



TAXES & INCENTIVES



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OVERVIEW

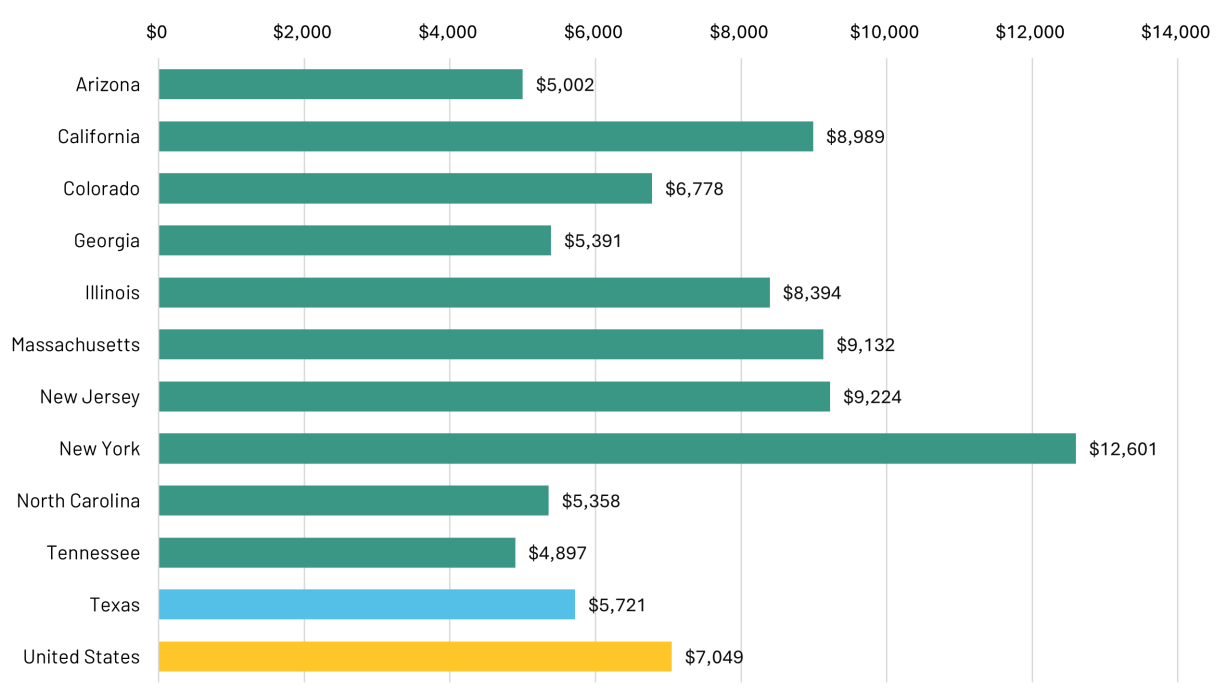
Taxation

In Texas and the Austin region, we've formalized a friendly attitude into a business climate that is truly user friendly. The tax structure is fair, competitive, and designed to make companies feel welcome.

Texas is one of only a handful of states with no individual income tax (a very attractive environment for transferring employees).

Total state and local taxes averaged \$5,721 per person in 2023, approximately 19% less than the national average. Similarly, state and local taxes in Texas are low relative to income, amounting to \$86 per \$1,000 of personal income, compared to the national average of \$101 per \$1,000.

STATE & LOCAL TAXES PER CAPITA 2023



TAX BURDEN 2023

	Texas	United States
State & local taxes per capita, total	\$5,721	\$7,049
Property	2,330	2,037
Sales & gross receipts	2,901	2,512
Individual income	0	1,541
Corporate income	0	458
Other taxes	489	501
State & local taxes per \$1000 of personal income	86	101

Source: U.S. Census Bureau, [State & Local Government Finances](#).



