

TEXAS BUSINESS
INCENTIVES & PROGRAMS
OVERVIEW



Texas Economic Development & Tourism Office | Office of the Governor

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SUMMARY OF STATE BUSINESS INCENTIVES & PROGRAMS

GRANTS

From public infrastructure projects in non-entitlement communities, to cancer research and laboratory facility construction, many types of grants are available to Texas communities and businesses.

INDUSTRY GRANTS	• Texas Enterprise Fund (TEF) • Texas Semiconductor Innovation Fund (TSIF) • Texas Advanced Nuclear Development Fund (TANDF)
CREATIVE ARTS GRANTS	• Texas Moving Image Industry Incentive Program • Texas Music Venue Incubator Rebate Program
WORKFORCE TRAINING GRANTS	• Lonestar Workforce of the Future Fund (LSWF) • Self-Sufficiency Fund • Skills Development Fund • Skills for Success • Advancing Skills, Capabilities and Expertise for New Development
OTHER GRANTS	• Cancer Prevention & Research General Obligation Bonds Program • Defense Economic Readjustment Zone Program (DEAAG) • Governor's University Research Initiative (GURI) • Space Exploration & Aeronautics Research Fund

TAX INCENTIVES

Texas and local communities offer a variety of tax incentives and innovative solutions for businesses expanding in or relocating to Texas. The following incentives are the most commonly applied offerings.

INDUSTRY TAX INCENTIVES	• Texas Jobs, Energy, Technology & Innovation (JETI) Act • Texas Enterprise Zone Program • State Sales and Use Tax Exemption • Economic Development & Diversification In-State Tuition for Employees • Franchise Tax Deduction for Business Relocation • Medical or Biomedical Property Tax Exemption • Research & Development Tax Credit
LOCAL TAX INCENTIVES	• Ad Valorem / Property Tax Exemption • Chapter 380 / 381
CREATIVE ARTS TAX INCENTIVES	• Media Production Development Zone Program • Sales Tax Exemptions for Media Productions & Facilities
OTHER TAX INCENTIVES	• Renewable Energy Incentives

FINANCING

Texas is committed to providing and facilitating funding fo companies and communities with expansion and relocation projects in the state. Asset-based loans for companies, leveraged loans to communities and tax exempt bonds are just a few means of obtaining the capital necessary for a successful project.

- State of Texas Industrial Revenue Bond Program (IRB)
- Texas Energy Fund
- Texas Micro-Business Disaster Recovery (MBDR) Loan Program
- Texas Military Value Revolving Loan Fund (TMVRLF)
- Texas Small Business Credit Initiative (TSBCI)

***DISCLAIMER:** The material contained in this Summary of State Incentives is provided for informational purposes only and cannot be construed as a commitment. Assumptions are based on creating jobs and providing a capital investment. Total jobs and capital investment have been included as eligible costs for the various incentive programs available. However, actual jobs and capital investment may vary from the assumptions made due to final determination of program eligibility and site location. Revised April 2026.*

GRANTS

INDUSTRY GRANTS

Texas Enterprise Fund

The 78th Texas Legislature established the Texas Enterprise Fund (TEF) to provide financial resources to help strengthen the state's economy. TEF awards "deal closing" grants to companies considering a new project in which a single Texas site is competing with another viable out-of-state site. The fund is a performance-based grant that serves as a financial incentive for companies whose projects would contribute significant capital investment and new employment opportunities to the state's economy.

Projects that are considered for TEF must demonstrate a project's worthiness, maximize the benefits to the state and realize a significant rate of return of the public dollars being used for economic development in Texas. The program eligibility requirements include: a single Texas site being considered that is competing with another viable out-of-state site; significant levels of capital investment; a projected job creation that exceeds 75 full-time jobs (urban areas) or 25 full-time jobs (rural areas); average wages that meet or exceed the average county wage for the site under consideration; local financial support; and company's financial strength and business history.

The Governor, Lieutenant Governor and the Speaker of the House of Representatives must unanimously agree to support the use of TEF for each specific project.

Eligible companies must submit a complete application to be considered for a TEF grant. Award amounts typically range between $1,000 and $10,000 per qualified job. Award amounts are based on capital investment, net new qualified jobs associated with the application, the average wage of those jobs and the time frame required for job ramp up. Please note that contract workers will not be considered. Visit https://gov.texas.gov/business/page/texas-enterprise-fund for more information.

Texas Semiconductor Innovation Fund

The Texas Semiconductor Innovation Fund (TSIF) is a new incentive program to encourage the continued leadership of Texas in semiconductor research, design and manufacturing. The TSIF was established in June 2023 when Governor Abbott signed into law the Texas CHIPS Act (House Bill 5174) which established the TSIF as well as the Texas Semiconductor Innovation Consortium (TSIC). The Texas legislature appropriated $698.3 million to the TSIF.

The TSIF will provide grants to state entities and institutions of higher education for semiconductor manufacturing and design projects; and award grants to business entities with an established presence within the state of Texas to encourage economic development related to semiconductor manufacturing and design.

