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# TEXAS' NEW INCENTIVES TOOL IS READY

School tax breaks are now on the table for some businesses

By [Justin Sayers](#) and [Mike Christen](#) – Austin Business Journal  
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A year after the sun set on the much-criticized — yet much-utilized — Chapter 313 school property tax abatement program, its replacement is here, offering an incentives tool that companies and local governments alike consider crucial as they aim to bring large-scale projects to Texas.

Chapter 403, which is now being called the [Texas Jobs, Energy, Technology & Innovation Act](#), or JETI, went into effect Jan. 16, about six months after the Texas Legislature narrowly passed the bill that created it. That means companies can start filing applications with school districts now, and the Texas Comptroller's Office can start processing them and [posting them online](#).

The impact of the new program on Central Texas — and the state as a whole — remains to be seen. Those involved with economic development said it should provide a boon for the region's economic growth after a [slower-than-usual start to the year in 2023](#). Chapter 313 incentives in the past helped secure major projects such as Tesla Inc.'s billion-dollar gigafactory in Travis County and Samsung Electronics Co. Ltd.'s chipmaking plants in Austin and Taylor. The program was so useful to such companies, Samsung rushed to [lock in](#) Chapter 313 agreements for expansions in the coming decades that may or may not happen.

"Here's the truth: We've spent a year and a half without a tool to help companies with incentives in moving to Texas, and that hurt us," said Williamson County Judge Bill Gravell, who has a big role in recruiting projects to the county north of Austin.

Gravell said JETI will be especially useful for international companies that are key targets for Williamson County as it aims to lure big Samsung and Tesla suppliers. Due to Texas' high property taxes — the lion's share often coming from school districts — the program is seen as necessary. It's particularly handy for international prospects, experts said, because the cost of doing business in the United States typically is higher for companies from countries like South Korea, which is home to Samsung and many of its suppliers expanding in the Austin area. Gravell said multiple companies have already expressed interest in submitting JETI applications.



Williamson County Judge Bill Gravell  
ARNOLD WELLS/ABJ

"I think in 2024 you'll see more international companies launch in Williamson County than any other county in America," Gravell said.

Critics of the now-defunct program routinely lambasted it, saying oversight was poor and it diverted tax dollars to corporations that were intended for the welfare of students across the state. Proponents argue that a company like Samsung has an overall net gain — often a big one — for school districts.

Nathan Jensen, a University of Texas at Austin government professor who has opposed incentives packages, points out that these companies may have come here without incentives. He's waiting to determine the costs and benefits of JETI until he sees it in action.

"We don't know the actual costs until we start to see the applications," Jensen said. "But for the most part, Chapter 403 is just a relabeling of the previous, and highly controversial, Chapter 313. This is still a program that will largely incentivize large projects, mostly in energy, that were most likely coming to Texas even without incentives."



Nate Jensen, UT professor  
ARNOLD WELLS/STAFF

The requirements under JETI make deals less attractive for school districts than they were under the previous program and may lead to more rejections as a result, Jensen said. That's a stark contrast to Chapter 313, he said, where rejections were rare.

## **What is JETI?**

JETI is similar to its predecessor in that it allows school districts to limit the taxable value of a property for a portion of school taxes, potentially saving companies tens of millions of dollars on what is typically the largest portion of a property tax bill. But there are some changes: those tax abatements are limited to 50% of a property's value, or 75% if the project is in a federally designated opportunity zone, compared with 100% of a property's value under Chapter 313.

The revised program also excludes renewable energy projects from the tax breaks because facilities like a solar-panel farm typically don't employ many people. The incentives can be used for electric-power generation facilities, petrochemical manufacturing facilities, semiconductor manufacturing facilities, desalination facilities, natural gas terminals or storage facilities, gas processing plants, carbon capture facilities, pharmaceutical manufacturing facilities, automotive manufacturing families, aerospace manufacturing facilities and corporate headquarters.

Minimum job requirements are based on project size. Those that invest at least \$200 million in the first tax year of the incentives must create 75 jobs. A \$100 million-plus investment must create at least 50 jobs and those that invest \$50 million are required to create at least 35 jobs. Companies that invest \$20 million have to create at least 10 jobs.

## How will it impact Central Texas?

Some proponents of the new program said it will be a critical tool to help local governments compete to bring big projects to the region. Opponents said they're watching closely to see if it will hurt the school districts' tax rolls. But they all said they won't fully form opinions until applications start to roll in.

Stacy Schmitt, senior vice president of communications and external affairs for Opportunity Austin, which leads business recruitment and retention efforts in the region, said JETI "gives us another tool to assist in recruiting companies in a highly competitive environment." But she said it's likely companies are going to take their time to understand and evaluate the program, so she doesn't expect an immediate flood of applications.



Image: Opportunity Austin

Stacy Schmitt, Opportunity Austin's senior vice president of communications and external affairs.

OPPORTUNITY AUSTIN

The applications must first go through a school board. It doesn't appear, at least publicly, that any school districts in the region are working on projects thus far that are headed for the application process.

Representatives of Devin Padavil, Georgetown Independent School District's superintendent who was instrumental in helping Samsung secure incentives in Taylor before he moved school districts, said they haven't engaged in discussions yet for any potential projects. Padavil was also a key figure in the lobbying efforts to help win legislative approval for JETI, and Georgetown is a playground for industrial activity.

Regardless, opponents are ready to dig in their heels. Austin Interfaith — a nonpartisan organization with members from religious congregations, public schools and unions —

said it opposes any tax incentives tied to funds that otherwise would go into the public school system.

“Tax breaks should be decoupled from school funding and from school board decision-making, period,” said Rev. Miles Brandon, an Austin Interfaith leader and pastor of St. Julian of Norwich Episcopal Church in North Austin.

Brandon said the new program is better than what existed previously because it no longer includes direct payments to schools, which he described as a “perverse incentive” for districts to approve deals despite the cost to the state’s overall education system. He also said the decrease in the total size of each tax abatement is an improvement over Chapter 313, as is the requirement that each deal must pass the governor's office.

But he said Austin Interfaith will continue to encourage school board members to vote in opposition to any request by a company to participate in the new program. The group has a history of showing up to school board meetings to derail applications.



Tesla's gigafactory in far East Austin was lured here partly with school tax breaks offered via Chapter 313.

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“As we see how this law unfolds, I think we will continue to oppose” applications, Brandon said. “Companies should pay their fair share of taxes, just like all of us homeowners do in the state of Texas.”

One thing is clear: Despite not landing a Samsung or a Tesla-sized project in 2023, Austin will continue to be a on the short list of destinations for companies, with or without incentives.

That's because there's a misconception that incentives are the end-all, be-all when it comes to companies picking a location, according to Tracey Hyatt Bosman, managing director for New Jersey-based site selection firm Biggins Lacy Shapiro and Co.

She said incentives will never make a "bad site good." Instead, they are useful when companies reach the "pricing exercise" of their potential investments to lower project costs. While Texas is known for its positive business environment, she said, it doesn't offer as much in incentives as other states and has relatively high costs of doing business — think property taxes — compared to some others. She credited the state and local communities for offering what they can.

"I do think that any time you have a new program like the one that is being considered, that opens a conversation with companies. It gives us a way to open a door and sends a message that the community or the state wants new investment," she said.