



TEXAS LEGISLATIVE UPDATE

For Economic Development 2014-15 Biennium

During Texas' 83rd legislative session, the governor and legislators continued the state's commitment to creating a business climate that allows companies to grow through low taxes, reasonable regulation, and incentive programs that award the creation of quality jobs for Texans. A brief legislative summary is outlined below. For more information, please visit TexasWideOpenForBusiness.com or capitol.state.tx.us.



Texas Enterprise Fund

The Texas Enterprise Fund (TEF), the largest "deal-closing" fund of its kind in the nation, was reauthorized for the 2014-15 biennium with an estimated \$120 million available for qualifying projects. This fund is used as a financial incentive tool for companies with projects that offer significant projected job growth and capital investment, when those companies are looking at viable out-of-state options.



Texas Emerging Technology Fund

The Texas Emerging Technology Fund (TETF) is designed to help Texas create jobs and grow the long-term economy by expediting the development and commercialization of new technologies and attracting and creating jobs in technology fields that form the backbone of our economy. TETF received a \$50 million appropriation to continue recruiting the world's best research talent and help companies take ideas from concept to marketplace.



Economic Development

House Bill 1967

Expands the use of community economic development funds for job-related skills training.

House Bill 2388 & House Bill 3066

HB 2388 exempts any defense base development authority redevelopment project and HB 3066 allows the land within a defense base development authority boundary to automatically qualify as an enterprise zone for purposes of the enterprise zone program.

House Bill 3390

Reauthorizes the state's school property tax incentive program for another eight years. The program allows school districts to reduce property valuations up to 90 percent for 10 years. The Governor's Office Economic Development & Tourism division may determine that two or more projects in different school districts constitute a single project.

Senate Bill 1214

Creates a Texas Economic Development Fund within the Texas Department of Agriculture to receive project funds from legislative appropriations. The Interest Rate Reduction Program can use current funding to expand business in rural areas, make modifications to the power of attorney, adapt loan guarantee requirements, and administratively change the Texas Certified Retirement Communities Program.



Texas Tax Code and Incentives

Texas and its communities provide a variety of tax incentives and innovative solutions for businesses expanding in or relocating to Texas. Programs include sales tax refunds, manufacturing sales tax exemptions, property tax value limitation, and Freeport exemptions. A summary of selected legislative updates that affect Texas businesses and how local economic development organizations can use appropriated funds is listed below.

Franchise Tax Reforms House Bill 500

- ★ Permanently exempts businesses that make less than \$1 million in revenue from the franchise tax, up from the previous floor of \$600,000.
- ★ Cuts the franchise tax rate by 2.5 percent in 2014 and 5 percent in 2015, pending availability of state funds.
- ★ Allows businesses to deduct up to \$1 million in expenses, once they pass \$1 million in gross receipts.
- ★ Includes auto repair services and certain rental activities in retail and wholesale trade, requiring these entities to calculate franchise tax liability at a tax rate of 0.5 percent
- ★ Amends the margin calculation by providing the option of determining margin as total revenue less \$1 million.
- ★ Provides exclusions or subtractions from total revenue for taxable entities in certain industries.
- ★ Changes the method for determining margin for taxable entities engaged in internet hosting or broadcasting.
- ★ Provides a deduction from apportioned margin for moving expenses to taxable entities that relocate their principal place of business to Texas.
- ★ Provides transferable franchise tax credits to entities that incur qualified expenses for rehabilitation of historic structures, effective January 1, 2015.

House Bill 800: R&D Tax Credit

Creates R&D incentives by giving companies a choice between a franchise tax credit and a sales tax exemption for materials, software, and equipment used for R&D purposes.

House Bill 1133: Telecom Sales Tax Refund

Allows a sales and use tax refund for property used in connection with cable television service, Internet access service, or telecommunications services.

House Bill 1223: Data Center Tax Incentives

Allows qualifying data centers to receive a sales and use tax exemption on tangible personal property. To claim an exemption, a data center must agree to invest \$200 million over five years and create at least 20 qualifying jobs in the county.

Senate Bill 1747: Taxes for Transportation Funding

Allows counties to draw \$225 million from HB 1025 funding for local roads. It also allows regions to develop County Transportation Reinvestment Zones to take revenue from increased property and sales tax revenue.