For more information, visit https://gov.texas.gov/business/page/tsif.

Texas Advanced Nuclear Development Fund

The Texas Advanced Nuclear Energy Office (TANEO) — established by the 89th Legislature through the passage of House Bill 14 — provides strategic leadership for the advanced nuclear industry and associated supply chain industries in Texas. To carry out the purposes of the TANEO, the Texas Advanced Nuclear Development Fund (TANDF) was appropriated $350 million for the Advanced Nuclear Construction Reimbursement Program (ANCRP) and Project Design and Supply Chain Reimbursement Program (PDSCRP).

TANEO may provide a reimbursement grant from the TANDF under the Advanced Nuclear Construction Reimbursement Program (ANCRP) for eligible expenses to eligible businesses, nonprofit organizations and governmental entities — including institutions of higher education — who have, or reasonably expect to have, a docketed construction permit or license application for the project at the Nuclear Regulatory Commission (NRC) on or before December 1, 2026.

TANEO may provide a reimbursement grant from the TANDF under the Project Development and Supply Chain Reimbursement Program (PDSCRP) for eligible expenses to eligible businesses for expenses attributable or allocable to: technology development, including university technology development; easibility studies; site planning, including conceptual site-specific engineering studies; front-end engineering design; site and environmental characterization;

Nuclear Regulatory Commission (NRC) early site permit work; preparation of the construction permit or license application to the NRC; developing manufacturing capacity and readiness; fuel processing, manufacturing, and fabrication activities essential to the fuel cycle supply; preparation of local, state, and non-NRC federal permits; and NRC licensing fees.

For more information, visit https://gov.texas.gov/taneo/page/tandf.

CREATIVE ARTS GRANTS

Texas Moving Image Industry Incentive Program

In 2007, the 81st Texas Legislature established the Texas Moving Image Industry Incentive Program, which is administered by the Texas Film Commission within the Texas Economic Development & Tourism Office. The program is designed to provide grants to qualified applicant production companies to promote industry and workforce growth in film, television, video game and animation in Texas.

The incentive is available in the form of a cash grant from 5% to 22.5% of qualified in-state spending for eligible projects. Commercial and reality television projects are eligible for a cash production grant from 5% to 12.5% of qualified in-state spending. Both live action and animated projects are eligible. Grants are available upon project completion and submission of proof of eligible spending to the Texas Film Commission. There are no maximum grant amounts.

Specific eligibility qualifications for projects including investment thresholds, employment requirements, and content are available through the Texas Film Commission at https://gov.texas.gov/film/page/tmiiip.

Texas Music Venue Incubator Rebate Program

The Texas Music Venue Incubator Rebate (TMIR) Program was passed during the 87th Legislative Session and received funding in the 88th Legislative Session. The grant program provides the opportunity for eligible music venues and music festival promoters to apply for a full or partial rebate, up to $100,000, of gross receipts taxes and sales taxes remitted in the prior fiscal year to encourage expansion of the live music industry and jobs in Texas communities.

For more information, visit https://gov.texas.gov/music/tmir.

WORKFORCE TRAINING GRANTS

Lone Star Workforce of the Future Fund

The Lone Star Workforce of the Future Fund (LSWF) is a program to increase the supply of qualified workers for entry-level to mid-level jobs in high demand occupations. LSWF benefits employers in Texas by partnering with public junior colleges, public technical institutes, and nonprofit organizations to administer a company's workforce training that leads to a full-time job in a high-demand, high-growth career. Average cost per participant is $7,500. The maximum award amount for a grantee is $250,000 per year.

For more information, please visit https://www.twc.texas.gov/programs/workforce-of-the-future.

Self Sufficiency Fund

The Self Sufficiency Fund is a job-training program that is specifically designed for individuals that receive Temporary Assistance for Needy Families (TANF). The program links the business community with local educational institutions and is administered by the Texas Workforce Commission. The goal of the fund is to assist TANF recipients become independent of government financial assistance.

The fund makes grants available to eligible public colleges or to eligible private, nonprofit organizations to provide customized job training and training support services for specific employers. A joint application from the employer and the eligible public college and/or eligible private, nonprofit organization is required to be submitted to the Local Workforce Development Board for review and comment prior to approval.

For more information, please contact the Texas Workforce Commission at (512) 463-1986 or visit https://twc.texas.gov/programs/self-sufficiency-fund-program-overview.

Skills Development Fund

The Skills Development Fund is an innovative program created to assist Texas public community and technical colleges finance customized job training for their local businesses. The fund was established by the Legislature in 1995 and is administered by the Texas Workforce Commission. Grants are provided to help companies and labor unions form partnerships with local community colleges and technical schools to provide custom job training. Average training costs is $2,400 per trainee; however, the benefit may vary depending on the proposal.

For more information, please contact the Texas Workforce Commission at (512) 463-1986 or visit https://www.twc.texas.gov/programs/skills-development-fund.

