



State & Local Incentive Programs at a Glance



Opportunity happens here



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Overview of the Most Commonly Used State and Local Incentives for Qualifying Projects



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Waller County Tax Incentives

Prospects seeking incentives must exhibit a need for those incentives. This is referred to as the “but-for” standard. In other words, *but-for* public support the project wouldn’t happen. For example, we are competing with another community and need to offer incentives to win the project. Under that scenario, then incentives will be considered on a case-by-case basis. If you have started construction, or completed a lease, then you have exhibited that you do not need the incentives. The project is already happening without public support. Be sure to plan accordingly.

Incentives 101

Local Property Taxes

The US tax structure reflects the republic form of government. This means that at each level of government you will have a tax, which when combined, will give you a total tax rate. The State of Texas local government code allows local taxing entities the ability to raise funding to provide services through a property tax. This is a tax assessed against the value of both personal and real property. Fortunately, in Texas, the local property tax is assessed per \$100 of valuation. The basic formula is (Total Taxable Value/100) x Tax Rate. Here is an example of a tax bill with all taxing entities:

Taxable Value of Real Property	\$	4,300,000
Taxable Value of Personal Property (Includes inventory, and FF&E)	\$	1,206,780
Total Taxable Value	\$	5,506,780
Divided by \$100	\$	55,068
Waller County	0.54845%	
Royal ISD	1.30172%	
Waller Co RID#1	1.17000%	
Waller-Harris ESD 200	0.09743%	
B-K Drainage Dist	0.06543%	
(Times) Total Tax Rate	\$	3.18302
Total Taxes Owed	\$	175,283

Total Tax Rate includes all local taxing entities providing services at a specific location. This varies by location.

The State of Texas’ primary form of funding state government is a sales tax. This means that the state doesn’t collect a property tax directly. Any property tax incentives, therefore, would be provided by local governmental entities. The state would use other resources to provide incentives for qualifying projects.

Tax Abatement

Tax abatements are a reduction in taxable value of a qualifying taxable asset. For example, if you have a building valued for tax purposes at \$1 million and you receive a 50% abatement, then you are only taxed at \$500,000. This is the primary incentive used by Waller County.

Generally, only the County will use this incentive. By law, school districts are limited on using any reduction of value for incentives. Using only the county tax portion of the total tax rate, applying an abatement would reduce taxes due the county:

		Before Abatement	After Abatement
75% Abatement	Taxable Value of Real Property	\$4,300,000	\$1,075,000
50% Abatement	Taxable Value of Personal Property (Includes inventory, and FF&E)	\$1,206,780	\$603,390
	Total Taxable Value	\$5,506,780	\$1,678,390
	Divided by \$100	\$55,068	\$16,784
	(Times) County Tax rate	0.548445	0.548445
	Total Taxes Owed	\$30,202	\$9,205

Applying for a County property tax abatement is a fast and friendly process. It starts with the prospect completing an **economic impact analysis**. Then, if the analysis is favorable, the project moves to an official application. The application is the official public record of the project. After applying, we then begin negotiating a term sheet, which will be incorporated into a final abatement agreement with the County. The agreement is subject to approval from Commissioners’ Court. The entire process after finalizing terms can be completed in about 60 days.



Main considerations for a successful analysis:

1. Top priority is given to the quality (and quantity) of jobs as measured in terms of compensation as compared to the current industry averages.
2. Overall environmental impact.
3. Economic impact, quality, and fit of the project.
4. Taxable value created by the new investment.

Abatements are extended to qualifying companies based on the results of the economic impact analysis. It's important to note that not all projects will qualify for an abatement. Qualifying property is outlined in the Tax Abatement and Incentives Policy Guidelines & Criteria For Waller County.

Chapter 381 Development Agreements

In addition to the wide variety of designated programs, the State of Texas allows counties to create their own development agreements. Usually referred to as a *Chapter 381 Agreement*, this tool allows counties to negotiate directly with developers and businesses when necessary. These agreements can take a wide variety of forms and are negotiated based on the specific requirements and project specifications. Unlike an abatement, a Chapter 381 agreement usually is a reimbursement on taxes paid.

Waller County Industrial Development Corporation

A key component for financing projects, the Waller County IDC's mission is to qualify prospects looking to obtain bond financing for their project. Each project is submitted to the board for review and undergoes an application process. If successful, the applicant can receive substantial investment capital. This program is especially suited for small manufacturing companies.

Freeport Tax Exemption on Qualifying Inventory

Inventory is classified as personal property, but taxed at the same rate as real property (as noted in the first example above). Section 11.251 of the Tax Code provides for a Freeport Exemption applying to goods, wares, ores and merchandise other than oil, gas and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas) and to aircraft or repair parts used by a certificated air carrier. The freeport goods qualify if they leave Texas within 175 days from the date they are brought into or acquired in the state. The Freeport Exemption on inventory is available through Waller ISD, Hempstead ISD, and Royal ISD. Since school taxes are usually the largest single local taxing entity within the total local tax rate, this can be a substantial savings for qualifying inventory.

Example savings calculation:

Not all taxing jurisdictions will offer the Freeport exemption. Below is an example of a location within Waller County. Each area will have multiple local taxing entities applying a tax assessment. It is for demonstration purposes only. The final tax rate and calculation will depend on the location of the business.

