

Chapter 313: Fact Sheet

The Texas Economic Development Act – also known as Chapter 313 – is a critical tool in Texas’ ongoing efforts to lure investment and economic growth to the Lone Star State.

The Purpose Of Chapter 313 Is To:

- Encourage large-scale capital investments;
- Create new, high-paying jobs;
- Attract large-scale businesses that are exploring opportunities to locate in other states or other countries;
- Enable state and local government officials and economic development professionals to compete with other states;
- Strengthen and improve the overall performance of the economy of this state;
- Expand and enlarge the ad valorem property tax base of this state; and
- Enhance this state’s economic development efforts by providing state and local officials with an effective local economic development tool. (“Report of The Texas Economic Development Act,” Texas Comptroller of Public Accounts, 1/17)

To Meet These Goals, School Districts May Offer Temporary Tax Abatements To Attract New Development. “The Texas Economic Development Act (Chapter 313 of the Tax Code) allows school districts to attract new taxable property development by offering a value limitation on the appraised value of the property for the maintenance and operations portion of the school district’s property tax.” (“Report of The Texas Economic Development Act,” Texas Comptroller of Public Accounts, 1/17)

- **These Only Apply To The Maintenance And Operations (M&O) Portion Of The School District’s Property Tax.** “The limitation applies only to school district taxes levied for maintenance and operations (M&O); taxes for debt service are not subject to the limitation, nor do business inventories qualify.” (“Understanding Chapter 313,” [Texas Taxpayers And Research Association](#), 1/11/17)
- **Businesses Must Protect School Districts From Any Loss Of State Aid And Many Agreements Include Additional “Supplemental Payments.”** “State law requires the agreement to provide that the applicant will protect the school district from any loss of state aid resulting from the limitation (so-called ‘revenue protection payments’). Most agreements also require the project to pay additional amounts termed ‘supplemental payments’ (sometimes called ‘Payments in Lieu of Taxes’ or ‘PILOTs’ or ‘PILTs’).” (“Understanding Chapter 313,” [Texas Taxpayers And Research Association](#), 1/11/17)

“In Exchange For The Value Limitation, The Business Agrees To Build Or Install New Property And Create Jobs In The School District.” (Olga Garza and Annet Nalukwago, “Fiscal Notes: Chapter 313,” [Texas Comptroller of Public Accounts](#), 4/16)

Projects Cannot Qualify For Chapter 313 Incentives Until The State Comptroller Certifies That The Project Will Generate More Tax Revenue For The State Than The Amount Of The Abatement. “The comptroller may not issue a certificate for a limitation on appraised value under this chapter for property described in an application unless the comptroller determines that: (1) the project proposed by the applicant is reasonably likely to generate, before the 25th anniversary of the beginning of the limitation period, tax revenue, including state tax revenue, school district maintenance and operations ad valorem tax revenue attributable to the project, and any other tax revenue attributable to the effect of the project on the economy of the state, in an amount sufficient to offset the school district maintenance and operations ad valorem tax revenue lost as a result of the agreement.” ([Texas Tax Code Chapter 313](#))

Why Does Texas Need Chapter 313?

Texas Has Some Of The Highest Property Taxes In The Nation, Hindering Texas’ Ability To Compete For Investment. “Texas ranks among the top 10 states paying the highest amount of property taxes, coming in at No. 6 on the list for 2018.” (Mary Claire Patton, “Property Taxes: See How Texas Compares To Other States,” [KSAT](#), 2/27/18)

Previously School Districts Could Offer Tax Abatements Under Chapter 312; However, In 1993, That Option Was Effectively Eliminated. “School districts used to have the authority to offer traditional tax abatements under Chapter 312 of the Tax Code; however, the Legislature changed state law in 1993 so that school districts offering tax abatements would be subject to cuts in state aid. This effectively eliminated the program.” (“Understanding Chapter 313,” [Texas Taxpayers And Research Association](#), 1/11/17)

The New Policy Backfired And The Number Of New Industrial Projects In The State Dropped Dramatically. “What seemed like good, fiscally-conservative politics, though, immediately backfired. Absent school abatements, Texas, which had been the nation’s top location for new industrial projects, started to drift down the rankings— from first to tenth in five years, with the number of new projects dropping more than 70 percent.” (“Understanding Chapter 313,” [Texas Taxpayers And Research Association](#), 1/11/17)

In 2001, In Response To The Declining Investment In The State, State Rep. Kim Brimer Introduced The Texas Economic Development Act, Chapter 313 Of The Tax Code With Broad Support. “In 2001, State Rep. Kim Brimer introduced House Bill 1200, known as the Texas Economic Development Act, and recorded as Chapter 313 of the Tax Code. ... The bill ultimately garnered four joint authors and 100 co-authors in the House.” (“Understanding Chapter 313,” [Texas Taxpayers And Research Association](#), 1/11/17; HB 1200)

Why Is Chapter 313 Good For Texas?

