

SUBJECT: Extending the Property Redevelopment and Tax Abatement Act

COMMITTEE: Ways and Means — favorable, without amendment

VOTE: 11 ayes — Burrows, Guillen, Bohac, Cole, Martinez Fischer, Murphy, Noble, E. Rodriguez, Sanford, Shaheen, Wray

WITNESSES: For — Jeffrey Clark, Advanced Power Alliance; Bill Lynch, Arlington Chamber of Commerce; Matt Sebesta, Brazoria County; Rick Davis, City of Baytown; Charles Reed, Dallas County Commissioners Court; Chad Burke, Economic Alliance Houston Port Region; Rocky Plemons, Fluor Enterprise; Greg Sims and Terry Thomas, Greenville Board of Development, Type A EDC; Bob Adair, Phillips 66; Charlie Hemmeline, Texas Solar Power Association; D. Dale Fowler, Victoria Economic Development Corp.; (*Registered, but did not testify:* Adam Burklund, Amshore US Wind, LLC; Mark Stover, Apex Clean Energy, Inc.; Fred Shannon, Applied Materials, HP, Hewlett Packard Enterprise; Dana Harris, Austin Chamber of Commerce, Texas 2050 Coalition; Janis Carter, Avangrid Renewables; Mike Meroney, BASF Corporation; Jake Posey, Bell; Melissa Shannon, Bexar County Commissioners Court; Paula Bulcao, BP America; Anthony Moline, Cedar Park Chamber of Commerce; Matt Barr, Cheniere Energy; Eddie Solis, City of Arlington, City of Frisco Economic Development Corporation; Brie Franco, City of Austin; Tammy Embrey, City of Corpus Christi; Randy Cain, City of Dallas, City of Round Rock; Leticia Van de Putte, City of Del Rio; Guadalupe Cuellar, City of El Paso; TJ Patterson, City of Fort Worth; Jon Weist, City of Irving; Jarrett Atkinson, City of Lubbock; Angela Hale, City of McKinney, McKinney Chamber of Commerce, McKinney Economic Development Corporation, Frisco Chamber of Commerce; Teclo Garcia, City of Mission, Mission Economic Development Corporation; Karen Kennard, City of Missouri City, City of Port Arthur; James McCarley, City of Plano; Christine Wright, City of San Antonio; Rick Ramirez, City of Sugar Land; Leslie Pardue, Clearway Energy; Sarah Matz, CompTIA; Adam Haynes, Conference of Urban Counties; Shayne Woodard, Corteva Agriscience, FreeportLNG, Enbridge, Tyson Foods; Jim Allison, County Judges and Commissioners Association of

Texas; Charlie Hemmeline, Cypress Creek Renewables, EDF Renewable Energy, Innergex Renewables USA, Lincoln Clean Energy, Longroad Energy, Native Solar, Orsted, The Brandt Companies LLC; Priscilla Camacho, Dallas Regional Chamber and Metro 8 Chambers of Commerce; Daniel Womack, Dow Chemical; Royce Poinsett, Duke Energy Renewables Inc.; Lisa Hughes, E.ON Climate and Renewables; Suzi McClellan, EDF Renewable Energy; Eric Wright, EDP Renewables, Lincoln Clean Energy; Shannon Meroney, Enel Green Power North America; Jamie Weber, EOG Resources; Samantha Omey, ExxonMobil; Trent Townsend, First Solar; Rebecca Young-Montgomery, Fort Worth Chamber of Commerce; Mark Borskey, General Electric Corp.; Steven Will, Greater Houston Partnership; Donna Warndorf, Harris County Commissioners Court; Debbie Ingalsbe, Hays County; Mark Vane, HB Strategies; Juliana Kerker, HCA Healthcare; John Kroll, HMWK LLC; Shannon Ratliff, Invenergy; Jay Barksdale, Irving-Las Colinas Chamber of Commerce, Plano Chamber of Commerce; Jennifer Rodriguez, Lockheed Martin Aeronautics Company; Mindy Ellmer, Lyondellbasell and Olin; Daniel Casey, Moak, Casey & Associates; Holli Davies, North Texas Commission; Randy Cubriel, Nucor; Christina Wisdom, Occidental Petroleum; Jamaal Smith, Office of Mayor; Amber Pearce, Pfizer; Neftali Partida, Phillips 66; Christopher Shields, Port San Antonio, Toyota, Inc.; Scott Dunaway, Powering Texas; Caroline Joiner, Rackspace; Lucas Meyers, Recurrent Energy, LLC; Stephanie Reyes, San Antonio Chamber of Commerce; Sophie Torres, San Antonio Hispanic Chamber of Commerce; Michael Jewell, Solar Energy Industries Association; Russell Schaffner, Tarrant County; David Edmonson, TechNet; John R. Pitts, Texas Advanced Business Alliance; James Hines, Texas Association of Business; James LeBas, Texas Association of Manufacturers, TXOGA; Justin Yancy, Texas Business Leadership Council; Hector Rivero, Texas Chemical Council; Carlton Schwab, Texas Economic Development Council; Thomas Kowalski, Texas Healthcare and Bioscience Institute; Ryan Paylor, Texas Independent Producers & Royalty Owners Association; Virginia Schaefer, Texas Instruments; Shanna Igo, Texas Municipal Lague; Julia Parenteau, Texas Realtors; Lynette Kilgore, Texas Schools for Economic Development; Dale Craymer, Texas Taxpayers and Research Association; Tyler Schroeder, The Boeing Company; Mark

