



## SUMMARY OF INCENTIVES

Pearland Economic Development Corporation's incentive packages are determined by type of business, quality of jobs created or retained, wages paid, capital investment and overall community impact. The PEDC staff is ready to work with you to identify the incentives available for your potential Pearland location.

### STATE AND LOCAL INCENTIVES

#### **Texas Enterprise Fund**

The Texas Enterprise Fund attracts new businesses and assists growing existing business in the state. The fund is the largest "deal closing" fund of its kind in the nation. Projects that are considered for Enterprise Fund support must maximize the benefit to the State of Texas and realize a significant rate of return of the public dollars being used for economic development in Texas. Capital investment, job creation, wages generated, financial strength of the applicant, applicant's business history, analysis of the relevant business sector, and federal and local government and private sector financial support of a project will all be significant factors in approving the use of the Enterprise Fund.

The award amounts have generally been in the range of \$1,000 up to \$10,000 per job created.

#### **Economic Development Sales Tax**

The Pearland Economic Development Corporation (PEDC) is a state authorized Type B non-profit corporation that was approved by the residents of Pearland in 1995 to collect a one-half of one percent sales tax dedicated to promoting economic development. The Corporation is governed by a seven-member Board of Directors who is responsible for reinvesting the Corporation's funds to create primary jobs, increase the City's tax base and other activities allowed by the state law.

Primary jobs are jobs that infuse new dollars into the local economy by creating or selling a product or service that is ultimately exported to regional, statewide, national, or international markets. Eligible companies are required to complete an application to be considered for assistance. The amount of assistance is determined based on the overall economic impact on the City of Pearland and may be offered in the form of a loan, forgivable loan or reimbursement grant. When approved by the PEDC Board of Directors, an agreement will be entered into between PEDC and the eligible company outlining the terms and conditions of the assistance.

#### **Texas Enterprise Zone Program**

The City of Pearland has the ability to nominate projects for the Texas Enterprise Zone Program. The city may nominate up to six projects to the state per legislative biennium, under the statewide cap of 105 projects per biennium. Upon the city designating a business as an enterprise project, and upon that project's designation being approved by the state, the business is eligible for a refund of state sales and use taxes paid and used at the qualified business site.

The total amount of any refund is predicated on the total investment and number of jobs created or retained by the project. The refund is allocated on a per job basis, not to exceed 500 total jobs, that ranges from a minimum of \$2,500 per job to a maximum of \$7,500 per job.

### **Research and Development Tax Credit**

The Research & Development tax credit provides qualified companies with an option for tax savings. A company may select one of the below options:

- A sales tax exemption for purchases of equipment and software used in qualified research in Texas, OR
- A franchise tax credit for R&D expenditures.
- The Texas R&D credit also provides an incentive for taxpayers to contract with institutions of higher education to perform qualified research in Texas.
- The total credit cannot exceed 50 percent of the company's franchise tax due for the period.

### **Foreign Trade Zone Designation**

The City of Pearland has multiple sites located in Foreign Trade Zone 149 (FTZ). FTZs are considered to be outside of U.S. Customs Territory for the purpose of customs duty payment. Therefore, goods entering FTZs are not subject to customs tariffs until the goods leave the zone and are formally entered into U.S. Customs Territory. Merchandise that is shipped to foreign countries from FTZs is exempt from duty payments. FTZ 149 is managed by Port Freeport and is under the "FTZ Alternative Site Framework" which means it is much easier to activate and deactivate bonded areas to accommodate clients' needs.

## **STATE SALES AND USE TAX EXEMPTIONS**

### **Manufacturing Machinery & Equipment**

Leased or purchased machinery, equipment, replacement parts and accessories that have a useful life of more than six months and 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 or 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.

### **Natural Gas & Electricity**

Texas companies are exempt from paying state 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.

## **PROPERTY TAX ABATEMENT AND EXEMPTIONS**

### **Tax Abatement**

The City of Pearland offers property tax abatement to certain types of businesses based on primary job creation and investment. The city guidelines allow for up to 10 years of abatement on real property and fixed improvements. The project must, at a minimum, increase the value of the property by \$500,000 and create or retain a minimum of 10 new jobs. All tax abatement applications are subject to City Council approval and should be submitted 90 days prior to the start of construction.

The proposed sites in the City of Pearland are located in Brazoria County, which offer tax abatement to expanding eligible businesses.

### **Economic Development Refund**

The Texas Comptroller of Public Accounts offers a refund of state franchise and sales and use taxes paid by companies that own certain abated property. A company who meets the following three conditions may apply for a refund:

- Paid property taxes to a school district on property that is located in a reinvestment zone established under Chapter 312
- Is exempt in whole or in part from property taxes imposed by a city or a county under a tax abatement agreement established under Chapter 312
- Is not in a tax abatement agreement with a school district

The refund is equal to the amount of property taxes that would have been paid had the company entered into a school district abatement agreement with terms identical to the city or county abatement agreement, not to exceed the net state sales and use taxes and state franchise taxes paid or collected and remitted during that calendar year. The refund amount may also be limited by a statewide appropriation per year for this refund program.

### **Freeport Property Tax Exemption**

The City of Pearland, Pearland Independent School District and other taxing entities in the city offer Freeport property tax exemption. The exemption allows for a 100% personal property tax exemption for goods, wares, merchandise and other tangible personal property acquired in Texas or brought into Texas and held here 175 days or less before being shipped out of the state. The property must be in the state for assembling, storing, manufacturing, repair, maintenance, processing or fabrication purposes.

### **Pollution Control 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 the 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.

## **TRAINING AND EDUCATION**

### **Skills Development Fund**

The Skills Development Fund is an innovative program created to assist Texas public community and technical colleges in financing customized job training for their local businesses. The fund 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 benefits are \$1,000 per trainee. However, the benefit may vary depending on the proposal.

PEDC staff will work with your company to draft the application for these training funds, and with State of Texas officials overseeing the evaluation and awarding of the funds. PEDC will also assist in maximizing existing training programs present in our region's three primary community colleges: Alvin Community College, Houston Community College and San Jacinto Community College.

### **Economic Development & Diversification: In-State Tuition for Employees**

This incentive allows employees and family members of qualified businesses to pay in-state tuition fees when attending a Texas institution of higher education. Without this incentive designation, a student must reside in Texas for a 12-month period to be entitled to pay the tuition fees of a Texas resident.