



Economic Development Incentives Overview

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 and work to with city, state and county officials to apply for applicable incentive programs.

Local Incentives

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.

Property 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. The project must, at a minimum, increase the value of the real property by \$1 million and create or retain a minimum of 20 new jobs. All tax abatement applications are subject to City Council approval and should be submitted 90 days prior to the start of construction. Tax abatements on expanding eligible businesses may be up to 100% tax abatement for up to a ten-year period.

Freeport Exemption

Section 11.251 of the Tax Code provides for a Freeport exemption applying to goods, wares, ores and merchandise other than oil, gas and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas) and to aircraft or repair parts used by a certificated air carrier. The City of Pearland, Harris County Flood Control, Port of Houston Authority and Harris County Hospital District offer the exemption for all the sites. The freeport exemption exempts certain types of tangible personal property (i.e., inventory) from ad valorem (property) taxation provided the property is:

- Acquired in or imported into Texas to be forwarded out of state
- Detained in Texas for assembling, storing, manufacturing, processing, or fabricating purposes by the person who acquired or imported it; and
- Transported out of state within 175 days after the date the person acquired or imported it into Texas

Foreign Trade Zone

Foreign Trade Zones (FTZ) 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. The City of Pearland has multiple sites located in Foreign Trade Zone 149 (FTZ). 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. The City also has sites located in Foreign Trade Zone 84. Port Houston manages Foreign Trade Zone #84, which includes many privately owned and port-owned sites located throughout Harris County, Texas. FTZ # 84 provides manufacturer-shippers with duty deferred, in-transit storage and assembly of products for import and no duty assessment on products re-exported. Sites within the Zone have been set aside for this purpose and general light manufacturing.

State Incentives

Link to State of Texas Incentive Programs

<https://gov.texas.gov/uploads/files/business/IncentivesOverview.pdf>

<https://gov.texas.gov/business/page/incentives>

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.

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.

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.

Franchise Tax Exemption and Deduction for Business Relocation

This exemption allows companies who are moving their principal place of business to Texas from outside the state to deduct moving expenses from their apportioned margin when calculating franchise liability.

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 percent of the electricity or natural gas consumed by the business directly causes a physical change to a product.

Workforce Training

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. The maximum award amount is \$500,000.

Lone Star Workforce of the Future Fund

The Lone Star Workforce of the Future Fund (LSWF) is a program to increase the supply of qualified workers for entry-level to mid-level jobs in high-demand occupations. Grants may be awarded to public junior colleges, public technical institutes, and nonprofit organizations to develop and administer training programs to support this goal. The grant maximum is \$250,000 with a \$7,500 maximum per employee. Training project must demonstrate a 40% non-State Government source.

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.

PEDC staff will work with your company's team apply 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.