Skills for Success

The Skills for Success (SFS) Program can help employers by funding workforce training in essential "soft skills" such as communication, organization, teamwork, problem-solving, critical thinking, digital literacy, conflict resolution and time management. Funds have been allocated from the Skills Development Fund to provide resources to employers to upskill their current and new employees with the skills needed to build a cohesive, responsible and productive workforce. Texas State Technical College will administer this pilot program. This program is available to private employers located throughout Texas. Full time paid employees can receive up to $2,000 in job readiness training through courses offered as part of the pilot program. Employees must be paid while they are training and must meet the prevailing wage for their job in their local workforce board area.

For more information, please contact the Texas Workforce Commission at (877) 463-1777 or visit https://www.twc.texas.gov/programs/skills-development-fund/skills-for-success.

Advancing Skills, Capabilities and Expertise for New Development

The Advancing Skills, Capabilities and Expertise for New Development (ASCEND) grant through the Texas Workforce Commission will reimburse employers for training that addresses demand for rapidly evolving skills and local workforce conditions. This program is designed to help strengthen the talent pipeline for key industries including advanced manufacturing, information technology, aerospace, aviation and defense, semiconductor manufacturing, artificial intelligence (AI), nuclear energy, healthcare and shipbuilding. Each grantee may receive up to $500,000 or a maximum reimbursement of $4,000 per trainee. Funds can be used for work-based learning programs, on-the-job training, apprenticeships and classroom or virtual instruction.

For more information, please visit https://www.twc.texas.gov/advancing-skills-capabilities-and-expertise-new-development-ascend.

OTHER GRANTS

Cancer Prevention & Research General Obligation Bonds

On November 6, 2007, Texas voters approved Proposition 15 - HJR 90, the constitutional amendment which allows the State of Texas to establish the Cancer Prevention and Research Institute of Texas (the Institute) and allows the Institute to issue $3 billion in general obligation bonds over ten years to fund grants for cancer research and prevention. The Institute may invest the grants strategically in cancer research, clinical trials, and laboratory facility construction in Texas. The Institute will continue to implement the Texas Cancer Plan.

For more information, please visit www.cprit.state.tx.us, or contact the office at (512) 463-3190.

Defense Economic Adjustment Assistance Grant

The Defense Economic Adjustment Assistance Grant Program (DEAAG), created in 1997, is a job creation grant program designed to assist adversely impacted defense communities that are responding to or recovering from a U.S. Department of Defense Base Realignment and Closure (BRAC) action, or reductions or termination of defense contracts. The program was later expanded to assist defense communities that have been positively affected by BRAC with new or expanded military missions, as well as qualified job retention.

DEAAG funding is available to local municipalities, counties, defense base development authorities, junior college districts, Texas State Technical College campuses and regional planning commissions representing these communities. Funding is available to meet matching requirements for federal funding or for the purchase of Department of Defense property, new construction, rehabilitation of facilities or infrastructure, or the purchase of capital equipment or insurance. Grants awarded may range from $50,000 to $5 million per project.

For more information, please visit https://gov.texas.gov/organization/military/grants, or contact the Texas Military Preparedness Commission at (512) 475-1475.

Governor's University Research Initiative

The Governor's University Research Initiative grant program (GURI) was enacted in 2015 by the 84th Legislature with a goal to bring the best and brightest researchers in the world to Texas colleges and universities. Through the GURI program, Texas welcomes transformative researchers who will in turn serve as economic catalysts to the Texas economy for years to come.

GURI is a matching grant program to assist eligible Texas institutions of higher education in recruiting distinguished researchers, such as Nobel Laureates and members of national honorific societies, from around the world. The program is codified in Chapter 62 of the Texas Education Code, Subchapter H and the program's administrative rules may be found in Title 10, Part 5, Chapter 190 of the Texas Administrative Code.

For more information, visit https://gov.texas.gov/business/page/guri.

Space Exploration & Aeronautics Research Fund

The Space Exploration and Aeronautics Research Fund (SEARF) is administered by the Texas Space Commission, within the Office of the Governor, and is used to provide grants to businesses, nonprofits, and governmental entities (including institutions of higher education) involved in the space exploration research or aeronautics industry. Applications are reviewed by the Texas Space Commission Board of Directors, in alignment with House Bill 3447.

The 88th Texas Legislature appropriated $150 million for SEARF grants to eligible entities for the following purposes:

- development of emerging technologies required for any aspect of human spaceflight;
- research involving any aspect of space exploration and spaceflight;
- workforce training to promote space exploration and spaceflight;
- curation of post-mission materials involved in space exploration and spaceflight; and
- development of infrastructure useful or necessary for the establishment or maintenance of a spaceport.

For more information, visit https://space.texas.gov/ or contact the Texas Space Commission at (512) 463-8575.

TAX INCENTIVES

INDUSTRY TAX INCENTIVES

Texas Jobs, Energy, Technology & Innovation (JETI) Act

The Texas Jobs, Energy, Technology & Innovation Act (JETI) is a new competitive economic incentive program to attract large-scale economic development projects, bringing new capital investment and creating new, high-paying jobs in Texas communities. The program is applicable to manufacturing facilities, dispatchable electric generation facilities, natural resource development facilities, research, development or manufacturing facilities for high-tech infrastructure equipment or technology, and the construction or expansion of critical infrastructure.