Texas Incentive Opportunities

The State of Texas offers a variety of incentive programs designed to make capital more available for businesses looking to expand or locate in the state, as well as for companies already doing business in Texas. Committed to retaining its "business friendly" reputation, Texas stands ready to help businesses expand, and become globally competitive.

Throughout Central Texas, local governmental and economic development organizations work hand-in-hand to develop competitive incentive packages for qualified companies. Projects are generally reviewed on a case-by-case basis with consideration given to type of industry, number of employees, average wages, capital investment, financial strength, community involvement and other factors.

The region's incentives available for investment and job creation are competitive with peer regions anywhere in the nation.

Texas has the No. 1 State Business Climate. Texas was also first in the Executive Survey portion of the rankings.
([Site Selection](#), 11/25)

Texas has the nation's Best Corporate Tax Environment.
([Area Development](#), 03/25)

Texas is No. 2 on America's Top States for Business ranking.
([CNBC](#), 7/10/25)

Texas has the No. 1 State Business Climate.
([Business Facilities](#), 7/29/25)

For the 21st year in a row, Texas was named the Best State for Business in annual survey of U.S. CEOs.
([Chief Executive](#), 4/28/25)

Austin is the best city in the U.S. to start a business
([USA Today](#), 7/24/24)

TAXES

Income Tax

Texas has no individual income tax, nor does Texas have a corporate income tax.

Corporate Franchise Tax

In 2008, Texas replaced its franchise tax with a tax based on the taxable entity's "margin." Changes made amended [Texas Tax Code Chapter 171](#) to revise the existing franchise tax by changing the tax base, lowering the rate, and extending coverage to active businesses receiving state law liability protection. The [Texas Comptroller](#) has published detailed information on the revision in the [Franchise Tax Overview](#) as well as a [Franchise Tax Calculator](#) worksheet. The Comptroller also provides a helpful [Frequently Asked Questions](#) page.

Entities subject to tax

The tax applies to corporations, limited liability companies, partnerships (general, limited and limited liability), business trusts, professional associations, business associations, joint ventures and other legal entities organized in Texas or that do business in Texas. The tax is not imposed on sole proprietorships, general partnerships directly owned by natural persons, and other specified entities such as certain financial services businesses, nonprofits, and others.

In addition, a corporation in Texas engaged solely in the business of manufacturing, selling, or installing solar energy devices is exempted from the franchise tax. There is no ceiling on this exemption, so it is a substantial incentive for solar manufacturers.

Taxable entities with revenues of \$2,470,000 or less owe no tax. Taxable entities who calculate their tax due to be less than \$1,000 will owe no tax. Taxable entities whose annualized total revenue was less than or equal to the no tax due threshold do not owe any tax and are not required to file a franchise tax report. They are, however, still required to file a Public Information Report or Ownership Information Report.

Tax base

The revised tax base is the taxable entity's "margin." Margin equals the lesser of a taxable entity's: total revenue minus cost of goods sold, total revenue minus compensation, total revenue minus \$1 million, or 70% of total revenue. Taxable margin will be the lowest of the four computations times the apportionment factor.¹ An alternative to computing margin is available to taxable entities with revenue of \$20 million or less (see 'Tax rate' section below).

- [Total revenue](#) is determined based on federal income tax reporting, with certain exclusions.
- [Cost of goods sold](#) generally includes costs related to the acquisition and production of tangible personal property and real property. There are other cost of goods sold allowances for certain industries. Taxable entities that only sell services will not generally have a cost of goods sold deduction.
- [Compensation and benefits](#) include: W-2 wages and cash compensation paid to officers, directors, owners, partners and employees; and benefits provided to all personnel, including workers' compensation, health care and retirement benefits. Compensation does not include 1099 labor or payroll taxes paid by the employer.²

¹ Because of a change enacted in 2019, aerospace companies that do business with the U.S. government can essentially deduct both cost of goods sold and compensation and benefits. The tax cut will be phased in over five years, with the companies able to deduct 100% of their eligible aerospace costs starting in 2024.