Walter, Tradewind Energy; Julie Wheeler, Travis County Commissioners Court; Thomas Ratliff, Tri-Global Energy, Sunfinity Solar; Trace Finley, United Corpus Christi Chamber of Commerce; John Pitts, Jr, UPS; Jay Brown, Valero; James Popp)

Against — Adam Cahn, Cahnman's Musings; Lynda Joan Somma; (*Registered, but did not testify*: Cutter González and Bill Peacock, Texas Public Policy Foundation; and seven individuals)

On — (*Registered, but did not testify*: Robert Wood, Comptroller of Public Accounts)

BACKGROUND: Tax Code ch. 312, known as the Property Redevelopment and Tax Abatement Act, allows certain local governments to enter into temporary property tax abatement agreements in exchange for businesses locating certain facilities in their jurisdiction.

The Property Redevelopment and Tax Abatement Act expires on September 1, 2019.

DIGEST: HB 360 would extend the expiration date of the Property Redevelopment and Tax Abatement Act to September 1, 2029.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2019.

SUPPORTERS SAY: HB 360 would extend the Property Redevelopment and Tax Abatement Act, which has helped local governments across the state attract businesses, strengthen their workforces, and increase their economic development.

By extending this abatement, HB 360 would preserve a tool for local governments to expand their tax bases and keep tax rates low for hard-working citizens. Tax abatements granted under the act allow local governments to attract new businesses, jobs, and economic opportunities

to Texas by exempting a business's property from taxation for a period of time in exchange for its promise to build facilities in the government's jurisdiction. This results in additional tax revenue for local governments, as employees of these businesses purchase homes and spend their paychecks. During the term of the abatement, any pre-existing property and inventory is still subject to property tax. When the abatement ends, new facilities are taxed at full value.

Agreements under the act help Texas compete with other states for investment. Texas has a relatively high property tax burden compared to other states, which represents a barrier to entry for many businesses who would otherwise consider transferring to, expanding, or investing in Texas. These agreements permit local governments to address concerns about this burden, allowing Texas to remain competitive.

Extending the expiration date for the Property Redevelopment and Tax Abatement Act also would protect taxpayers from bad deals by ensuring that agreements were not rushed to completion before the program's expiration.

A public hearing must be held to designate the real property that would be eligible for a chapter 312 agreement, providing an opportunity for public input. Elected officials also have to answer to voters who are unhappy about abatements in their communities.

**OPPONENTS
SAY:**

HB 360 would continue a costly and potentially unnecessary incentive program.

Agreements under the Property Redevelopment and Tax Abatement Act can be costly for other taxpayers. In order to make up for the loss in revenue due to the abatements, local governments may either reduce the services that they provide or increase the taxes that homeowners and businesses that do not receive an abatement must pay.

There is a lack of evidence that businesses invest more capital and create more jobs in Texas as a result of the act. Local governments are not

required to provide evidence that a business would not have made a particular investment without the abatement.

The process for local governments to enter into tax abatement agreements also lacks transparency. Negotiations with companies often take place without input from residents and taxpayers.