Renewable energy projects or energy storage facilities are prohibited from receiving the incentive. Qualified projects can apply to the Texas Comptroller of Public Accounts, and with Governor and school district approval, may enter into

an agreement to abate 50% of school district property taxes for a specified 10-year period. Applicants are eligible for an additional 25% abatement if locating in an opportunity zone.

The program provides robust reporting and transparency requirements and includes a legislative oversight committee that must report to the legislature on what types of eligible projects should be added or removed from the program. For more information, visit https://gov.texas.gov/business/page/texas-jobs-energy-technology-and-innovation-jeti.

Eligibility of Project

The construction of a project, or the expansion of an existing facility that is:

- **a manufacturing facility**, classified in NAICS 31-33;
- **a facility related to the provision of utility services**, including an electric generation facility that is considered to be dispatchable because the facility's output can be controlled primarily by forces under human control, classified in NAICS 2211;
- **a facility related to the development of natural resources**, defined as the following Goods-Producing Industries subsector groups as identified by the U.S. Bureau of Labor Statistics:
    - a facility engaged in research and development, classified in NAICS 5417, or manufacture of high-tech equipment or technology; or
    - related to critical infrastructure

Eligibility Regarding County Population

The JETI Act incorporated a tiered structure based on the county's population size to determine the level of required jobs and capital investment to qualify for the program.

County Population	Required Jobs*	Required Minimum Investment
750,000 or more	75 jobs	$200 million
250,000 – 749,999	50 jobs	$100 million
100,000 – 249,999	35 jobs	$50 million
99,999 or less	10 jobs	$20 million

*Dispatchable electric generation is not subject to job requirements.

Texas Enterprise Zone Program

Under the statewide cap of 105 projects per biennium, a community with less than 250,000 in population, may have up to six enterprise projects. A community with 250,000 in population or greater may have up to nine enterprise projects.

Upon a community designating a business as an enterprise project, and upon that project's designation being approved by the state, the business would be eligible for the following incentives:

State Sales and Use Tax Refunds

An enterprise project is eligible for a refund for all state sales and use taxes paid and used at the qualified business site. The total amount of any refund will continue to be predicated on investment amount and number of jobs created/retained.

The refund for each designation can be an amount ranging from a minimum of $2,500 per job to a maximum of $7,500 per job as follows:

1. **Half Enterprise Project**: If project investment amount if greater than $40,000 and equal to $5 million or more, then refund amount is $2,500 per job up to a maximum of 250 jobs created/retained. Maximum refund available is $625,000;

2. **Enterprise Project:** If project investment amount is equal to or greater than $5 million or more, then refund amount is $2,500 per job up to a maximum of 500 jobs created/retained;

3. **Double Jumbo Enterprise Project:** If project investment amount is equal to or greater than $150 million and less than $250 million, then refund amount is $5,000 per job up to a maximum of 500 jobs created;

4. **Triple Jumbo Enterprise Project:** If project investment amount is equal to or greater than $250 million, then refund amount is $7,500 per job up to a minimum of 500 jobs created. Maximum refund available is $3.75 million.

Receipts for purchases of building materials and machinery and equipment and payroll information are required to be retained as part of the audit process. *(Note: All contracts should separate the costs for building materials and/or equipment from the costs of labor and services in order to be eligible.)*

The refund for sales and use tax must be for all eligible items for use at the qualified business site. For more information, visit https://gov.texas.gov/business/page/texas-enterprise-zone-program.

State Sales & Use Tax Exemptions

Manufacturing Machinery & Equipment

Leased or purchased machinery, equipment, replacement parts and accessories that are used or consumed in the manufacturing, processing, fabricating or repairing of tangible personal property for ultimate sale, are exempt from state and local sales and use tax. Texas businesses are exempt from paying state sales and use tax on labor for constructing new facilities.

Texas businesses are exempt from paying state sales and use tax on the purchase of machinery exclusively used in processing, packing or marketing agricultural products by the original producer at a location operated by the original producer. For more information, visit https://comptroller.texas.gov/taxes/publications/94-124.php.

Natural Gas & Electricity

Texas companies are exempt from paying state and local sales and use tax on electricity and natural gas used in manufacturing, processing or fabricating tangible personal property. The company must complete a “predominant use study” that shows that at least 50% of the electricity or natural gas consumed by the business directly causes a physical change to a product.

Data Center Exemption

Texas provides 100% exemption on sales tax for computers, equipment, cooling systems, power infrastructure, electricity and fuel for data centers meeting the minimum thresholds of $200 million in capital investment, 20 new jobs and an average salary at least 120% of the county average salary. For more information, visit https://comptroller.texas.gov/taxes/data-centers/.

