

Economic Development Incentives Synopsis provided to Vision North Texas by Burns Development Group August 2009

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Incentives

Enterprise Zones

The Texas Enterprise Zone Program was established to encourage the creation of permanent jobs and to promote capital investment in areas of economic distress. Both state and local tax incentives and other economic programs may be structured to businesses located in existing enterprise zones or in disadvantaged areas.

Besides existing enterprise zones, everyplace in the state constituting a U.S. Census block group where 20% or more of the residents are below the U.S. poverty level is considered as an enterprise zone. A business is qualified for enterprise project designation if the company agrees to hire 35% of its new employees either from an existing enterprise zone or economically disadvantaged persons. If the business is located in an existing enterprise zone, the requirement is at 25%.

- **State Incentives Available**

State-designated Enterprise Zone Projects may be eligible for up to \$1.25 million in state sales or use tax refunds of taxes paid for building materials, machinery and equipment for use in the enterprise zone, at a rate of no more than \$250,000 per year. The refund is based upon a \$2,500 refund for each of 110% of the new or retained permanent jobs the designated project commits to create in its application for the 5-year designation, subject to certain requirements. Communities can also offer double and triple status thus increasing the amount of the refund.

Enterprise zone projects may also qualify for franchise tax reductions to be based on a 50% reduction of increased apportioned taxable capital or 5% apportioned earned surplus income as calculated on each franchise tax report during the 5-year designation period. The project may choose the calculation that provides the greater benefit.

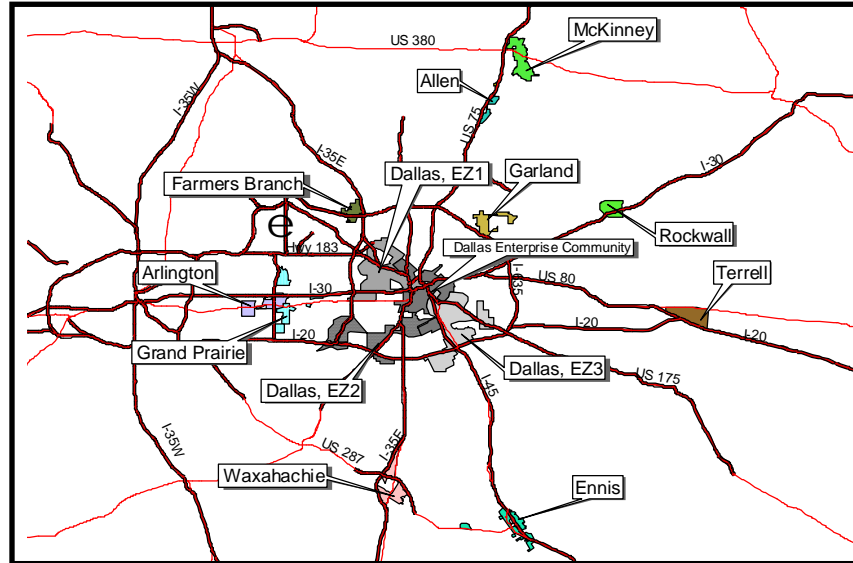
A one-time state sales tax refund of up to \$5,000 of taxes paid for machinery and equipment to be used in the enterprise zone may be available to a qualified business that has operated in a state designated enterprise zone for at least three years and retains at least 10 jobs. A one-time franchise tax refund of up to \$5,000 based upon \$500 for each new job created may be available to a qualified business in a state designated enterprise zone when at least 10 new jobs have been created.

Classification by the Public Utilities Commission as a qualified business in a state designated enterprise zone may qualify the business for up to a 5% reduction on electric utility rate upon negotiation with local electric utility service provider.

- **Local Incentives Available**

In general, economic development projects will qualify for the maximum tax abatements and other incentives offered by local jurisdictions.

Dallas Area Enterprise Zones



NOTE: The map does not display a newly-designated zone in Midlothian

The boundaries of the Enterprise Zones are estimates and decisions for locations within Enterprise Zones should not be based upon these boundaries. The City of Dallas zones have all expired.

Skills Development Fund

The Skills Development Fund is a program designed to help Texas public community and technical colleges and a higher education extension agency finance customized job training for their local businesses. The fund will provide training for specific skills for workers who will be hired by the business.

The purpose of the skills development fund is to assist Texas community and technical colleges and the higher education extension agency in responding to the needs of businesses, help create new jobs through business expansion or relocation, and continue to help the creation of a competitive advantage.

