



9.08.22 HOUSE COMMITTEE ON WAYS & MEANS

Ways & Means Interim Charge 4: Conduct a comprehensive review of the impact of not renewing Chapter 313, Tax Code. Evaluate tax incentives offered by other states and make recommendations for incentivizing manufacturers and other capital-intensive businesses to locate in Texas.

On behalf of the 65,000 members of the Texas State Teachers Association, the following is testimony regarding the House Committee on Ways and Means Interim Charge 4 related to the impact of not renewing Chapter 313, Tax Code. TSTA recognizes that tax incentives can be a valuable tool to attract and grow business if implemented responsibly and if they result in community benefits that outweigh collective burden. The past twenty years have demonstrated that the Chapter 313 property tax abatement legislation is no such tool. As Senator Kolkhorst so aptly stated, Chapter 313 Tax Code is a “program run amok, and the 87th Texas Legislature was smart to put it to bed.”¹

The Chapter 313 school property tax abatement program lets corporations out of contributing what they owe to our schools. Even though the current law expires in December of this year, Texas schools have lost many billions already, and the misallocation of state resources will continue for many decades because eligibility does not depend on any projected timeline. As long as new applications are filed before the tax code expires, companies are not required to open the subsidized facilities within any prescribed amount of time.

Already, 460 new applications for school district tax giveaways have been filed since the 87th Texas Legislature adjourned in May 2021, which is more than four times as many applications in a typical year. Many applicants are not scheduled to open facilities until 2028, and two aren’t expecting their manufacturing facilities to open until 2040. Some are asking for tax breaks even without any plan in place at all. On the day of the Uvalde school shooting, Samsung Electronics, LLC, requested \$4.8 billion in taxpayer giveaways despite admitting to “[having no] specific plans to build at this time.”²

One of the many criticisms of Chapter 313 held by a diverse group of organizations who together opposed its reinstatement in 2021 are the minimal requirements and nonexistent penalties for failure to comply. Applications only need to say that they may choose to locate elsewhere, but there is little need to prove the intent. Depending on the school district where they plan to locate, they only need to pledge to create 10 or 25 new jobs, but waivers

¹ <https://www.houstonchronicle.com/news/investigations/unfair-burden/article/This-program-is-run-amok-Texas-lawmakers-16186828.php>

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https://assets.nationbuilder.com/austininterfaith/pages/1700/attachments/original/1661461146/08.17.22_No_More_Hogs_at_the_Trough%20%80%94Containing_Corporate_Subsidies_in_Texas.pdf?1661461146

for even this minimum are routinely granted and companies who fail to fulfill job-creation promises face no penalty.³ Even assuming Chapter 313 does generate employment in a community, the tax loss to school districts is so great that the cost per job created by these giveaways is well over \$900,000,⁴ and only 5 percent of students reside in districts where the value of the allowable kickback paid in lieu of taxes exceeds their share of the overall loss in state revenue.⁵

The Texas Legislature did right by Texans when it chose not to reinstate the Chapter 313 Tax Code. The 88th Texas Legislature should add guardrails to the applications that will likely be approved before the end of 2022 so that Texas schools aren't cheated out of money well beyond the life of the bad law, but it should not consider any form of reinstatement. It is time we offset the tax burden being disproportionately shouldered by individual taxpayers, especially at the expense of Texas children.

TSTA respectfully submits the above comments for consideration and urges the House Committee on Ways & Means to consider our recommendations.

³ Tax Code, sec. 313.025(f-1)

⁴ <https://everytexan.org/2021/05/06/sign-on-letter-vote-no-on-chapter-313-extension/>

⁵ https://docs.google.com/spreadsheets/d/178HdhgqDctZNhezy_p2wg1OZwZmepsST/edit#gid=441101098