² The compensation deduction limit for any one person in wages and cash compensation is \$450,000 per 12-month period on which the tax is based.



The tax base is apportioned to Texas using a single-factor gross receipts apportionment formula—Texas gross receipts³ divided by gross receipts everywhere.⁴ Gross receipts everywhere will equal total revenue for almost all taxpayers⁵.

Taxable entities that are part of an affiliated group engaged in a unitary business must file a combined group report.⁶ Members of a combined group must use the same method to compute margin.

Tax rate

The tax rate is 0.75% of margin for most taxable entities. The tax rate is 0.375% for entities primarily engaged in retail and wholesale trades (as defined in Divisions F and G of the 1987 Standard Industrial Classification Manual), excluding retailing or wholesaling of utilities, including telecommunications services, electricity or gas.

Taxpayers whose total revenue is \$20 million or less may elect for the E-Z Computation which provides an alternative to computing margin. E-Z filers may not claim any credits. For these filers, the franchise tax due is determined by multiplying total revenue by the apportionment factor and then multiplying the apportioned total revenue by a tax rate of 0.331%.

Property Tax

Local governments and special taxing districts levy taxes on real and tangible personal property. Texas has no state property tax. All property is appraised at full market value, and taxes are assessed by local county assessors on 100% of appraised value. The total tax rate is the sum of the rates of all applicable taxing units including cities, counties, schools, and special districts.

In 2025, a state Constitutional amendment exempted the first \$125,000 of market value of business personal property used to generate income from property taxes.

Local governments have the option to [exempt goods exported from Texas \(freeport goods\) and goods in transit](#) from ad valorem taxation. Freeport goods are inventories acquired or brought into the state by businesses and held for no more than 175 days before being shipped out of state. A number of [jurisdictions in the Austin area](#) have chosen to allow the exemption.

Property utilized for [pollution control](#) and [solar or wind-powered energy devices](#) are exempt from ad valorem taxation.

Local governments can enter into agreements with businesses to abate local ad valorem taxes on real and personal property for up to 10 years.

³ Gross receipts in Texas include sales of real property located in Texas, sales of tangible personal property when the property is delivered or shipped to a purchaser within Texas, services performed within Texas, rentals of property situated in Texas, royalties from use of patents or copyrights within Texas, revenues from the use of trademarks, franchises or licenses within Texas and all other business revenue within Texas including dividends and interest from Texas payers. Generally, any amounts excluded from total revenue may not be included in the determination of Texas gross receipts.

⁴ Gross receipts everywhere includes all sales of real property, all sales of tangible personal property, all services, all rentals, all royalties from use of patents, copyrights, trademarks, franchises or licenses and all other business revenue including dividends and interest. Generally, any amounts excluded from total revenue may not be included in the determination of Everywhere Gross Receipts.

⁵ Exceptions include health care providers, health care institutions, lawyers and security broker/dealers.

⁶ Combined groups include all entities, even those without nexus, that meet two criteria: ownership and unitary.