Business and labor unions that form partnerships with local community colleges and technical schools or the higher education extension agency may apply. They should have a training plan and jobs that pay the occupational wage in their local area.

For additional information, contact:
Texas Workforce Commission
Business Services Department
101 E. 15th Street, Room 504DT
Austin, TX 78778-0001

Tax Abatement

Many Dallas area communities, counties, and school districts have enacted ad valorem tax abatement ordinances authorizing the granting of tax abatements up to 100% for up to 10 years for economic development projects. These abatements do not apply to the value of the land but only to the value of improvements constructed as a result of the particular economic development project. Each community applies its ordinance on a case-by-case basis; and in many communities, the ordinances contain certain employment, minimum dollar investment and/or construction square footage requirements that must be met in order for tax abatements to be available.

Some Dallas area communities, counties, and school districts have also enacted ordinances authorizing the abatement of property taxes on business and/or personal property for qualifying economic development projects. The property tax abatement may be offered in lieu of or addition to the ad valorem tax abatement described above. Both are administered on a case-by-case basis.

In order to qualify for tax abatement in a given community, each economic development project must meet certain criteria, usually a minimum number of jobs added to the local economy, and/or a minimum dollar-value of local capital investment. These minimum criteria vary by taxing jurisdiction and abatement levels. Some communities make use of the option to offer a cash equivalent of the tax abatement value in lieu of a tax abatement.

Appraised Value Limitation and Tax Credit (School District)

A business may be qualified for a tax credit and an eight-year limitation on the appraised value of a property for the maintenance and operations portion of the school district property tax.

To qualify, the property should be in a reinvestment zone and must be devoted to manufacturing, research and development, or renewable energy generation. Also, the property owner must enter into an agreement with the school district to create a specific number of jobs and build or install specified types of real and personal property worth a certain amount.

School District Economic Development Categories and Minimum Values per HB 1200
<http://www.window.state.tx.us/taxinfo/proptax/hb1200/values.html>

Freeport Tax Exemptions

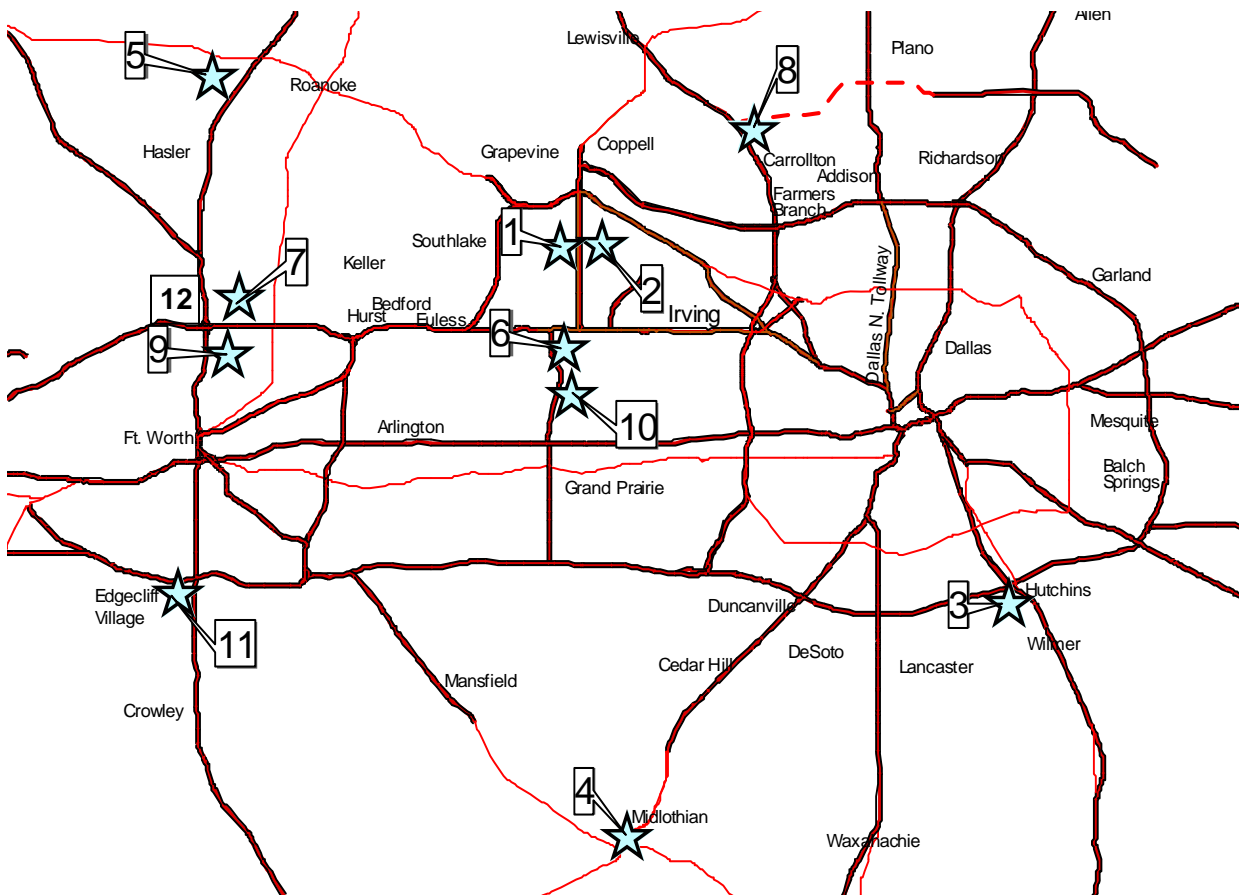
The Freeport exemption allows local governing bodies the option to exempt personal property consisting of goods, wares, merchandise or ores other than oil, natural gas and petroleum. Eligible property must be transported out of the state within 175 days of acquisition, but may first be assembled, stored, manufactured, processed or fabricated locally. Most of the Dallas-Fort Worth area offers triple Freeport tax exemptions from the city, county and school district.

