



SB 565

Ensuring Chapter 313 Property Value Limitation Agreements Result in Local Jobs

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Purpose

SB 565 would ensure property value limitation agreements under Texas Tax Code Chapter 313 benefit area residents by requiring the creation of local jobs.

Background

Chapter 313 of the Texas Tax Code allows school districts to reduce the amount of property taxes paid by favored businesses that locate or expand within the district's geographic boundaries by limiting the taxable value of their property. Prior to the consideration of a value limitation agreement, districts receive substantial application fees. In many executed agreements, districts receive payments in lieu of taxes that are not subject to Robin Hood recapture.

Under current law, businesses receiving a property value limitation under Chapter 313 are required to bring 10 jobs if located in a rural county or 25 jobs if located in an urban county. This provision, however, can be waived by the local school board. As a result, about half of all projects subject to Chapter 313 received a waiver of the jobs requirement, with 87 percent of the waivers going to renewable energy projects.

The requirement to create 10 rural jobs and 25 urban jobs is significantly lower than would have been required if Chapter 313 had passed as originally written by Sen. Harris (SB 679) and Rep. Brimer (HB 1200) in the 77th Legislature.

In the bills' original form, businesses would have lost their value limitation should they have failed to create 250 jobs. While the requirement in the enrolled version was significantly reduced, the ability to waive the requirement altogether is not in line with the statute's intent, which had already been weakened.

Analysis

SB 565 would repeal Section 313.025(f-1) of the Tax Code, eliminating the ability of school boards to waive the statutory jobs requirement. The statute is expressly intended to bring high-paying jobs to Texas, yet 50 percent of all agreements under Chapter 313 proceed without meeting that goal. Without reform, favored businesses will continue to receive special deals at the expense of residents who will experience little or only indirect benefit.

Recommendations

By doing away with the waiver, SB 565 affirms the intent of the statute to bring high-paying jobs to Texas communities and allows residents—not just their governments—to benefit from local economic development. This reform should be accompanied by other transparency and accountability measures that verify jobs were created, open to the public discussions about property value limitation agreements and negotiations, and eliminate the ability of local governments to hide from the public the details of the incentives they offer business prospects. ★