

[Texas' Chapter 313 incentives explained - Austin Business Journal \(bizjournals.com\)](https://bizjournals.com/austin/news/2022/05/18/chapter-313-incentives-explained/)

Chapter 313 incentives: What they are, why they're suddenly the talk of the town



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The Chapter 313 program was created by the Texas Legislature, but it's up to local school districts whether to approve the tax breaks.

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With NXP Semiconductors NV [considering Austin for a major expansion](#), Central Texas is a potential landing spot for at least three large, high-technology manufacturing projects.

Austin Business Journal has reported on two similar projects in recent months. Infineon Technologies AG, another semiconductor company, [could invest \\$700 million at its existing Southeast Austin plant](#), while Applied Materials Inc., which supplies equipment and software used in the production for semiconductors, [is weighing an investment of \\$2 billion-plus in Hutto](#) that could create 800 jobs.

In concert, they represent about \$5.3 billion in combined potential investment and 1,700 new jobs possible for the region.

And those are only the projects we have verified. There are others being floated across the Austin area, including a Chapter 313 application that Round Rock Independent School District trustees are scheduled to discuss behind closed doors on May 19.

All of the above projects have something in common: They are seeking Chapter 313 incentives from local school districts. So how does the program work, and why are we seeing so many applications all of a sudden? ABJ dug up some of its past reporting on the topic to answer commonly asked questions.

How do Chapter 313 incentives work in Texas?

Chapter 313 of the Texas tax code allows school districts to cap the taxable value of a property for a portion of school taxes for up to 10 years, often saving companies tens of millions of dollars. Only new manufacturing or renewable energy projects are eligible for the incentives.

The cap can be between \$10 million and \$100 million, and only applies to the portion of school taxes used for day-to-day needs — what is called the maintenance and operation rate. The other portion of school taxes, used for debt service, is not affected.

The program, authorized in 2001, has been used sparingly in the Austin area. It has been a favorite of the energy industry though, especially for large renewable projects.

Are they controversial?

As is the case with most incentives programs, yes. Chapter 313 became a political issue during the 2021 Texas Legislature, opposed by an odd alliance of conservatives and interfaith and labor groups. The incentives program was ultimately not reauthorized.

Opponents of Chapter 313 argue that, without it, more funding would be available for public education. Central Texas Interfaith is a frequent critic of these deals, calling them "the state's largest corporate tax giveaway program."

"Chapter 313 drains over \$1Billion/year in potential funding for public schools in Texas. [Austin ISD] itself loses \$10Million/year in potential funding due to Chapter 313," the coalition of 50 religious congregations, schools, unions and civil organizations stated

when opposing the NXP deal. "Current Chapter 313 legislation expires in December 2022, and we are now seeing a gold rush of applications before the program dies."

Proponents of Chapter 313 counter that such projects would not come to Texas, which has relatively high property taxes, without the incentives — and that companies still pay millions of dollars in school taxes, albeit at a reduced value, and other kinds of taxes. Once a Chapter 313 agreement expires, a facility is taxed at its market value for the school M&O rate.

In a [2017 opinion piece](#) in ABJ, the top executives at the Texas Association of Manufacturers, the Texas Taxpayers & Research Association and the Texas Chemical Council defended the program: "Misinformation surrounds Chapter 313. Despite claims to the contrary, Chapter 313 agreements make money for state and local governments. Like all industrial projects, Chapter 313 projects pay property taxes (the reduction is temporary), sales taxes, franchise taxes, motor fuels, motor vehicles sales and several other taxes — revenue that would not exist without Chapter 313, because the projects would not exist without Chapter 313."

What is the deadline for Chapter 313 incentives?

Because Chapter 313 was not reauthorized, the program dies at the end of 2022. The Texas comptroller [has asked](#) for applications to be submitted by June 1, "to ensure there is ample time for processing and approvals," further upping the pressure on companies performing site selection.

Economic development experts [have long said](#) the looming deadlines would likely lead to a rush of 313 applications.

It's possible for a new program, or something similar, to be passed by the next Texas Legislature.

Who has gotten Chapter 313 incentives in the Austin area?

In 2021, Samsung Electronics Co. Ltd was [approved for Chapter 313 incentives](#) for its forthcoming Taylor semiconductor factory, and Tesla Inc. was approved in 2020 for its electric vehicle plant that is now open in eastern Travis County.

Separately, Samsung Austin Semiconductor LLC had Chapter 313 incentives deals approved by the Manor Independent School District in both 2005 and 2012 for its existing manufacturing campus in Northeast Austin. The former agreement ended in 2015 and the latter is slated to end in 2022, ABJ [previously reported](#). Additionally, Austin Independent School District approved a Chapter 313 for Hewlett-Packard Co. in 2006.