Semiconductor and Pharmaceutical Biotechnology Manufacturers

Semiconductor and pharmaceutical biotechnology manufacturers can claim exemption on semiconductor fabrication cleanrooms and equipment and pharmaceutical biotechnology cleanrooms and equipment. The exemption includes all tangible personal property, without regard to whether the property is an improvement to realty, that is used in a cleanroom environment and in connection with the manufacturing, processing or fabrication of a semiconductor product or a pharmaceutical biotechnology product.

A qualifying item can be affixed to or incorporated into realty and does not have to be contained in a cleanroom environment. Qualifying items include: cleanroom lighting; fixtures; integrated systems; movable cleanroom partitions; piping; production equipment and machinery; and property necessary or adapted to: reduce contamination, control airflow, temperature, humidity, chemical purity or other environmental conditions or manufacturing tolerances. The exemption does not apply to the building that houses the cleanroom or its permanent, nonremovable components. The exemption does not apply to intraplant transportation equipment.

For more information, visit https://comptroller.texas.gov/taxes/publications/94-124.php.

Economic Development & Diversification In-State Tuition for Employees

The Economic Development and Diversification In-State Tuition incentive may be offered to qualified businesses that are in the decision-making process to relocate or expand their operations into Texas. The incentive is targeted to assist high impact projects that are linked to the strategic economic clusters identified in the state. The incentive allows employees and family members of the qualified businesses to pay in-state tuition fees if the individual files with a Texas institution of higher education. Without this incentive designation, a student must reside in Texas for a 12-month period to be entitled to pay the tuition fees of a Texas resident. For more information, visit http://www.hhloans.com/apps/financialaid/tofa2.cfm?ID=567.

Franchise Tax Exemption & Deduction for Business Relocation

Effective Jan 1, 2014, House Bill 500 provides authorization for a company to deduct moving expenses from their apportioned margin while calculating their franchise liability. Companies must relocate their principal place of business from outside the state into Texas to obtain the deduction. A taxable entity may deduct relocation costs incurred in relocating the taxable entity's main office or other principal place of business to this state from another state if the business meets the criteria in Texas Tax Code Section 171.109(b). The taxable entity must take the deduction on the entity's first annual report described by Rule 3.584(c) (2). The deduction may not reduce apportioned margin below zero, and no carryover of unused deduction is allowed.

The bill also makes permanent an exemption for businesses that gross less than $1 million in revenue while providing a $1 million deduction for businesses once they pass the gross receipts revenue threshold. The bill also amends the margin calculation accordingly for equity. For more information, visit http://www.window.state.tx.us/taxinfo/taxforms/05-906.pdf.

Medical or Biomedical Property Tax Exemption

Effective January 1, 2024, the 88th Legislature established a property tax exemption for medical or biomedical property. A company is entitled to an exemption from taxation of medical or biomedical property that is located in a medical or biomedical manufacturing facility that the company owns or leases. Qualified medical or biomedical property is tangible personal property that is:

- stored, used or consumed in the manufacturing or processing of medical or biomedical products by a medical or biomedical manufacturer;
- or intended for use in the diagnosis, cure, mitigation, treatment or prevention of a condition or disease or in medical or biomedical research, including the invention, development and dissemination of materials, tools, technologies, processes and similar means for translating and applying medical and scientific research for practical applications to advance public health.

A qualified medical or biomedical manufacturing facility is a facility at which a company conducts manufacturing or processing of medical or biomedical products for the purpose of development and commercialization of products to advance public health. For more information, please refer to the Texas Tax Code, Section 11.36: https://statutes.capitol.texas.gov/Docs/TX/htm/TX.11.htm.

Research & Development Tax Credit

Chapter 171, Subchapter T of the Texas Tax Code, effective January 1, 2026, the Research & Development Tax Credit is consolidated entirely within the franchise tax—companies elect between alternative methods for calculating the franchise tax credit. More information can be found in the Texas Tax Code, Chapter 171, Subchapter T: https://statutes.capitol.texas.gov/?tab=1&code=TX&chapter=TX.171&artSec=171.9201

LOCAL TAX INCENTIVES

Ad Valorem / Property Tax Exemption

Freeport Exemption

A community may choose to offer the Freeport exemption for various types of goods that are detained in Texas for a short period of time. Freeport property includes goods, wares, merchandise, ores and certain aircraft and aircraft parts. Freeport property qualifies for an exemption from ad valorem taxation only if it has been detained in the state for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabricating. For certain aircraft parts, a community, by official action, may extend the deadline to 730 days.

For more information, please visit the following links:

- Texas Constitution Article 8, Section 1-J: http://www.statutes.legis.state.tx.us/Docs/CN/htm/CN.8.htm
- Application for Exemption of Goods Exported from Texas (50-113): https://comptroller.texas.gov/forms/50-113.pdf

Goods-in-Transit Incentive

House Bill 621 of the 80th Texas Legislature amends the Tax Code and the Government Code to add an exemption from ad valorem taxation for goods-in-transit.