Property tax rates (%) in selected Austin metro area communities
2025

City	County	County	City	School district	Comm. college	Other	Total
Austin	Travis	0.3758	0.5240	0.9252	0.1034	0.1180	2.0464
Austin	Williamson	0.4137	0.5240	0.8931	0.1034	-	1.9342
Bastrop	Bastrop	0.4287	0.5040	1.0679	-	-	2.0006
Buda	Hays	0.3999	0.3576	1.1546	0.1034	0.1690	2.1845
Cedar Park	Williamson	0.4137	0.3600	1.0869	0.1034	-	1.9640
Dripping Springs	Hays	0.3999	0.2267	1.1052	-	0.1302	1.8620
Elgin	Bastrop	0.4287	0.6192	1.2234	0.1034	-	2.3727
Georgetown	Williamson	0.4137	0.3530	1.0506	-	-	1.8173
Hutto	Williamson	0.4137	0.3859	1.2052	0.0408	0.1000	2.1457
Jarrell	Williamson	0.4137	0.3940	1.1669	-	0.0999	2.0746
Kyle	Hays	0.3999	0.5957	1.1546	0.1034	0.1307	2.3843
Lago Vista	Travis	0.3758	0.4200	1.0169	-	0.2180	2.0307
Leander	Williamson	0.4137	0.4172	1.0869	0.1034	-	2.0213
Liberty Hill	Williamson	0.4137	0.4694	1.2389	-	0.0744	2.1965
Lockhart	Caldwell	0.4391	0.5541	0.9396	-	0.0307	1.9635
Luling	Caldwell	0.4391	0.4092	0.8469	-	-	1.6952
Manor	Travis	0.3758	0.8537	1.0814	0.1034	0.2180	2.6323
Pflugerville	Travis	0.3758	0.5350	1.1069	-	0.0927	2.1105
Rockdale	Milam	0.5111	0.8500	1.0691	-	0.0890	2.5193
Round Rock	Williamson	0.4137	0.3720	0.8931	0.1034	-	1.7822
San Marcos	Caldwell	0.4391	0.6515	1.0152	-	0.0884	2.1942
San Marcos	Hays	0.3999	0.6515	1.0152	-	-	2.0666
Smithville	Bastrop	0.4287	0.6389	0.9425	-	-	2.0101
Taylor	Williamson	0.4137	0.5850	1.0638	-	-	2.0625

Note: The totals in this table represent the "typical" property tax rates in each community. In practice, a range of rates may apply within a single community due to the boundaries of school and other special districts which do not align with municipal boundaries.

Source: County assessors or appraisal districts.

Sales & Use Tax

The state levies a sales and use tax of 6.25% on sales of tangible personal property and certain services. Cities, counties, and transit authorities may add to the sales tax rate up to a maximum combined state and local rate of 8.25%.

Texas grants sales and use tax exemptions on [machinery and equipment utilized in the manufacturing process](#).

Purchases of machinery and 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.

Natural gas and electricity are exempt from sales taxes when sold to commercial businesses that are "predominantly" manufacturing.

Groceries and over-the-counter drugs and medicines, as well as prescription drugs, are exempt from sales tax.



Sales & use tax rates in selected Austin metro area communities

City	County	State	County	City	Metro transit authority	Special purpose district	Total
Austin	Travis	6.25%		1.00%	1.00%		8.25%
Austin	Williamson	6.25		1.00	1.00		8.25
Bastrop	Bastrop	6.25	0.50%	1.50			8.25
Buda	Hays	6.25	0.50	1.50			8.25
Cedar Park	Williamson	6.25		2.00			8.25
Dripping Springs	Hays	6.25	0.50	1.25		0.25%	8.25
Elgin	Bastrop	6.25	0.50	1.50			8.25
Georgetown	Williamson	6.25		2.00			8.25
Hutto	Williamson	6.25		2.00			8.25
Jarrell	Williamson	6.25		2.00			8.25
Kyle	Hays	6.25	0.50	1.50			8.25
Lago Vista	Travis	6.25		1.00	1.00		8.25
Leander	Williamson	6.25		1.00	1.00		8.25
Liberty Hill	Williamson	6.25		1.75		0.25	8.25
Lockhart	Caldwell	6.25	0.50	1.50			8.25
Luling	Caldwell	6.25	0.50	1.50			8.25
Manor	Travis	6.25		1.00	1.00		8.25
Pflugerville	Travis	6.25		1.50		0.50	8.25
Rockdale	Milam	6.25	0.50	1.00		0.50	8.25
Round Rock	Williamson	6.25		2.00			8.25
San Marcos	Caldwell	6.25	0.50	1.50			8.25
San Marcos	Hays	6.25	0.50	1.50			8.25
Smithville	Bastrop	6.25	0.50	1.50			8.25
Taylor	Williamson	6.25		2.00			8.25

Source: [Texas Comptroller of Public Accounts](#).

