

Editorial: House bill rewards companies at expense of our schools

Austin American-Statesman Editorial Board

4.21.23

After the Texas Legislature allowed a controversial corporate property tax rebate known as Chapter 313 to expire last year, House Speaker Dade Phelan vowed lawmakers would return to Austin this year with a better plan to lure big business to the state.

The new version would be more transparent and allow for more accountability and oversight than Chapter 313, Phelan said, referring to the now defunct program designed to attract companies to Texas in exchange for school property tax breaks.

Instead, with little more than five weeks left in the legislative session, the House is contemplating passing something worse — House Bill 5, a less transparent and potentially far more costly tax incentive program than Chapter 313, which forfeited tens of billions of dollars in school property taxes in order to lure new businesses to local school districts. Supporters of HB 5, including numerous industry and economic development groups, contend Texas needs another program like Chapter 313 to offset the state's relatively high property tax burden and compete with other states for jobs and businesses.

But with no corporate income tax, lax environmental regulation, and a large workforce, Texas can compete for jobs without allowing wealthy companies to get more school property tax breaks. When Texas allows corporations to bypass traditional tax obligations, it forces regular taxpayers — that's the rest of us — to pay more for schools, roads, health care and other vital services. And when tax incentives are structured like HB 5, without adequate mechanisms for community input and accountability to ensure that corporate promises are kept, state lawmakers should vote against them.

Sponsored by Republican Rep. Todd Hunter of Corpus Christi, HB 5 would provide a 10-year school district property tax break for eligible infrastructure and development projects. Any project that invests \$1 billion or more would be eligible, as would national or state security facilities, oil and gas projects, supply chain infrastructure, water infrastructure or flood mitigation, and manufacturing. Oil and gas projects would also qualify — but not renewable energy initiatives, which thrived in rural areas under the Chapter 313 program. All applicants would have to prove they would create a certain number of jobs based on the county's population to qualify, while investing a minimum amount of money within the school district where the project is located.

Texans have supported responsible tax breaks to lure businesses to our state, but they also expect corporations to help pay for the public services and infrastructure they rely on, and to help finance public schools that educate our children.

Key differences between HB 5 and Chapter 313 incentive program

Here are some reasons HB 5 is more flawed than Chapter 313:

- While Chapter 313 doled out \$31 billion in tax breaks for about 900 corporate agreements since its inception in 2001, lawmakers were required to periodically review it under law, which led to its demise last December. The HB 5 proposal contains no sunset provision mandating review and re-authorization of the program.
- Under Chapter 313, only full-time jobs counted toward a company's job creation requirement. Under HB 5, 10 temporary construction jobs would count as one full-time job.
- Under Chapter 313, qualifying jobs had to include health care coverage for workers. The health insurance requirement would be eliminated under HB 5.
- Under Chapter 313, only major new manufacturing plants and renewable energy sites qualified. HB 5 would allow expansion of new and existing plants, most of which would presumably expand on-site anyway, to qualify.
- Under Chapter 313, school boards had 150 days to approve an application in their districts, which provided adequate time for public hearings. HB 5 would shorten the deadline to 35 days.

Investing in Texas' needs will attract strong businesses

If Texas invested more in its faltering electrical grid, subpar education system, failing healthcare programs and aging roads, it would become even more attractive to business without having to offer expensive giveaways that raise the tax burden on ordinary Texans.

Wealthy corporations don't need tax breaks at the expense of Texas schools, and Texans should not tolerate adopting these incentives, especially without full transparency and accountability. HB 5 is bad for Texas and we urge lawmakers to vote against it.