To qualify for the exemption, personal property used for assembling, storing, manufacturing, processing or fabricating purposes would have to be acquired in Texas or imported into Texas and stored at a Texas location in which the owner of the goods does not have a direct or indirect ownership interest. The goods-in-transit would have to be transported to another location in Texas or out of state no later than 175 days after the property was acquired in or imported into the state. Oil and gas and their immediate derivatives, aircraft and dealer's special inventories would not qualify for the exemption.

For more information, please visit:

- http://www.capitol.state.tx.us/BillLookup/BillSummary.aspx?LegSess=80R&Bill=HB621
- http://www.capitol.state.tx.us/tlodocs/80R/fiscalnotes/html/HB00621F.HTM

Pollution Control Equipment Incentive

A Texas constitutional amendment providing an exemption from property taxation for pollution control was approved in 1993. The intent was to ensure that compliance with environmental mandates, through capital investments, did not result in an increase in a facility's property taxes. A facility must first receive a determination from the Texas Commission on Environment Quality (TCEQ) that property is for pollution control purposes. That positive use determination is then provided to the local appraisal district, which must accept the TCEQ's decision and grant the property an exemption from property taxes.

To be eligible for a positive use determination, the property must have been purchased, acquired, constructed, installed, replaced or reconstructed after January 1, 1994, to meet or exceed federal, state or local environmental laws, rules or regulations. For more information, visit https://www.tceq.texas.gov/airquality/taxrelief or contact the Texas Commission on Environmental Quality at (512) 239-4900.

Chapter 380 / 381 Economic Development Agreements

Chapter 380 (Section 380.001) of the Local Government Code, authorizes municipalities to offer a range of incentives designed to promote state or local economic development. Specifically, it allows for the provision of loans and grants of city funds, as well as the use of city staff, city facilities or city services, at minimal or no charge.

To establish a loan or grant or to offer discounted or free city services, the city must meet the requirements contained in the Texas Constitution and in applicable Texas statutes. Additionally, cities must review their city charters and any other local provisions that may limit the city's ability to provide such a grant or loan. To determine the latitude of whether a municipality is able to offer a particular incentive or combination of incentives, local communities should consult their city attorney.

Chapter 381 of the Local Government Code allows counties to provide incentives encouraging developers to build in their jurisdictions. A county may administer and develop a program to make loans and grants of public money to promote state or local economic development and to stimulate, encourage and develop business location and commercial activity in the county.

The county also may develop and administer a program for entering into a tax abatement agreement. This tool allows counties to negotiate directly with developers and businesses.

For more information, visit https://comptroller.texas.gov/economy/development/grants/ch380-381/

CREATIVE ARTS TAX INCENTIVES

Media Production Development Zone Act

The Media Production Development Zone Act (MPDZ), established by the 81st Texas Legislature in 2009 and administered by the Texas Film Commission, is designed to encourage the further development of permanent moving image production sites to help strengthen Texas' economy. MPDZ allows for a sales and use tax exemption for the construction, maintenance, expansion, improvement, or renovation of a media production facility at a qualified media production location over a two year period. Media production facilities include, but are not limited to: animation/CGI studios, post production facilities, sound stages, video game development studios and production office space. For more information, visit https://gov.texas.gov/film/page/mpdz.

Sales Tax Exemption for Media Productions & Facilities

Under Texas law, a producer or production company may claim a sales or use tax exemption on items or services necessary to and used or consumed directly during the production of a project intended for commercial distribution such as a feature film, commercial, television project or recording of live performances. Sales and use tax exemptions are not eligible for productions not sold to the public, such as wedding videos and videos shown on social media or video games.

For more information, visit https://gov.texas.gov/film/page/sales_tax_exemptions.

OTHER TAX INCENTIVES

Renewable Energy Incentives

Wind and Solar Energy Tax Exemptions and Deductions

Tax Code Section 171.056 extends a franchise tax exemption to manufacturers, sellers, or installers of solar energy devices. The state also permits a corporate deduction from the state's franchise tax for renewable energy sources. Business owners may deduct the cost of the system from the company's taxable capital or deduct 10% from the company's income. Wind energy qualifies under the term "solar energy" for the exemption and deduction under Sections 171.056 and 171.107.

Texas property tax code permits a 100% exemption on the appraised value of solar, wind or biomass energy devices installed or constructed for the production and use of energy on-site. See Texas property tax Form 50-123, "Exemption Application for Solar or Wind-Powered Energy Devices" to claim this exemption.

The Texas LoanSTAR (Saving Taxes and Resources) Revolving Loan Program provides low-interest loans to assist Texas public institutions by financing their energy-related, cost-reduction retrofit projects. Loan recipients may be cities, counties, independent school districts, state agencies, public institutions of higher education and tax-supported public hospital districts.

For more information on these tax exemptions, visit the State Energy Conservation Office programs page at https://comptroller.texas.gov/programs/seco/.