Foreign Trade Zones

Foreign Trade Zone is an area inside the U.S that is designated outside Custom Territory. Merchandise may be brought into a Foreign Trade Zone without a formal U.S. customs entry, without payment of customs duties or excise taxes, without being subject to quota limitations and other import restrictions. Any foreign or domestic merchandise not otherwise prohibited by law, may be stored in a Foreign Trade Zone for an unlimited period of time. Merchandise may be

opened, examined, mixed, assembled, sorted, cleaned, labeled or repackaged, while it is stored in a FTZ. Imported material avoids any Custom duties on re-exports, on waste, scrap, and yield loss materials, and on sales to companies operating in other foreign trade zones.

DFW Area Trade Zones and Map numbers



D/FW International Airport Foreign Trade Zone # 39

DFW Airport – Irving 1, 2
 Southport Center – Dallas 3

Midlothian Foreign Trade Zone # 113 4

Alliance Airport Foreign Trade Zone # 196 5

Foreign Trade Zone # 168 - Seven Sites

Centreport - Fort Worth 6
 Fossil Creek - Fort Worth 7
 Frankford Trade Center - Carrollton 8
 Mercantile Center - Fort Worth 9
 Regency Business Park - Grand Prairie 10
 South Fort Worth - Fort Worth 11
 Railhead - Fort Worth 12

Industrial Development Bonds

Cities, counties and other local governmental districts are authorized to establish nonprofit industrial development corporations or authorities to issue tax-exempt or taxable revenue bonds. Projects must promote the development or expansion of manufacturing and industrial facilities in Texas. The amount of a bond may not exceed \$10 million.

Companies seeking industrial development bonds are responsible for finding a bond purchaser and may choose to have the bond privately placed with a bank or offered to the public. Economic development entities will work with the company to structure the bond's financing so it will qualify for tax exemption.

Sales Tax for Economic Development

Under Texas law, cities located in counties with populations of 500,000 or less have the option to impose a sales and use tax to help finance their communities' economic development efforts, or for property tax relief. Cities may adopt an economic development sales tax at a rate of 1/8, 1/4, 3/8 or 1/2 of one percent if the total rate of the municipal sales and use tax does not exceed two percent. Cities may also limit the duration of the tax and the use of the funds. The use of economic development sales tax is limited to the creation and or retention of primary jobs, basically excluding retail jobs.

There are two types of Economic Development Sales Tax: a 4A tax and a 4B tax. 4A- Cities may use the money raised by this sales tax for purposes related to industrial development including: purchasing land, buildings and equipment; paying principal and interest on debt; improving airports that are an integral part of an industrial park; and making improvements to support waterborne commerce.

4B- Cities may use money raised by this sales tax for a wide variety of projects including land, buildings, equipment, facilities and related improvements to any of these items: sports, athletic, entertainment, tourist, convention and public park facilities, including the maintenance and operating costs associated with such projects. Before spending 4B tax revenues to hold at least one public hearing on the proposed project that will be funded by the tax.

