



## Economic Incentives

There are a range of economic incentives available to qualifying new, relocating or expanding companies in the Conroe area. GCEDC Staff will work with you to develop an incentive proposal based on your needs and qualifications.

### Local Incentives

#### PERFORMANCE-BASED CASH INCENTIVE

A cash incentive based on projected performance is available to new and expanding companies in Conroe. Qualifying companies are required to sign mutually accepted performance agreements based on capital investment and/or payroll and maintain a physical location and conduct business in the City of Conroe for a specified period of time. The amount of the incentive is based on a cost-benefit analysis that determines the overall net benefit to the community from the project over a seven-year period of time. Three years of financial statements are required for credit analysis.

#### PROPERTY TAX ABATEMENT

The City of Conroe and Montgomery County both offer abatements that exempt from taxation a portion of the increased value in real or personal property. The abatement schedule is as follows:

Expansion to <b>existing business only</b>	\$1,000,000 - \$4,000,000	10-20 jobs	4 years: 100%, 75%, 50%, 25%
<b>Expansion and/or new business</b>	\$4,000,000 - \$8,000,000	21-50 jobs	6 years: 100%, 100%, 80%, 60%, 40%, 20%
<b>Expansion and/or new business</b>	\$8,000,000 - \$25,000,000	51-150	8 years: 100%, 100%, 100%, 100%, 80%, 60%, 40%, 20%
<b>Expansion and/or new business</b>	Over \$25,000,000	Over 150	Up to 10 years: Negotiable

#### CHAPTER 313 AGREEMENTS WITH SCHOOL DISTRICTS

##### Texas Economic Development Act

- An appraised value limitation is an agreement in which a taxpayer agrees to build or install property and create jobs in exchange for:
  - an eight-year limitation on the taxable property value for school district maintenance and operations tax (M&O) purposes, and
  - a tax credit.
- The minimum limitation value for the Conroe Independent School District is \$100 million.

- The [application for a limitation](#) on the appraised value for M&O purposes is submitted directly to the school district and requires an application fee, which is established by each school district.
- To qualify for a tax credit, a separate [application](#) must be submitted to the school district after property taxes for the last complete year of the qualifying time period are paid. The credit is for the M&O taxes paid in excess of the limitation amount in each complete year of the qualifying time period.
- These applications are for large capital expenditures in manufacturing and certain types of data centers. They may require the services of a consultant, legal counsel or tax advisor.

## **CHAPTER 380/381 AGREEMENTS**

Chapter 380 of the Local Government Code authorizes municipalities to offer incentives designed to promote economic development such as commercial and retail projects. Specifically, it provides for offering loans and grants of city funds or services at little or no cost to promote state and local economic development and to stimulate business and commercial activity.

## **COUNTY AGREEMENTS**

Chapter 381 of the Local Government Code allows counties to provide incentives encouraging developers to build in their jurisdictions. A county may administer and develop a program to make loans and grants of public money to promote state or local economic development and to stimulate, encourage, and develop business location and commercial activity in the county. The county also may develop and administer a program for entering into a tax reimbursement agreement. This tool allows counties to negotiate directly with developers and businesses.

## **ENTERPRISE ZONE PROGRAM**

Local communities partner with Texas to promote job creation and capital investment in economic distressed areas.

- Employers who commit to creating or retaining permanent jobs, make capital investment, and fill at least 25% of its new jobs with individuals who are either economically disadvantaged or residents of an enterprise zone can receive state sales and use tax refunds on items purchased for the project site (35% of employees if not in a disadvantaged zone).
- The benefits are based on job creation or retention and capital investment for a period of five years.
- For most projects, the maximum sales tax rebate is \$2,500 per qualifying employee, up to 500 employees. Larger projects can qualify for higher rebates.
- Requires nomination to the state by the City of Conroe.

## **FREEMPORT EXEMPTION**

Taxing authorities in Texas are allowed to exempt from ad valorem property taxes all business inventories acquired in or brought into Texas for fabrication, assembling, manufacture, storage, or processing and then exported outside the state within 175 days.

- Four of the five taxing jurisdictions in Conroe offer this exemption on Freeport eligible goods.
- Freeport eligible items include: goods, wares, merchandise, other tangible personal property (including aircraft parts), and ores. Non-eligible items include oil, natural gas, and other petroleum products.

## **FREEMPORT EXEMPTION FOR AIRCRAFT PARTS**

As of January 1, 2014, taxing jurisdictions in Texas may extend the length of time aircraft parts can remain temporarily in the state of Texas before being subject to ad valorem taxation. The extension is up to 730 days after the date the person acquired or imported the aircraft parts into the state.

- Individual taxing jurisdictions would have to approve this extension for it to become effective.

### **FOREIGN TRADE ZONES (FTZs)**

An FTZ is available in Conroe and allows companies dealing in foreign trade to delay payment of U.S. Customs import duties until their goods and merchandise actually enter U.S. commerce.

- Sites are typically in or near a U.S. Customs port of entry where foreign and domestic merchandise is generally considered to be in international trade.
- Goods can be brought into a zone without formal Customs entry or without incurring Customs duties or excise taxes unless and until they are imported into the United States.

