



Economic Incentives

There are a range of economic incentives available to qualifying new, relocating or expanding companies in the Conroe area. CEDC Staff will work with you to develop an incentive proposal based on your needs and qualifications.

Local Incentives

PERFORMANCE-BASED CASH INCENTIVE

A cash incentive based on projected performance is available to new and expanding companies in Conroe. Qualifying companies are required to sign mutually accepted performance agreements based on capital investment and/or payroll and maintain a physical location and conduct business in the City of Conroe for a specified period of time. The amount of the incentive is based on a cost-benefit analysis that determines the overall net benefit to the community from the project over a seven-year period of time. Three years of financial statements are required for credit analysis. Only full-time jobs are able to be incentivized under this program. Full-time job is defined as a position in the direct employ of the entity that is a party to the abatement agreement and works at least 1,560 hours per year with a minimum salary of \$15.00 per hour (excluding benefits).

AD VALOREM/PROPERTY TAX ABATEMENT

The City of Conroe and Montgomery County both offer abatements that exempt from taxation a portion of the increased value in real property and fixed personal property. Only full-time jobs count towards the minimum FTE requirements. Full-time job is defined as a position in the direct employ of the entity that is a party to the abatement agreement and works at least 1,560 hours per year with a minimum salary of \$15.00 per hour (excluding benefits). The abatement schedule is as follows:

Abatement Category	Total Added Tax Value	Minimum FTEs City of Conroe	Minimum FTEs Montgomery Co.	City of Conroe Schedule	Montgomery Co. Schedule
Expansion to existing business only	\$1,000,000 - \$4,000,000	10	N/A	4 years: 100%, 75%, 50%, 25%	N/A
Expansion and/or new business	\$4,000,000 - \$8,000,000	21	10	6 years: 100%, 100%, 80%, 60%, 40%, 20%	6 years: 100% (construction), 100%, 100%, 75%, 50%, 25%
Expansion and/or new business	\$8,000,000 - \$25,000,000	51	10	8 years: 100%, 100%, 100%, 80%, 60%, 40%, 20%	8 years: 100% (construction), 100%, 100%, 100%, 80%, 60%, 40%, 20%

Expansion and/or new business	Over \$25,000,000	150	10	Maximum 10 years: % of abatement each year to be determined	Maximum 10 years: % of abatement each year to be determined
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TEXAS ECONOMIC DEVELOPMENT ACT/CHAPTER 313 AGREEMENTS WITH SCHOOL DISTRICTS

In 2001, the 77th Texas Legislature enacted House Bill 1200 creating Tax Code Chapter 313, Texas Economic Development Act, to encourage large-scale manufacturing, research and development, renewable energy, nuclear and integrated gasification combined cycle electric generation facilities and other large capital investment projects in the State of Texas. It requires companies to invest a specified amount of money to qualify for a ten-year limitation on the appraised value of a property for the maintenance and operations portion of the school district property tax. The local school district must elect to participate in order for the company to recognize this benefit. The Act also requires that the limitation on appraised value be a determining factor in the applicant’s decision to invest capital and construct the project in the state and requires that the Comptroller state in writing the basis for that determination. The qualifying investment amount is determined on a sliding scale that begins at \$100 million. For more information, please visit <https://comptroller.texas.gov/economy/local/ch313/>.

CHAPTER 380 – MUNICIPAL AGREEMENTS & CHAPTER 381 – COUNTY 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 and their own city charters and any other local provisions.

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.

For more information, please review the following link: <https://comptroller.texas.gov/economy/local/ch380-381/index.php>

TEXAS ENTERPRISE ZONE PROGRAM

The Texas Enterprise Zone Program (EZP) is a state sales and use tax refund program designed to encourage private investment and job creation in economically distressed areas of the state. Texas communities must nominate companies in their jurisdiction to receive an Enterprise Zone designation and thus be eligible to receive state sales and use tax refunds on qualified expenditures by submitting an application on the company’s behalf. Companies must meet minimum capital investment thresholds and create and/or retain jobs that employ a certain percentage of economically disadvantaged individuals, enterprise zone residents, or veterans. The program eligibility requirements include:

1. Jobs counted for benefit must have an average weekly wage which meets or exceeds the average county weekly wage in the county which the qualified business site is located.
2. Each community has a limited number of designations available per biennium; communities with a population at or above 250,000 have 9 designations available per biennium, while communities with a population of less than 250,000 have 6 designations available. The state may award a maximum of 105 designations statewide per biennium, and may award up to 12 designations per quarterly round.
3. Employment (new and retained jobs) and capital investment commitments must be met prior to the expiration of the designation period.

4. A company must first pay the applicable state sales and use tax on qualified expenditures in order to receive a refund of those taxes.
5. The percentage of a project's new employees who must meet economically disadvantaged, enterprise zone residency, or veteran requirement varies depending on whether the qualified business site is located inside or outside of an Enterprise Zone—state-designated area with economically depressed conditions.
 - If located within a Zone, 25% of the company's new employees at the qualified business site must meet economically disadvantaged, enterprise zone residency or veteran requirements
 - If located outside a Zone, 35% of the company's new employees at the qualified business site must meet economically disadvantaged, enterprise zone residency, or veteran requirements.
6. Only full-time jobs qualify for EZZ award consideration
7. Jobs must be maintained through the end of the designation period, or for at least 3 years after the date on which tax benefits are received, whichever is later.

