

[Chapter 313 incentives: Texas Legislature to consider bringing them back - Austin Business Journal \(bizjournals.com\)](#)

Bill filed to bring back Chapter 313 tax abatements

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Arnold Wells/ABJ

The future of Texas' tax incentive opportunities is in the hands of the lawmakers at the State Capitol.

Twelve-year South Texas lawmaker Rep. [J.M. Lozano](#) has filed a bill to reintroduce the state's recently ended Chapter 313 school property tax abatement program.

[House Bill 2421](#), filed by Lozano on Feb. 16, marks the first time legislation surrounding the controversial incentives has been brought up by state lawmakers since the corporate tax breaks program came to an end at the start of the year. That left a significant [incentives tool off the table](#). The incentives have enticed companies such as Tesla and Samsung to set up facilities in Texas and proponents argue they are necessary in a state that has above-average property taxes.

As proposed by Lozano, a Kingsville representative who switched from the Democratic to the Republican Party [during his first term](#), Chapter 313 would be brought back as it

previously operated before state leaders chose not to renew the program in 2021. However, Lozao said he intends to see the bill transformed by the legislative process.

"I did not want to wait any longer," Lozano told the Austin Business Journal on Feb. 24. "It is going to look completely different. This is an issue that is huge throughout the entire state. We have seen companies that have gone to other states because we no longer have 313. I want to try to minimize what led to its demise before. If people were under the impression that these were just corporate giveaways, I want to dispel those myths."

Lozano said the incentive program plays a key role in allowing the state to diversify its economy while ensuring established industries do not seek opportunities elsewhere.

"Our economic future is in the new technologies that we are seeing flourish," Lozano said. "Here we have oil, gas and cattle, but we are now seeing solar farms and carbon sequestration. We cannot miss out on those opportunities."

Under the program, manufacturing and energy companies apply to local school districts for incentives. Billions of dollars in property tax breaks have been approved over the years, but proponents point out that the projects that end up getting built still offer notable windfalls for school district coffers.

In Austin, the tax mechanism was used by Tesla Inc. to open its gigafactory that produces electric cars. Samsung Electronics Co. used the program to launch its semiconductor manufacturing sites in Austin and nearby Taylor. In San Antonio, a Chapter 313 deal incentivized the Toyota Motor North America Inc. vehicle factory.

In Corpus Christi, a city partially located within Lozano's district, companies have received more than [\\$2.4 billion](#) in tax breaks, according to a study commissioned and recently released by the Coastal Alliance to Protect Our Environment.

Lozano filed his bill two days after a coalition of more than 200 organizations focused on business and economic development sent a letter to the Texas Legislature to support "limited, temporary property tax discounts" in exchange for "long term revenue and economic development." The [Feb. 14 letter](#) was supported by many key representatives of the state's manufacturing industry including Texas Association of Manufacturers President [Tony Bennett](#), Texas Taxpayers and Research Association President [Dale Craymer](#) and Texas Association of Business President [Glenn Hamer](#).

"We appreciate that there's a tremendous amount of activity and interest in the legislature to create a new, transparent economic development incentive," Hamer said during a Feb. 24 phone interview. "There's a number of members in the House and the Senate who are very interested in taking leadership roles to make sure that Texas continues to have the best tax system for projects including large capital investments that do require a temporary property tax abatement."

Hamer said the coalition aims to see a revised version of the program implemented by state leaders.

"It's very clear that what moves forward will be a more modern, effective, focused, economic development incentive," Hamer said. "Exactly how that's going to look is going to play out during the course of this session. What we're doing now is making sure that our legislators recognize how important this is to every part of this state."

The effort is being met with resistance from the Network of Texas IAF, a nonpartisan organization comprised of members from 43 congregations, public schools and unions, which continues to take [a hard stand against the abatement program](#), sharing that the program ciphers funds away from the school funding system and ultimately costs taxpayers billions.

"The Texas Association of Business, Texas Oil & Gas Association and Texas Association of Manufacturers are making one final attempt to resurrect Texas' largest corporate welfare program, yet have no concrete proposal to share with taxpayers and the legislature," the organization shared in a statement, responding to the coalition's letter. "This legislative session Texas needs to invest in workforce development and education, not corporate welfare on the backs of schoolchildren."

Hamer said the coalition is "deeply appreciative" of Gov. [Greg Abbott](#), who has also voiced his support for the legislature to move forward with a new tax abatement program.

During his State of the State address on Feb. 16, the governor touted the state's strong economy, putting up as an example [the San Marcos rare Earth magnet company](#) Noveon Magnetics Inc. during the speech.

"Our \$2 trillion economy makes Texas the ninth-largest economy in the world," Abbott said. "All across our state business is booming. That success has been driven by hardworking Texans. It has been aided by strategic economic development tools. To keep Texas the best state for business, our local communities need new economic development tools this session."

Addressing the Greater Arlington Chamber of Commerce days later, Abbott directly mentioned Chapter 313, sharing that work is being done to ensure Texas will continue to have economic development tools, according to a report from [The Texas Tribune](#).

During the appearance, he said a lack of incentives led semiconductor maker Micron to make plans to open a facility in [upstate New York instead of Central Texas](#).

The project did however receive approval for incentives.

Named by its designation within the state tax code, Chapter 313 gave Texas school districts the ability to cap the taxable value of a property for a portion of school taxes for

up to 10 years. The cap, set between \$10 million and \$100 million, only applied to the portion of school taxes used for day-to-day needs commonly referred to as the maintenance and operation rate.

The other portion of school taxes, used for debt service including paying for the cost of new facilities, was not part of the incentives program.



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