Chapter 313 Encourages Economic Growth And Opportunity In The Parts Of Texas That Need It Most.

- **Rural Texas Is Shrinking Because Of The Lack Of Good Paying Jobs.** “Recently released data from the Texas Demographic Center spelled bad news for many rural areas in the state: populations there were still shrinking, or growing slowly. Population growth in Texas remained concentrated in urban areas in 2016, according to the new numbers. That meant the fight continues for many small towns in Texas that are struggling to maintain or build their communities and economies. ... As in much of the country, young people are leaving rural areas. Older people are, too. ‘If there’s a job and it pays OK, then there will be people living there, working at it,’ [Lloyd Potter, the state demographer] said. ‘When that goes away, then, of course, the people go away.’” (Emily Foxhall and John D. Harden, “New 2016 Texas County Population Estimates Show Continued Urban Rise,” [Houston Chronicle](#), 5/4/18)

- **Chapter 313 Plays A Crucial Role In Enabling Rural Communities And Areas With High Unemployment To Attract Investment, Jobs, And Grow Their Economies.** The benefit has been particularly impactful in rural communities that are not experiencing natural population growth, and in “strategic investment areas” where unemployment rates and per capita income lag behind the rest of the state. The consideration given to these communities under Chapter 313 enables them to compete with other, lower-tax states for the development projects and investment needed to expand their economies, grow their tax base, and support their schools. (“Understanding Chapter 313,” [Texas Taxpayers And Research Association](#), 1/11/17)

Chapter 313 Has Led To Greater Investment, New Jobs, And More Tax Revenue.

- **Chapter 313 Is Credited With Bringing Major Economic Investment To Texas.** From the Toyota plant in San Antonio to the Samsung semiconductor facility in Austin, Chapter 313 has enticed investment from major economic contributors. (“Report of The Texas Economic Development Act,” Texas Comptroller of Public Accounts, 1/17)
- **According To The State Comptroller’s Most Recent Chapter 313 Report, January, 2017:**
 - 311 projects have been approved;
 - 50,400 jobs created;
 - \$2 billion in personal income;
 - \$80.8 billion of new investment in the state with a projected a \$145.7 billion investment over the lifetime of the project agreements;
 - Renewable energy projects are returning 20 percent of their tax benefits back to the school districts through supplemental payments, while R&D and manufacturing projects are paying 14 percent and 11 percent, respectively, in supplemental payments. (“Report of The Texas Economic Development Act,” Texas Comptroller of Public Accounts, Glenn Hegar)
- **“Chapter 313 Projects Paid Nearly \$86 Million In Debt Service Taxes, \$128 Million In M&O Taxes And \$74 Million In Supplemental Payments To School Districts.”** (“Understanding Chapter 313,” [Texas Taxpayers And Research Association](#), 1/11/17)

Chapter 313’s Transparency Assures Positive Returns For Texas.

- **The Management And Oversight Of The Program Has Ensured That All Chapter 313 Agreements Deliver Real, Measurable Value To The State.**
- **The Reporting Requirements Of Chapter 313 Agreements Make It “One Of The Most Transparent Economic Development Programs In The Nation.”** “In addition to the application and agreement, a project subject to a 313 agreement must complete a number of very detailed annual and biennial reporting requirements throughout the term of the agreement. ... All of these completed reporting forms, along with the application and the agreement, are public documents and are available on the Comptroller’s website. Given the breadth of material reported, and that it is immediately available online, Chapter 313 is one of the most transparent economic development programs in the nation.” (“Understanding Chapter 313,” [Texas Taxpayers And Research Association](#), 1/11/17)

Chapter 313 and Wind Energy

The Wind Energy Sector Is Fueling Growth And Investment Across Texas.

- **Texas Is The Nation’s Wind Energy Leader.** The state is home to more than 24,000 wind energy

jobs, 45 wind energy manufacturing facilities, 23 gigawatts of installed wind energy capacity, and \$42 billion in statewide investment through 2017. (“Wind Energy In Texas,” [American Wind Energy Association](#), Accessed 10/10/18)

- **Many Dozens Of Wind Energy Projects – And Billions In Investment – Have Been Lured To The State Of Texas With The Help Of Chapter 313.** From San Perlita and Archer City to Hereford and Panhandle, school districts and communities throughout Texas have seen their economic outlook improved through wind energy investment. (Chapter 313 School Valuation Limitation Agreement Documents, [Texas State Comptroller](#), Accessed 10/10/18)
- **Because Rural Areas Are The Richest In Wind Resources, Chapter 313 Has Helped Ensure Those Communities Have Been Able To Compete For Billions In Investment, Rather Than Ceding That Investment To Other States With More Competitive Property Tax Rates.**