The application period for the EZZ occurs quarterly, with applications for the respective rounds due by 5:00 pm on the first business day of March, June, September and December.

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.

Four of the five taxing jurisdictions in Conroe offer this exemption on Freeport eligible goods.

FOREIGN TRADE ZONE #265

Foreign-trade zone (FTZ) status is a cost reduction service. Zone status can reduce the costs associated with conducting U.S. based foreign trade activity. These "reduced costs" are the effective cost of complying with U.S. customs and trade laws, regulations and rules; zone status is a tool for managing how and when these laws, rules and regulations are applied.

FTZ 265's primary mission is to assist in the local economic structure's business establishments, current and prospective, obtain the benefits from, and/or adjust to the challenges created by the nation's increasing levels of foreign trade. The business/economic activities that can benefit from zone status include:

- Foreign-trade logistics
- Exporting
- Production (manufacturing/assembly)

FTZ 265's grant of authority was awarded to the City of Conroe. As such the City is the zone's grantee. The City of Conroe has contracted with the Trade Development Company, L.L.C. to be FTZ 265's zone administrator. Questions on matters about foreign-trade zones in general or specific questions about FTZ 265 should be directed to the company's principals:

Richard F Ehmann, Jr.
2424 Pennsylvania Ave., N.W., Suite 308
Washington, D.C. 20027
(202) 223-0501

State Incentives

TEXAS ENTERPRISE FUND

The Texas Enterprise Fund (TEF) awards “deal-closing” grants to companies planning a new project including a facility opening or expansion, with significant projected job creation and capital investment, where a single site in Texas is actively competing with at least one viable out-of-state option. The program eligibility requirements include:

- The single Texas site being considered for the project must be in active competition with at least one out-of-state site and the company must not have made a location decision. Actions signifying the company has already made a location decision include, but are not limited to—signing a lease, purchasing land, hiring employees and/or making a location announcement.
- Projected new job creation must exceed 75 full-time jobs.
- The total average wage for new jobs must meet or exceed the average county wage for the county in which the project would be located during the full term of the grant agreement.
- The company must demonstrate significant levels of planned capital investment, as determined by the Governor’s Office.
- The project must be supported by the city, county and/or school district in which the project would be located, particularly in the form of local economic incentive offers.
- The company must be well-established and financially sound.
- The company must operate in an advanced industry which affords it other feasible location options

“Deal-closing” cash grants are calculated according to a uniform analytical model for each applicant. Award amounts are calculated on the average wage of new employees, taking into account the expected hiring timeline and number of jobs created, with per-employee award amounts subject to adjustment based on the company’s total proposed capital investment. With a rolling application period, eligible companies must submit a complete application packet to be considered for a TEF grant. TEF applicants undergo a thorough 11-step due diligence screening process. Areas of focus include project competitiveness, corporate activity, financial standing, tax status, legal issues, credit ratings, estimated economic impact, and the business climates of competing locations. The Governor, Lieutenant Governor, and Speaker of the House review all applications and must unanimously agree to support the use of TEF for each applicant.

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 \$1,800 per trainee; however, the benefit may vary depending on the proposal.

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.

State Tax Exemption Programs

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 principle place of business from out of 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)(1)(C)(i). The deduction may not reduce apportioned margin below zero, and no carryover of unused deduction is allowed. For more information, please review the following link: <http://www.window.state.tx.us/taxinfo/taxforms/05-906.pdf>. 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.

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, please review the following link: <https://comptroller.texas.gov/taxes/publications/94-124.php>

SALES TAX EXEMPTION ON 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 of at least 120% of the county average salary. For more information, please review the following link: <https://comptroller.texas.gov/taxes/data-centers/>

RESEARCH & DEVELOPMENT TAX CREDIT

In 2013, the 83th Texas Legislature enacted House Bill 800 creating a Research & Development tax credit effective Jan. 1, 2014. Providing companies a choice between a franchise tax credit and a sales tax exemption for materials, software, and equipment used for R&D purposes. Tax Code Chapter 171, subchapter M effectively establishes the qualifications, definitions and eligibility criteria for the credit. For more information, please review the following link: <https://comptroller.texas.gov/taxes/qualified-research/>

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, please see the following link: <https://www.tceq.texas.gov/airquality/taxrelief>

TEXAS MOVING IMAGE INDUSTRY INCENTIVE PROGRAM

In 2007, the 81st Texas Legislature establishing the Texas Moving Image Industry Incentive Program which is administered by the Texas Film Commission under the Economic Development and Tourism Division of the Office of the Governor. The program is designed to provide grants to qualified applicant production companies to promote film, television, video game, animation and commercial industry and workforce growth 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 thru the Texas Film Commission at <http://governor.state.tx.us/film/incentives/miiip/>

Other Important Pro-Business Factors

PERMIT ASSISTANCE

TCEQ and the Office of the Governor Economic Development & Tourism division have established a relationship to assist companies, which may experience unwarranted delays in their environmental permitting process for projects that could affect job creation or have a high economic impact.

RIGHT-TO-WORK STATE

Texas is a *right-to-work* state, meaning that employees at any given company have the right to remain independent of union membership. Union activity in the Houston region and across the state is quite low.

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