Unemployment Insurance

Businesses that employ one or more individuals may be subject to the state unemployment tax. New employers pay 2.7% on the first \$9,000 of wages per employee. A minimum of six quarters is required to obtain an experience rating in order to determine an employer's revised rate. The [Texas Workforce Commission](#) indicates that the effective tax rate in 2024 ranges from a minimum of 0.25% to a maximum of 6.25% for experienced-rated accounts and the average experience tax rate is 1.05%.

Estimated employer contribution rates, 2024

	Average employer tax rate as a % of taxable wages	Average employer tax rate as a % of total wages
Texas	1.77%	0.32%
United States	2.03	0.47

Source: U.S. Employment & Training Administration, [Average Employer Contribution Rates by State](#).

Workers' Compensation

Texas' workers' compensation is managed by the [Division of Workers Compensation](#) (DWC) of the Texas Department of Insurance (TDI). Workers' compensation is not mandatory in Texas.

The Texas Workers' Compensation Act limits a business' liability for job-related injuries if the employer has a workers' compensation policy from a licensed insurance carrier or has been certified to self-insure by the Texas Workers' Compensation Commission. Only companies specifically licensed to sell workers' compensation in Texas may legally offer such insurance. They may sell only the standard policy adopted by the Commissioner of Insurance.



[Businesses without workers' compensation coverage](#) face unlimited liability if an employee is injured and can prove in court that the employer was negligent in any way. Texas employers who do not carry workers' compensation insurance coverage are required to report their non-coverage status to their employees and to the DWC, as well as report work-related injuries and occupational diseases to the DWC.

An insurance carrier may choose to base its rates on its own independent company-specific relativities filed by the company or loss costs filed by the National Council on Compensation Insurance.

The loss costs filed by NCCI for each classification are intended to cover the indemnity and medical benefits provided under the workers' compensation system in Texas, as well as the expenses associated with providing these benefits. [Companies file a loss cost multiplier](#) (LCM), which contemplates any other expenses associated with providing workers' compensation insurance, such as agents' commissions, profits and taxes for the company.

Thus, rates and rating plans vary from one insurance carrier to another. It is to an employer's benefit to shop around for the most affordable coverage. The TDI publishes [basis of rate tables](#) which set out the relativities by classification which are the base rates for a majority of insurance carriers. This will assist employers in comparison shopping for workers' compensation and employers' liability insurance in Texas.

The insurance company assigns policyholders to one or more [classifications based on the policyholder's type of business](#).⁷ The company then determines the employer's payroll for each classification. The total payroll for each classification is multiplied by the company's rate for that classification (rate per \$100 payroll). The employer's premium is the sum of the premiums for the individual classifications, plus fees and credits.

To determine the rate for a specific classification, you multiply the loss cost by the LCM for a specific company. For example, the July 1, 2024, loss cost for Code 5551 (Roofing) is 2.44. If a company files an LCM of 1.50, then the rate for Code 5551 is 3.66 (2.44 X 1.50 = 3.66) per \$100 payroll.

There are other factors that may be utilized to increase or decrease the employer's premium. An experience rating modifier that reflects the employer's past loss history may be applied to the premium. (The employer may be able to negotiate the experience modifier downward if they have improved loss ratios or implemented improved safety programs.) A schedule rating debit or credit may be applied to the premium depending on individual characteristics of the employer's business that may not be reflected in the rate. In addition, there are several optional rating plans such as deductibles or retrospective rating that are available to insureds that may reduce premiums.

For more information, see TDI's [Workers' Compensation Insurance guide](#) for business owners and [Workers' Compensation Topics A-Z](#).