Economic Development Tax in the Metroplex

	Section 5190.6	4A	4B	4
Population	CITY:	Only	Only	A&B
43,554	Allen (Passed 4A Jan. '92 & 4B May '96)			1
3,288	Alvarado (passed 4B, May '01 @ 1/2%)		1	
1,225	Anna (passed 4B, 5/99 & 4A May '02 @ 1/4%			1
2,365	Argyle passed 4B 83-40 in May '02		1	
11,297	Athens* (passed 4A May '90)	1		
1,500	Aubrey (passed 4B @ 1/2% - Aug., 2000		1	
19,375	Balch Springs, passed 4A&B 1/4% each, Aug. 97			1
1,093	Bartonville (passed 4B, Feb. 2002)		1	
47,152	Bedford (passed 4B @ 1/2%, Nov. '97)		1	
20,208	Benbrook (passed Jan. '95, 4B)		1	
672	Blue Ridge (passed 4A & 4B @ 1/2% each, Nov. '97)			1
20,976	Burleson (passed 4B May '93 & 4A in May '01)			1

1,149	Caddo Mills (passed 4B @ 1/2%, May '98)		1	
32,093	Cedar Hill passed both 4A & 4B Jan. '94 1/2% ea			1
1,861	Celina (passed 4A 1/2%, May '95)	1		
2,099	Chandler, passed 4B @ 1/2%, Aug. 97		1	
26,005	Cleburne (passed 4B @ 1/2%, Aug. '01)		1	
193	Coffee City (passed 4B @ 1/2% in May '98)		1	
19,636	Colleyville passed 4B, Aug. '96 @ 1/2%		1	
7,669	Commerce - passed 4A - Jan. 94	1		
35,958	<i>Coppell (passed 4B, May '96)</i>		1	
11,325	Corinth (passed 4B, Nov. '02)		1	
2,774	Crandall* (passed 4B & PTR 1/2% ea, May '96)		1	
7,467	Crowley (passed 4B @ 1/2%, Feb. 2002)		1	
2,186	Dalworthington Gardens (Jan. '92) 5190.6 4B		1	
37,646	DeSoto* - 3/8% 4A & 1/8% 4B - Aug. '94			1
36,081	Duncanville* (passed Jan. '95, 4B)		1	
16,045	<i>Ennis (failed Aug. '94, passed 4B @ 1/2%, Nov. '95)</i>		1	
46,005	Eules (passed Jan. 16, '93) 5190.6 4B		1	
5,836	Everman (passed 4B @ 1/2% Aug. '99)		1	
3,118	Farmersville (passed 4A & 4B @ 1/2% ea., May '96)			1
497	Fate, passed 4B @ 1/2%, Nov. 2000		1	
12,949	Forest Hill (passed Jan. '95), 4B		1	
5,588	Forney* (passed 4B May '94), 4B		1	
33,714	Frisco -passed 4A May '91- passed 4B May '94 1/2% ea			1
879	Godley - passed 4A&B May '01			1
127,427	Grand Prairie -SB 376, Passed Jan. '92 1/2% 4B		1	
1,358	Grandview (passed 4A & 4B @ 1/2% each, Nov. 1999)			1
23,960	Greenville-passed 4A@1/8%, May '02, reduced PTR tax)	1		
5,145	Gun Barrel City (passed 4B, May '97)		1	
39,018	Haltom City-passed 4B+ Crime Control 1/4% ea, 11/95		1	
1,134	Haslet, passed 4B @ 1/2%, Aug. '97 & 4A, May, 2000			1
4,149	Heath (passed 4A & 4B, Nov. '00)			1
	Hickory Creek (passed 4B, Feb. '03)		1	
36,273	Hurst (Spl. Leg. SB 376) passed Jan. '93, 4B		1	
2,805	Hutchins* passed 4B & PTR - Jan. '96		1	
1,993	Italy (passed 4B @ 1/2%, May '96)		1	
4,528	Joshua (passed 4A&4B @ 1/2% each, May '01)			1
1,891	Justin (passed 4A, May '02)	1		
6,490	Kaufman - passed 4A - May '94 1/2%	1		
5,003	Keene - passed 4A&B @ 1/2% each, Nov. '98			1
27,345	Keller - Passed Jan. '92, (5190.6 4B law)		1	

