**Austin Energy**, serving customers in the City of Austin, offers customers the option to select a portion of their electricity from clean, renewable or "green" energy sources through its **GreenChoice program**. GreenChoice customers receive a fixed GreenChoice charge over a long term that replaces the variable fuel charge tied to fuels that are subject to market volatility, like natural gas. Austin Energy has the number one green power program in the country, with sales double the amount sold by the second and third place programs combined. Green building design consulting and commercial energy management services are provided free to customers. Companies may also qualify for conservation rebates or low-interest loans.

### International Trade Services

The state's **International Business and Recruitment Program (IBR)** works with a variety of entities to ensure that Texas companies are represented abroad. It helps Texas companies expand into foreign markets. The IBR gives Texas companies the opportunity to promote their products and services to international buyers and partners through trade missions, trade shows, seminars and inbound buyer missions. It also connects companies with trade counseling and training programs.

Other Central Texas points of contact for international business and trade assistance:

- International Small Business Development Center
- International Trade Center
- Austin U.S. Export Assistance Center
- Texas Camino Real District Export Council
- City of Austin's International Trade & Investment Program
- Center for Global Business at the University of Texas at Austin
- Institute for Global Business at Texas State University
- International Business Institute at Austin Community College