

Texans for Fiscal Responsibility executive director: 'The Chapter 313 Tax Abatement Program was corporate welfare at the expense of individual Texas taxpayers'

By Gregory Burnett

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House Bill 5, which creates a new program designed to "**create jobs** and to generate state and local tax revenue" through property tax agreement with businesses granted by school districts, was filed on Feb. 28 by Rep. Todd Hunter (R-TX), The **Texas Tribune** reported.

It's meant to replace **Chapter 313**, which allowed school districts to give property tax breaks to capital intensive facilities. **Chapter 313** expired on Dec. 31, 2022, after the Senate refused to pass legislation to renew it. However, according to a number of Texas policy group leaders, both Chapter 313 and House Bill 5 have major flaws.

Gov. Greg Abbott sought to reassure business leaders on Wednesday that state lawmakers would act during this legislative session to improve the state's economic development tools after letting a popular corporate tax-break program expire last year. He also said Texas was already feeling the impact of losing the program, recently missing out on a "massive" corporate project to New York.

Jeremy Kitchen, executive director of Texans for Fiscal Responsibility, expressed concern over Chapter 313, going as far as calling it "corporate welfare."

"The Chapter 313 Tax Abatement Program was corporate welfare at the expense of individual Texas taxpayers," Kitchen said. "Government should

never be in the business of picking winners and losers, even if it is under the guise of economic development. If Texas lawmakers are serious about providing incentives, they would instead take seriously the historic opportunity in front of them to provide actual and meaningful property tax relief to Texas taxpayers altogether while simultaneously putting the state on a path to the tax's elimination."

According to Kitchen, schools districts have used Chapter 313 to their advantage with loose requirements of providing jobs and investment. The program was rife with abuse, providing little of both in many cases.

"Overall, the program has been detrimental to individual Texas taxpayers, who were repeatedly asked to bear the burden of the exemption being provided to the specific businesses that qualified for such an exemption," Kitchen said. "It is not as if the local government cut its spending to offset it. Continuing to provide an environment of low regulation and low taxes would have been a better economic incentive where everyone benefitted, not just select businesses."

Kitchen reiterates that House Bill 5 is just corporate welfare and its cost falls on the individual taxpayer.

"House Bill 5 represents a continuation of corporate welfare at the expense of the individual taxpayer," he said. "It is not the appropriate role of government in a free enterprise system to pick winners over losers. This is especially true in the same legislative session where Texas taxpayers are crying out for meaningful property tax relief and a path to the tax's elimination.

If lawmakers squander the historic opportunity in front of them to use the budget surplus, which represents an overcollection of taxpayer money to begin with, in the form of property tax relief this legislative session and reinstitute the largest corporate welfare program in Texas, it will be an affront to Texas taxpayers."

Central Interfaith is part of the Texas Industrial Areas Foundation, a network of 10 sister-organizations across the state who have worked to oppose Chapter 313.

"It is shameful to take money from schoolchildren to line the pockets of wealthy corporations," Rev. Michael Floyd, a member of the Central Texas Interfaith community, said. "Chapter 313 costs taxpayers \$1 billion/year in

the form of tax giveaways to multinational corporations, money which could have gone to public schools. The best route to economic development is investing in education and workforce, and Chapter 313 literally robs potential funding from these important priorities. Responsible corporations and legislators know this. Most studies show that companies don't relocate because of tax incentives. But they do relocate when we are investing in schools, workforce and strong communities. Further, Chapter 313 has been demonstrated to have weak job creation and wage requirements for companies receiving tax breaks.”

Cutter González, a policy analyst in the Armstrong Center for Energy and the Environment at the **Texas Public Policy Foundation**, said Chapter 313 is intended to bring jobs to the state of Texas

“That much is clear in the existing statute and has been clear since it was first introduced to the Texas Legislature in 2001,” González said. “The original form of what later became the Texas Economic Development Act (Chapter 313) required 250 qualifying jobs with no waiver provision. The legislative process significantly reduced this requirement to what we have today: 10 jobs in rural areas and 25 in urban areas. This provision can also be waived by an amendment to the statute passed in later legislative sessions. Without jobs, residents experience no direct benefit from these deals. While the school districts might have greater funds available, increased tax revenues can lead to increased spending rather than providing much-needed relief. The authors of the statute understood that jobs were a promise kept to locals for granting a tax deal to a prospecting business.”