FINANCING

The State of Texas Industrial Revenue Bond Program

Industrial Revenue Bonds (IRBs) provide a source of tax-exempt or taxable bond finance for projects involving significant private activity that promote new and existing businesses, encourage employment, and expand the tax base of a community. IRBs are issued by Industrial Development Corporations sponsored by a government unit, but their proceeds are passed on to private businesses, which are generally responsible for debt service payment.

Sales Tax Bonds

Sales Tax Bonds do not fall under the volume cap and are eligible to communities that have passed the economic development sales tax (Type A and/or B). Ineligible projects include for-profit hospitals, multi-family projects and municipal services.

Exempt-Facility Bonds

Bonds can be issued to finance certain facilities such as airports, dock and wharf facilities, governmentally owned solid waste disposal facilities, governmentally owned high-speed inter-city rail facilities, environmental enhancements of hydro-electric generating facilities, qualified public education facilities, qualified green building projects, new empowerment zone facilities or government owned solid waste disposal facilities. There is no limit on the amount of the issue and these issues do not require a reservation under the volume cap. Although the facility must be governmentally owned, it may be leased or subject to management contracts with the business.

Other types of exempt bonds include projects for mass commuting facilities, qualified residential rental projects, qualified enterprise zone facilities, water, sewage and solid waste facilities, facilities for the local furnishing of electricity or gas and local district heating or cooling facilities. Exempt-facility bonds that are not governmentally owned may reserve up to $25 million in tax-exempt volume cap allocation each year. However, there is no project size restriction.

Tax-Exempt Industrial Revenue Bonds

Tax-Exempt Industrial Revenue Bonds are designed to provide tax-exempt financing to finance land and depreciable property for eligible industrial or manufacturing projects. The maximum bond amount is $10 million, and can include certain capital and administrative costs.

On January 1, 2007, the maximum capital expenditure amount increased to $20 million. These issues must receive a reservation under the State's volume limitation ("volume cap") managed by the Texas Bond Review Board. Initial reservations of volume cap are allocated by lottery in November prior to the program year; any remaining volume cap is allocated to applicants on a "first come, first served" basis. For more information, contact the Texas Bond Review Board at (512) 463-1741, or visit https://gov.texas.gov/business/page/industrial-revenue-bonds.

Texas Energy Fund

The Public Utility Commission of Texas (PUCT) was directed by the Texas Legislature through Senate Bill 2627, the Powering Texas Forward Act, to administer the Texas Energy Fund programs. The Texas Energy Fund will provide grants and loans to finance the construction, maintenance, modernization, and operation of electric facilities in Texas.

The Texas Energy Fund provides funding opportunities for electric generation projects—both inside and outside of the Electric Reliability Council of Texas (ERCOT) power region—through four programs based on an application process and award system developed by the PUCT. The Texas Legislature appropriated $5 billion to fund the Texas Energy Fund for Fiscal Years 2025-2026.

For more information, please visit https://www.puc.texas.gov/industry/electric/business/texas-energy-fund/ or contact the PUCT Texas Energy Fund support team at 1-866-526-2269.

Texas Micro-Business Disaster Recovery Loan Program

The Texas Micro-Business Disaster Recovery (MBDR) Loan Program was created during the 87th Legislative Session (House Bill 3271) to facilitate loans from Community Development Financial Institutions (CDFIs) to micro-businesses affected by declared disasters.

The Texas MBDR Loan Program provides zero-interest loans to eligible CDFIs for purposes of making interest-bearing loans to qualifying micro-businesses that have difficulty in accessing capital following a declared disaster. All income received on a loan made by a CDFI participating in the program is the property of the financial institution. Income received on a loan includes the payment of interest by a borrower micro-business and the administrative fees assessed by the CDFI. Once a local, state or federal disaster has been declared, CDFIs may then apply to enroll loans to eligible micro-businesses. There is available funding of up to $5,000,000 through August 31, 2025. For more information, visit https://mbdr.gov.texas.gov/.

Texas Military Value Revolving Loan Fund

Created by the 78th Legislature, the Texas Military Value Revolving Loan Fund, or the "Revolving Loan Fund" as it has become known, is designed to:

- Assist defense communities in enhancing the military value of a military facility;
- Provide financial assistance to defense communities for job creating economic development projects that minimize the negative effects of a defense base realignment or closure decision that occurred in 1995 or later;
- Provide financial assistance to defense communities for an infrastructure project to accommodate new or expanded military missions resulting from a base realignment and closure decision that occurred in 1995 or later.

