

Vote No on HB 5

The Network of Texas IAF Organizations—May 22, 2023

The Network of the Texas Industrial Areas Foundation calls on members of the Texas Senate to vote NO on the Committee Substitute for HB 5 that passed out of committee 6-2 with 3 not voting on May 21. While the Committee Substitute makes certain changes to improve the program, it is still fundamentally flawed and will be a disastrous drain on school property taxes and Texas general revenue for several reasons:

1. **There is no Budget and no limit on the cost:** It requires all Texas taxpayers to make whole school districts which can grant an unlimited amount of school property tax abatements to a relatively small number of very wealthy, multi-national corporations. Chapter 313 has already obligated Texas taxpayers to make whole over the next two decades the 300 school districts that have granted over \$31 Billion in currently active school property tax abatement agreements. **How much more will HB 5 ask taxpayers to bear?**
2. **Allows for “expansion” of existing facilities:** the definition of “eligible project” under HB 5 is to “construct a new facility or expand an existing facility” that would qualify for tax breaks. This will allow the 300+ “manufacturing projects” that received tax breaks under Chapter 313 and any other existing plant to seek tax abatements for improvements they make to “expand” facilities that are already located in and committed to Texas. This is particularly problematic because 90% of the existing agreements under Chapter 313 were obtained by Oil, Gas and Chemical plants which regularly have “turn arounds” every 3 to 5 years to update and renew their facilities. In 2021, the Legislative Budget Board warned that allowing “expansion” under Chapter 313 could be extremely expensive in a fiscal note issued regarding HB 1556 sponsored by Representative Murphy.
3. **No limit on “Stacking” multiple agreements far into the future:** In 2022, Taylor ISD stacked 9 separate tax breaks for Samsung for projects that could be built between 2035 and 2043. By granting so many agreements at the same time Taylor ISD locked state taxpayers into making the district whole with state revenue for decades to come. Likewise, Ector County ISD and Riviera ISD granted a total of 13 tax breaks to an LLC affiliated with Occidental Petroleum for projects labeled “1PointFiveP1 (Build 1 of 6)” to “1PointFiveP1 (Build 6 of 6). This “stacking” of projects deprives local taxpayers the opportunity to weigh in whether they believe the performance of the corporation merits an additional tax break for future projects. These corporations have gotten what they want from the district for the next 15 years. School districts granted 91 agreements to “manufacturing projects” during 2022, with 72% of them **not scheduled to be operational for 6 or more years** from the application year. The Senate should not rush to renew an incentive program when so many corporations already have their incentives secured for years into the future.
4. **HB 5 fails in its stated purpose of “attracting certain large scale economic development projects to this state that, in the absence of this subchapter, would likely locate in another state or nation.”** In fact, HB 5 will continue the past practice of granting massive tax breaks to corporations which are already located in and committed to Texas because of their location near oil and gas fields, existing pipeline and suppliers, the Gulf of Mexico, roads and infrastructure necessary for heavy industry, and a large and diverse workforce. Corporations don’t need tax breaks to stay in Texas. But like Chapter 313, under HB 5 corporations will simply have to recite boiler plate language that: (1) they have facilities throughout the world or country; (2) Texas school property taxes are high compared to other locations; (3) they base investment decisions on total return on investment and taxes affect that return; and (4) obtaining the limitation agreement would be “a” determining factor or, if amended from the floor, “the” determining factor in making their investment. The Comptroller’s Office has repeatedly testified that it is nearly impossible to discern this factor.

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