1,133	Kemp (passed 4A, May '95)	1		
5,850	Kennedale passed 4B in Aug. '96 @ 1/2%		1	
1,979	Krum (passed 4B @ 1/2%, Sept. '02)		1	
6,166	Lake Dallas (passed 4A&B @ 1/2% ea. Sept. 2002)			1
4,618	Lake Worth - passed 4B @ 1/2% - Jan.'96		1	
25,894	Lancaster* (passed Jan. '95, 1/4% 4A & 1/2% 4B)			1
387	Lavon (passed 4B @ 1/2%, May '03)		1	
77,737	Lewisville (passed 4B @ 1/4%, 901-277, Sept. 2002)		1	
3,646	Little Elm (passed Jan. '93), 4A	1		
2,151	Mabank - passed 4B @ 1/2% - Jan.'96		1	
28,031	<i>Mansfield Passed 4-B Jan. '92 but failed 4A, passed 4A, 1/97</i>			1
54,369	<i>McKinney passed Jan. 16, '93 & 4B Jan '96</i>			1
1,350	Melissa (passed 4A & 4B, May 1993) 1/2%			1
124,523	Mesquite (passed 4B @ 1/2% Aug. '99)		1	
7,480	Midlothian (passed 4A&B @ 1/2% in Aug. 98)			1
592	Murchinson (passed 4B @ 1/2%, Nov. '97)		1	
3,099	Murphy (passed A&B @ 1/2% each, Feb. '03)			1
55,635	North Richland Hills (Aug. '92) 5190.6 4B		1	
921	Northlake (passed 4A Nov. '89 & 4B Feb. '02)			1
1,209	Oak Leaf - passed 4B @ 1/2%, May '02		1	
224	Oak Ridge (Cooke Co.) - passed 4B @ 1/2%, Jan. '98		1	
1,774	Palmer* (passed 4B & ptr @ 1/2% each, May '98)		1	
2,318	Pantego (passed Jan. 16, '93) 5190.6 4B		1	
3,538	Pilot Point* passed 4B & ptr @ 1/2% ea. - Jan.'96		1	
507	Ponder (passed 4B, failed 4A, Sept. '02)		1	
3,477	Princeton (passed 4B @ 1/2%, May '97)		1	
2,097	Prosper* (passed 4A, May '95)	1		
1,370	Quinlan (passed 4B @ 1/2%, Nov.'95)		1	
4,301	Red Oak (passed 4A Jan 16, '93 & 4B May '96)			1
8,132	Richland Hills - passed 4B @ 1/2% - Jan.'96		1	
656	Rio Vista (passed 4B, May '97 @ 1/2%)		1	
6,985	River Oaks, passed 4B - 1/2%, Aug. '95		1	
2,810	Roanoke (passed 4B @ 1/2%, Nov. '95 & 4A May '99)			1
17,976	Rockwall* (passed 4A @ 1/2%, Nov. '95) & PTR	1		
2,957	Royce City* (passed 4B & ptr @ 1/2% in Aug. '96)		1	
9,751	Sachse - passed 4B Jan. '94		1	
4,181	Sansom Park (passed 4B @ 1/4% - Nov. '01)		1	
10,823	<i>Seagoville (failed May '94, passed 4B, 401 to 250, May '95)</i>		1	
1,145	Seven Points* (passed 4A May '91), switched 4B Aug'96		1	
21,519	Southlake - Passed 4B Nov. '93		1	

13,606	Terrell* (passed 4A May '90)	1		
26,531	The Colony - passed 4A&B @ 1/2% each, Jan. '98			1
1,091	Trinidad (passed 4B @ 1/2% in May '98)		1	
6,350	Trophy Club (passed 4B @ 1/2%, May '96 & 4A, May '00)			1
910	Venus - passed 4B @ 1/2% - May '94		1	
21,908	Watauga - passed 4B @ 1/2%, May '94		1	
21,426	Waxahachie, passed 4B @ 1/2% in May '97		1	
1,462	West Tawokoni (passed 4A, 138 to 33, Jan. '95)	1		
207	Westlake (Tarrant/Denton Co.) 4B, Jan. '95 & 4A May '96			1
14,831	<i>White Settlement- 4B failed Nov. '91-Passed 1/94</i>		1	
15,132	Wylie -passed 4A Nov. '89 & 4B Jan. '94			1

Texas Enterprise Fund

Effective September 1, 2003, the legislated Texas Enterprise Fund was initiated. The Texas Enterprise Fund is a "Deal Closing Fund" to respond quickly to opportunities to bring companies and jobs to Texas. The Governor controls allocations out of the Enterprise Fund with the consent of the Lt. Governor and Speaker.

Residency Waiver for In-State Tuition Rates

Immediate residency for in-state tuition rates is available for employees and their immediate family members of businesses relocating to Texas. The Executive Director of the Texas Dept. of Economic Development approves the waiver based upon an application submitted on behalf of the relocating company and its relocation employees.