

[Texas incentives: Chapter 403 tax breaks OK'd by legislature - Austin Business Journal \(bizjournals.com\)](https://bizjournals.com/austin/news/2023/05/29/texas-incentives-chapter-403-tax-breaks-ok-d-by-legislature)

Texas lawmakers approve new corporate tax breaks

Governor's OK still needed to create Chapter 403 incentives



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The sun sets on the Texas Capitol in Austin on May 22.

MIKE CHRISTEN / ABJ



By [Will Anderson](#) – Managing Editor, Austin Business Journal
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Both chambers of the Texas Legislature on May 28 approved legislation to create a new school property tax abatement program, delivering on what many members of the business community had called a session priority.

[Chapter 403 incentives](#) will allow school districts to limit the taxable value of a property for a portion of school taxes, potentially saving companies millions of dollars on what is typically the largest portion of property tax bills. The program brings back major pieces of the controversial Chapter 313 incentives program that came to an end in 2022, although it differs in a few key areas.

Late negotiations resulted in significant changes to the Chapter 403 program. The tax abatements would be for 50% of a property's value — or 75% if the project is located in a federally designated opportunity zone — the Texas Tribune [reported](#), compared with 100% under Chapter 313.

The revised program also excludes renewable energy projects from the tax breaks. Additionally, the minimum number of new jobs created to qualify for incentives was raised from 25 to 50.

The Texas Jobs, Energy, Technology and Innovation Act, [aka House Bill 5](#), still needs approval from Gov. [Greg Abbott](#), which seems highly likely.

The final version of HB 5, after going through conference committees to iron out differences between the two chambers' proposals, also eliminates direct payments to school districts for incentivized projects and requires the governor's approval of incentives deals, in addition to a vote from a local school district. There are also stipulations allowing incentives to be canceled or clawed back if companies do not comply with wage or job creation requirements.

The legislature's approval of a new incentives program shortly before the May 29 end of this year's session was reason to cheer for business leaders who said such tax breaks were needed for Texas, which has relatively high property taxes, to remain competitive for economic development projects.

"The final passage of the Texas Jobs, Energy, Technology, and Innovation Act in the Texas Legislature is a monumental milestone for the Austin region," stated [Gary Farmer](#), chairman of Opportunity Austin, the economic development arm of the Greater Austin Chamber of Commerce. "This is a new, modern and transparent economic development program that ensures Texas' economic security, creates new capital investments in our communities and provides local schools with additional resources. This legislation will help ensure we have capacity for the future, and are building for resiliency to help provide opportunities and help lift up everyone in the region."

Critics of the program had decried the proposal as corporate welfare that diverts funding away from public schools.

Central Texas Interfaith and the Texas Industrial Areas Foundation opposed the legislation and said HB 5 "still fundamentally represents misguided economic development to the benefit of out of state corporations that would come here for other factors anyway."

But they said the final version of the bill included compromises they supported to increase transparency.

"When these tax abatement deals are proposed at local school districts, there will now be a fair fight for taxpayers and public school supporters concerned about corporate welfare," the groups said in a May 28 statement.

Over the years, Chapter 313 incentives were used by companies such as Tesla Inc. and Samsung Electronics Co. Ltd. to establish large facilities in the Austin area. Elsewhere in Texas, Chapter 313 incentives were used by Toyota for its San Antonio manufacturing plant and by numerous energy companies for projects along the Gulf Coast.