Applications for FTZ designation are submitted by the appropriate FTZ Grantee on behalf of the applicant. For Conroe, this can be done through the following:

FTZ No. 265 Conroe (Montgomery County)

Grantee: City of Conroe

P.O. Box 3066, Conroe, TX 77305

Paul Virgadamo (936) 522-3000

## **State Incentives**

### **TEXAS ENTERPRISE FUND**

The fund is a cash grant used as a financial incentive tool for projects that offer significant projected job creation and capital investment where a single Texas site is competing with another viable out-of-state option.

- Projects 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. Minimum of 75 new jobs must be created or brought into Texas at or above the county average weekly wage.
- Award amounts have been in the range of \$1,000 up to \$10,000 per job created, with an average of \$5,000 per qualifying new job in Texas.
- Application fee is \$1,000.
- Program does include claw-back provisions if the company does not meet their contractual obligations.

### **SKILLS DEVELOPMENT FUND**

Grants are available to train employees through the State's community and technical colleges. This fund assists businesses and trade unions by financing the design and implementation of customized job training projects.

- Training grants have averaged approximately \$1,420 per qualifying trainee.
- For the current two fiscal years (September 1, 2013 – August 31, 2015), Texas Workforce Commission has \$48 million for skills grants that will support high quality, customized job training projects across the state of Texas.

### **TEXAS EMERGING TECHNOLOGY FUND**

This fund was created to provide Texas with an unparalleled advantage in the research, development, and commercialization of emerging technologies.

- Priority is given to emerging technology projects that will enhance Texas' global competitiveness, that are collaborative with local universities, and leverage both critical expertise and financial resources.
- The fund is focused on emerging scientific or technology projects, emerging technology grant matching funds, and the acquisition of research talent.

## State Manufacturing Incentives

### MANUFACTURING SALES TAX EXEMPTION

Businesses engaged in manufacturing, processing, fabricating, or repairing tangible equipment enjoy a sales tax exemption on the purchase or lease of machinery or equipment used or consumed in or during the actual manufacturing, processing, or fabrication of tangible personal property for ultimate sale if the use or consumption of the property is necessary or essential to the manufacturing, processing, or fabrication operation.

### SALES TAX EXEMPTION ON UTILITIES

Companies that use more than 50 percent of their utilities in the manufacturing, processing, or fabricating of products for resale may apply for a sales tax exemption on their utilities. The sales tax exemption applies to all utilities purchased through a single point of delivery as long as the utilities are predominantly used to manufacture, process, or fabricate the product. An energy audit is required to be filed through your utility with the Comptroller's office. Once filed and approved you need not reapply as long as the energy use does not change and 50% or more of the energy cost can be attributed to manufacturing.

### POLLUTION CONTROL PROPERTY TAX ABATEMENTS

Pollution Control Property Tax Abatements are available to companies with facilities, devices, and equipment used to control air, water, or land pollution. Companies wishing to apply for tax relief for their efforts in controlling pollution can apply to the Texas Commission on Environmental Quality (TCEQ).

## State Research & Development Incentive

### RESEARCH & DEVELOPMENT TAX CREDIT

Beginning in January 2014, the Research & Development tax credit provides qualified companies with an option for tax savings. A company may select one of the following options:

- A sales tax exemption for purchases of equipment and software used in qualified research in Texas, OR
- A franchise tax credit for R&D expenditures.
- The Texas R&D credit also provides an incentive for taxpayers to contract with institutions of higher education to perform qualified research in Texas.
- The total credit cannot exceed 50 percent of the company's franchise tax due for the period.

## Other State Sales Tax Incentives

Certain industries in Texas are exempt from state sales tax (6.25%) of the sales tax rate. They may still be required to pay a local sales tax which by law cannot exceed 2%.

### **DATA CENTER INCENTIVE**

A data center exemption applies to state sales and use tax on certain items necessary and essential to the operation of a qualified data center. The exemption is for state sales tax only. Local sales taxes are due on purchases of these qualifying items.

### **FILM AND GAMING INDUSTRY**

Under Texas law, motion picture producers (or their representatives) and game (software) developers are recognized as manufacturers. As a producer of these products, sales tax exemptions may be claimed on many of the items and services used in the manufacture of the final product (i.e. a film or video master / gold master). Exemptions apply to the total state sales tax amount (6.25%) and local sales taxes (usually 0.25-2%).

## **Other Important Pro-Business Factors**

### **RIGHT-TO-WORK STATE**

Texas is a *right-to-work* state, meaning that employees at any given company have the right to remain independent of union membership. Union activity in the Houston region and across the state is quite low.

### **FINANCING**

Texas is committed to facilitating funding for companies and communities with expansion and relocation projects in the state. Asset-based loans for companies, leveraged loans to communities, and tax-exempt bond financing are just a few means of obtaining the capital necessary for a successful project.

### **GRANTS**

From public infrastructure projects in non-entitlement communities to cancer research and laboratory facility construction, several types of grants are available to Texas communities and businesses.

### **For more information, contact:**

**Fred Welch, CEcD, EDFP**

**Executive Director**

**Greater Conroe Economic Development Council**

**505 W Davis St**

**Conroe, TX 77301**

**936-538-7118**

**936-756-6162**

[www.gcedc.org](http://www.gcedc.org)



*\*Information for some of the descriptions of the incentives courtesy of the Greater Houston Partnership*