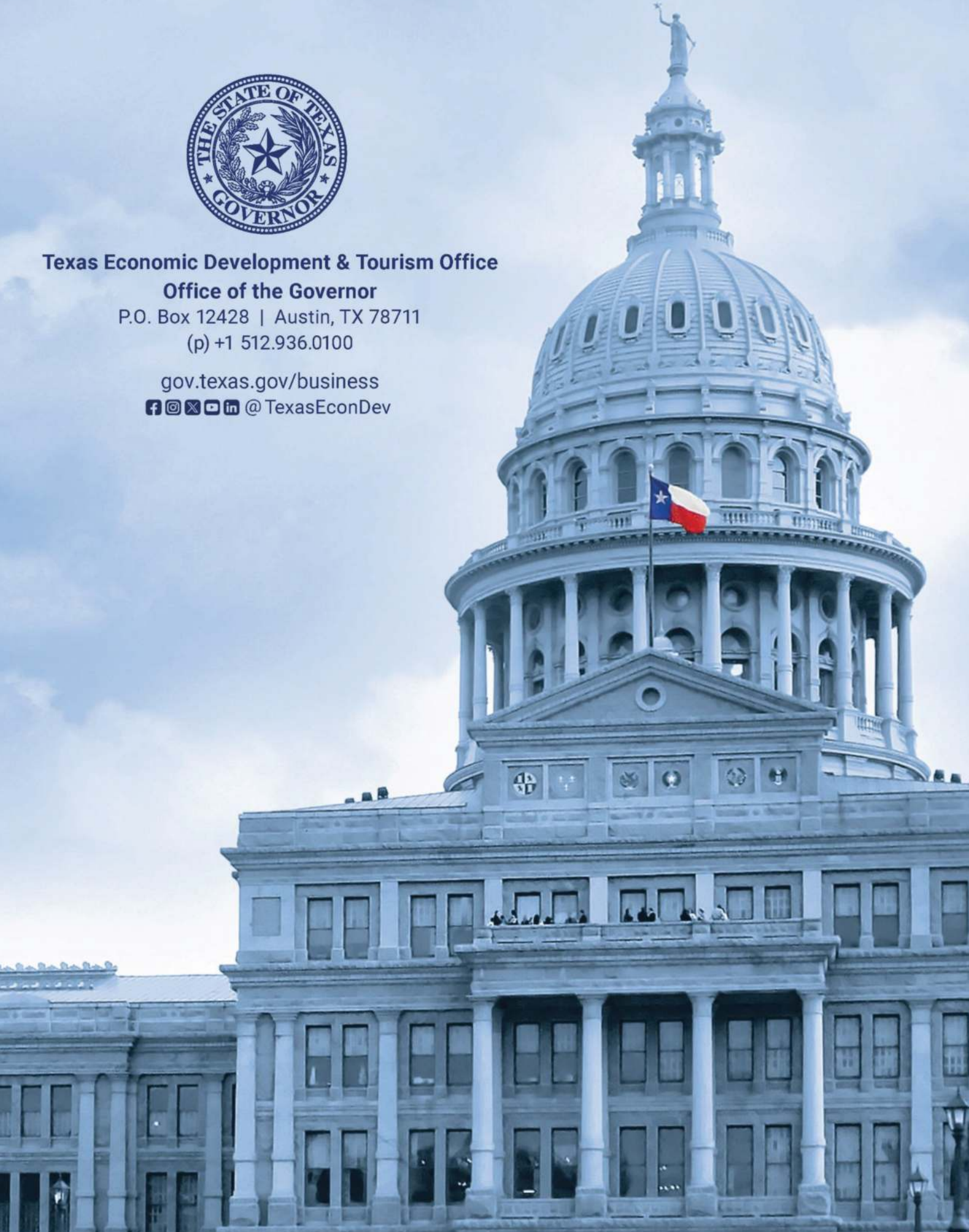
The Revolving Loan Fund provides a low cost source of revenue to eligible communities who meet the application criteria. The minimum amount of a loan is $1 million, while the maximum amount of a loan is determined by the availability of funds and the creditworthiness of the applicant. State funding will be obtained through the sale of general obligation bonds. The State may provide up to 100% of the cost of the described project, dependent upon the creditworthiness of the applicant. For more information, visit https://gov.texas.gov/organization/military/loans, or contact the Texas Military Preparedness Commission at (512) 475-1475.

Texas Small Business Credit Initiative (TSBCI)

The objective of the Texas Small Business Credit Initiative (TSBCI) is to support state programs that provide resources to assist small business growth and create new jobs through increased access to small business funding. In addition, the program will assist small businesses that are traditionally marginalized and those that have been impacted by the COVID-19 pandemic. Socially and Economically Disadvantaged Individuals (SEDI), Very Small Businesses (VSB) or other business owners should contact their preferred lender to encourage their participation in TSBCI programs as a financial institution.

Texas will administer two programs under TSBCI: a Capital Access Program (CAP) and a Loan Guarantee Program (LGP), which are open to eligible new and existing Texas businesses with 499 or fewer employees. For the CAP program, loan amounts range from $5,000 to $5 million. For the LGP program, loan amounts range from $5,000 to $20 million. The State of Texas is focused on staying apprised of the latest program information released by the U.S. Department of the Treasury. For more information, visit https://gov.texas.gov/business/page/tsbci.

DISCLAIMER: *The material contained in this Summary of State Incentives is provided for informational purposes only and cannot be construed as a commitment. Assumptions are based on creating jobs and providing a capital investment. Total jobs and capital investment have been included as eligible costs for the various incentive programs available. However, actual jobs and capital investment may vary from the assumptions made due to final determination of program eligibility and site location.*



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