MONEY FOR NOTHING AND
YOUR CHIPS FOR FREE

Big business is feasting in the final days of Texas' signature corporate tax break, while lobbying for a new program to refill the trough.

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Like a designer outlet store holding a liquidation sale for all its merchandise, the Texas Comptroller’s office has had a constant crowd of corporate customers forming a line out the door, eager to get their high-end property tax deals rung up at the register before the sale ends and the store closes for good.

This was set in motion last year when the state legislature declined to renew Texas’ largest and most lucrative corporate tax incentive program known as Chapter 313, which is administered by the state comptroller. Despite boosters’ best attempts, too many lawmakers could no longer stomach the brazen bilking and ballooning costs of this tax giveaway scheme. The program, which allowed school districts to give companies 10-year breaks on property taxes for building new industrial projects—with the state ultimately picking up the tab—had become a subsidy taken for granted by corporations instead of a genuine incentive to invest in Texas.

Come December 31, 2022, the law that had allowed Big Bidness to keep more than $10 billion in school property tax revenue off the ledgers over two decades will be no more. But companies wasted little time grieving. There was still plenty of life to live after the session ended sine die.

Since then, companies have applied for close to 500 tax break deals for projects all over the state—for everything from wind and solar farms, oil and gas processing, carbon capture, and biodiesel production. By comparison, the Texas comptroller received an average of 90 applications annually in the past decade.
“It’s like hogs at the trough,” said Bishop John Ogletree, a leader with the Houston chapter of the Industrial Areas Foundation, a faith-based coalition that helped bring down Chapter 313. “Multi-billion-dollar oil, gas, and tech corporations asking for school districts and taxpayer dollars to bolster their profits. If these applications get approved, it will blow a hole in our state and school district budgets for a generation to come.”

Unsure whether the state will revive or replace the program in the 2023 session, companies have grown increasingly aggressive in trying to lock in future tax breaks for speculative projects that may—or may not—come to fruition many years out. Chapter 313 deals have generally gone to projects that materialize within a few years. But since last May, corporations have applied for over 100 deals for proposed projects that wouldn’t come online until at least 2028, according to a Houston Chronicle report. Several are projected out beyond a decade or more.

By the time 313 officially shutsters, the state is likely to be on the hook for billions in additional property tax incentives secured from a program on its deathbed. No industry has been more aggressive in locking in these deals than high-tech manufacturing—particularly as the United States tries to expand its domestic production of electronic chips. The governor likes to make a spectacle of companies that bring multi-billion-dollar plants, factories, and other industrial projects to Texas.

Last November, Governor Greg Abbott held a high-profile press conference with Samsung executives at his side to announce that the South Korean semiconductor giant was building a $17 billion chip plant in Taylor—the largest economic development deal in the state. While he touted how Texas exceptionalism made these deals possible, Chapter 313 went unmentioned. The week before, Taylor Independent School District had inked a 313 deal to save Samsung a projected $300 million into the next decade. The project was part of a string of massive expansions in the state by chip manufacturers like Texas Instruments and GlobiTech—all including long-term 313 deals.

In late May, just before the comptroller’s deadline for 313 applications, Samsung applied for 11 more chip plant projects in Central Texas. Many of the projects
wouldn’t begin until the 2040s and would, if all completed, total nearly $5 billion in future school property tax abatements. News of these proposed deals came in July, right as Congress was gearing up to pass a $75 billion package of tax incentives for semiconductor producers to set up shop in the United States.

While it’s far from clear whether Samsung will build all—or any—of these additional projects, executives are effectively seeking guarantees that they’ll be able to enjoy the benefits of Chapter 313 for decades after the program ends.

Of course, an even friendlier deal for big business could always come along between now and then. Since the day Chapter 313 was killed, powerful industry interests have been pledging to get their tax breaks back—in one form or another—in 2023. “If we don’t get our act together as a state and as economic development policy gets rethought, we could miss out on dozens of major projects,” warned Tony Bennett, president of Texas Association of Manufacturers, one of the biggest backers of Chapter 313.

When he first took office in 2015, Governor Abbott criticized Chapter 313, saying he was unconvinced of its effectiveness. But he’s since kept quiet, even as the Legislature debated whether to keep, change, or kill the program—and even as many of the development deals he’s so eagerly touted, from Samsung to Tesla, have dubiously claimed those tax deals were make-or-break.

But if he wins his third term this November, Abbott won’t be able to keep his powder dry for long. His biggest donors and political allies in the state—namely in oil and gas—have also been among the largest beneficiaries of the program. If they can’t have 313 anymore, they’ll want something else—likely something even sweeter.