

[Texas GOP moves to restore business tax breaks, exclude renewables \(houstonchronicle.com\)](https://www.houstonchronicle.com)

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Texas Republicans' plan to revive a major corporate tax break would exclude renewables

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March 2, 2023 Updated: March 2, 2023 10:40 a.m.

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The Lone Star NGL facility is one of scores of sites in Mont Belvieu where property values are artificially capped under Texas' Chapter 313 program, saving companies millions of dollars.

Mark Mulligan, Houston Chronicle / Staff photographer

Texas Republicans are pushing to revive the state's largest corporate tax breaks, filing legislation this week that would restore the controversial incentives and, for the first time, exclude renewable energy projects.

The old program, known as Chapter 313, gave manufacturing and energy companies steep discounts for 10 years on their school property taxes in order to lure them to Texas over other states. Democrats and hardline

conservatives refused to extend the tax breaks two years ago, blasting the program as a corporate piggy bank.

The new draft legislation, filed Tuesday, has a lot of missing details. It doesn't limit the length or amount of the tax breaks, doesn't mandate that the projects create jobs and doesn't specify that companies must be considering sites outside of Texas in order to qualify. There are also no penalties for firms that violate their agreements.

The bill does appear to make far more projects eligible for the program – while blocking solar and wind energy projects from participating, a change that could win over some conservatives but cost Democratic votes. While most of the applications under the old Chapter 313 program were filed by renewable energy companies, the vast majority of actual tax breaks – worth a projected \$31 billion over the life of all active projects – have gone to manufacturers, including some of the world's largest oil and gas companies.

Gov. Greg Abbott, who last month offered broad support for a new iteration of the program, said Wednesday that he does not want it to include renewable energy projects.

"There's already federal incentives for renewable projects, and those will continue to be allowed," Abbott said at an event outside the governor's mansion, where he accepted an award from Site Selection magazine — the same publication, it turns out, whose typo spurred the creation of Chapter 313 over 20 years ago.

The lone requirement in the draft so far is that a project provides "a net economic or financial benefit to the state," as determined by the projected tax revenue it would generate over 25 years. The state comptroller would make that ruling.

Corporations were subject to a similar test when Chapter 313 was active and essentially never failed. Even with additional hurdles to clear under the former program, the comptroller's office approved almost 98 percent of applications, a Chronicle investigation found.

House members lining up in support

Dick Lavine, a senior fiscal analyst at the left-leaning think tank Every Texan and a leading Chapter 313 critic, said it seems as though stakeholders haven't reached consensus on key parts of the bill, like how much of the tax savings should go to local school districts and what the project approval process should look like.

Austin Interfaith, an affiliate of an interfaith congregation nonprofit network that has lobbied against reviving the program, said the legislation "looks like it was written on the back of a napkin."

"You could literally throw this bill in the air and read it on the way down," the group wrote in a statement.

But business groups hailed the proposal as a starting point to "ensure Texas' economic security" and "promote technological and manufacturing independence from foreign nations."

"Research shows that Texas voters overwhelmingly agree that limited, temporary property tax discounts make sense when exchanged for long term revenue and economic development," the Texas Association of Business wrote in a press release.

The former program, which expired Dec. 31, was hardly seen as a model. Lawmakers who shot down the renewal in 2021 argued that its guidelines had eroded over the years, allowing companies to secure massive tax breaks even if they were already planning — or in some cases had already started building — projects in Texas. That echoed findings highlighted by the Chronicle investigation, which also revealed lawmakers had repeatedly undercut the program's job and wage goals by weakening requirements for companies.

Proponents have been scrambling to revive Chapter 313 ever since. Those include House Speaker Dade Phelan, a Beaumont Republican who told reporters in January that he wants to enact a new program with more "oversight and transparency and accountability."

On Tuesday, Phelan listed the new bill as one of his “priorities” for the session and said it would provide a “critical economic development tool to create additional jobs, investments and tax revenue, keeping the state competitive in drawing businesses to relocate or expand here.”

Though the legislation does not yet have limits on the tax breaks, Phelan said the incentives will be “targeted and temporary.”

The bill’s author, state Rep. Todd Hunter, R-Corpus Christi, did not respond to a request for comment.

By Wednesday, 19 other House members had shown their support by signing on as joint or co-authors, including several of Phelan's top lieutenants and three Democrats: state Reps. Ann Johnson, Oscar Longoria and Joe Moody.

State Rep. Trey Martinez Fischer, a San Antonio Democrat who helped orchestrate Chapter 313's demise, said he believes certain projects are worthy of tax incentives — like the Toyota truck plant built in his hometown, one of Chapter 313's early recipients.

"I think where negotiations fall apart is when you create policies that just give a corporate handout to companies that may not deserve one, because they bring very little benefit back to our state," said Martinez Fischer, who chairs the House Democratic Caucus.

Last month, Texas’ most influential business groups signed onto an open letter warning lawmakers that Texas had lost out on “several multibillion-dollar deals” since Chapter 313 expired at the end of last year. They cited several projects that have been earmarked for other states, including a \$5 billion electric car plant in Georgia and a semiconductor factory in New York.

University of Texas professor Nate Jensen, who has studied Chapter 313, noted that the semiconductor plant already had secured eight Chapter 313 deals for its multiphase plan before the program expired, but chose New York anyway.

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Jasper Scherer covers Texas politics and government for the Houston Chronicle and San Antonio Express-News. He joined the Hearst Austin bureau in 2021 after nearly three years as a City Hall reporter for the Chronicle and a prior stint covering Bexar County for the Express-News. He has also reported on local politics for both papers.

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Mike Morris has dedicated a decade to explaining the roots of Houston's complex problems and exposing public corruption and failing programs. Before joining the Chronicle's investigative team, he covered local government for the paper, including a six-year stint at City Hall and two years covering Harris County. Before coming to Houston, he worked for daily and weekly newspapers in the Midwest. In 2012, he was a Livingston Award finalist for a series of stories documenting rampant mismanagement at the Harris County Housing Authority.