Jurisdictions	Tax Rate	Freeport Granted	% shipped out of Texas	Inventory Value as of 12/31	Inventory Exempt	Tax Savings	Tax Liability
Waller County	0.54845%	NO	90%	\$ 40,000,000.00	\$ 36,000,000.00	\$ -	\$ 219,378.00
Royal ISD	1.30172%	YES	90%	\$ 40,000,000.00	\$ 36,000,000.00	\$ 468,618.12	\$ 52,068.68
Waller Co RID#1	1.17000%	YES	90%	\$ 40,000,000.00	\$ 36,000,000.00	\$ 421,200.00	\$ 46,800.00
Waller-Harris ESD 200	0.09743%	YES	90%	\$ 40,000,000.00	\$ 36,000,000.00	\$ 35,073.36	\$ 3,897.04
B-K Drainage Dist	0.06543%	YES	90%	\$ 40,000,000.00	\$ 36,000,000.00	\$ 23,554.80	\$ 2,617.20
	3.18302%					\$ 948,446.28	\$ 324,760.92

Waller, Hempstead, and Royal school districts offer Freeport tax exemptions for qualifying inventories. Here is an example of taxes saved on qualifying inventory from school districts*:

School District	Tax Rate Per \$100 of Valuation	Total Taxable Inventory Value	Total Potential Taxes Paid	% Freeport Qualified Inventory	Freeport Inventory Value (not taxed)	Taxes Saved on Freeport Inventory	Next Inventory Taxes Paid
Waller	\$ 1.3664	\$10,000,000	\$ 136,640	40%	\$4,000,000	\$ 54,656	\$ 81,984
Royal	\$ 1.3017	\$10,000,000	\$ 130,172	40%	\$4,000,000	\$ 52,069	\$ 78,103
Hempstead	\$ 1.1367	\$10,000,000	\$ 113,670	40%	\$4,000,000	\$ 45,468	\$ 68,202

* This is for demonstration purposes only. Actual tax rates may change.

If you think you may qualify for the Freeport exemption, contact the Waller County Appraisal District for more information (979-921-0060). To learn more about this incentive, visit the Texas Comptroller’s website at <https://comptroller.texas.gov/economy/local/transit-exemptions/>.

State Incentive Programs

Enterprise Zone

Participation

Local communities must nominate a company as an Enterprise Project to be eligible to participate in the Enterprise Zone Program. Legislation limits allocations to the state and local communities per biennium. The state accepts applications quarterly with deadlines on the first working day of March, June, September and December.

Benefits to Participation

Designated projects are eligible to apply for state sales and use tax refunds on qualified expenditures. The level and amount of refund is related to the capital investment and jobs created at the qualified business site. For the latest information visit <https://gov.texas.gov/business/page/texas-enterprise-zone-program>.

Level of Capital Investment	Maximum Number of Jobs Allocated	Maximum Potential Refund	Maximum Refund Per Job Allocated
Half Enterprise Project \$40,000 to \$5,000,000 or more	250	\$625,000	\$2,500
Enterprise Project \$5,000,000 to \$149,999,999	500	\$1,250,000	\$2,500
Double Jumbo Project \$150,000,000 to \$249,999,999	500*	\$2,500,000	\$5,000
Triple Jumbo Project \$250,000,000 or more	500*	\$3,750,000	\$7,500

**Double and Triple Jumbo Projects may not count retained jobs for benefit. A Triple Jumbo Project must create at least 500 jobs.*

Participation Requirements

- Communities may nominate projects, for a designation period of not less than one year up to five years, non-inclusive of a 90-day window prior to the application deadline. Employment and capital investment commitments must be incurred and met within this timeframe.
- Projects may be physically located in or outside of an Enterprise Zone.
 - If located within a zone, the company commits that at least 25% of their new employees will meet economically disadvantaged or enterprise zone residence requirements.
 - If located outside of a zone, the company commits that at least 35% of their new employees will meet economically disadvantaged or enterprise zone residency requirements.
- Under limited statutory provisions, an enterprise project designation may be granted for job retention.

Texas Enterprise Fund

This fund is administered through the Governor's Office of Economic Development and Tourism. This is a discretionary fund to encourage quality projects to locate in Texas when we are competing with another state. Once a project has been qualified through a local EDO, the community can apply for funds to help "close the deal" if needed. Success is based on the quality and quantity of new jobs created in Texas.

Visit <https://gov.texas.gov/business/page/texas-enterprise-fund> for more details.

Foreign (Free) Trade Zones (FTZ)



Waller County is part of the Port's FTZ#84. As a participant in the Alternative Site Framework, we are literally part of the port. This special relationship allows qualifying applicants to expedite their application without cost from applying through the Port.

In short, the FTZ allows companies to reduce or defer their taxes on imports and exports while maintaining the local community's ability to collect taxes through agreements with the company. It is a competitive advantage for those companies using a lot of import and export activities.

Waller County will consider supporting FTZs for the right opportunity. This is a federal program under the authority of the US Customs and Border Protection agency. We work as part of the service area for the Port of Houston Authority in FTZ #84. Contact our office for more details and to discuss this program in more detail.

Disclaimer

Every effort was made to ensure that the information presented is up to date and accurate. Since much of the information is provided by others, it doesn't represent a commitment by WCEDP, WCEDP partners or board of directors. No commitments are made until a project has been defined and determined to be viable through official negotiations with federal, state and local officials.