Workers' compensation program costs per \$100 of covered wages

	2020	2021	2022	Percent change 2020-2022
Employer costs				
Texas	\$0.46	\$0.41	\$0.41	-10.9%
United States	1.08	1.01	1.00	-7.4
Benefit payouts				
Texas	\$0.23	\$0.20	\$0.18	-21.7%
United States	0.68	0.63	0.60	-11.8

Note: Estimates of employer costs are equal to the sum of: premiums and deductibles paid to private insurers and state funds; benefits and administrative costs paid by self-insured employers; and assessments paid to special funds (e.g., second-injury funds).

Source: National Academy of Social Insurance, [Workers' Compensation: Benefits, Coverage, and Costs 2022](#), November 2024.

⁷ Texas no longer publishes a classifications listing, instead referring users to manuals available for subscription from NCCI. However, pre-2014 classifications are still available on the TDI website and it is possible to call NCCI to obtain a classification number without having a subscription.



INCENTIVES

Texas Enterprise Zone Program

The [Texas Enterprise Zone Program](#) is an economic development tool for local communities to partner with the State of Texas to promote job creation and capital investment in economically distressed areas of the state.

Designated projects are eligible to apply for state sales and use tax refunds on purchases of all taxable items purchased for use at the qualified business site related to the project or activity. The level and amount of refund is related to the capital investment and jobs created at the qualified business site.

Local communities must nominate a company as an Enterprise Project to be eligible to participate in the Enterprise Zone Program. In addition, in order to qualify a project for the Enterprise Zone Program, local communities must offer incentives to the project such as tax abatement, tax increment financing, and one-stop permitting. Legislation limits the number of projects that can be designated per biennium. The state accepts applications quarterly with deadlines on the first working day of March, June, September and December.

Communities may nominate projects for a designation period up to five years, non-inclusive of a 90-day window prior to the application deadline. Employment and capital investment commitments must be incurred and met within this time frame.

Projects may be physically located in or outside of an Enterprise Zone:

- If located within a zone, the company commits that at least 25% of their new employees will meet economically disadvantaged, enterprise zone residence, or veteran requirements.
- If located outside of a zone, the company commits that at least 35% of their new employees will meet economically disadvantaged, enterprise zone residency, or veteran requirements.

Enterprise Zones exist in all five of the Austin metropolitan area's counties ([pdf map](#) and [interactive map](#)).

State benefits to participation

Level of capital investment	Maximum number of jobs allocated	Maximum potential refund	Maximum refund per job allocated
\$40,000 to \$5,000,000 or more ("Half Enterprise Project")	250	\$625,000	\$2,500
\$5,000,000 to \$149,999,999 ("Enterprise Project")	500	1,250,000	2,500
\$150,000,000 to \$249,999,999 ("Double Jumbo Project")	500	2,500,000	5,000
\$250,000,000 or more ("Triple Jumbo Project")	500	3,750,000	7,500

Double and Triple Jumbo Projects may not count retained jobs for benefit. A Double or Triple Jumbo project must create at least 500 jobs.

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.⁸

Under limited statutory provisions, an enterprise project designation may be granted for job retention.

⁸ For the year ending 2024 Q4, these wages are:
 Bastrop County: \$1,040 weekly or \$54,080 annually
 Caldwell County: \$1,019 weekly or \$52,975 annually
 Hays County: \$1,054 weekly or \$54,795 annually
 Travis County: \$1,868 weekly or \$97,136 annually
 Williamson County: \$1,547 weekly or \$80, annually

Franchise Tax Exemptions & Credits

Solar Energy Franchise Tax Exemption

A corporation in Texas engaged solely in the business of manufacturing, selling, or installing solar energy devices is exempted from the franchise tax. There is no ceiling on this exemption provided by [Section 171.056 of Texas Tax Code](#), so it is a substantial incentive for solar manufacturers.

For the purposes of this exemption, a solar energy device means "a system or series of mechanisms designed primarily to provide heating or cooling or to produce electrical or mechanical power by collecting and transferring solar-generated energy. The term includes a mechanical or chemical device that has the ability to store solar-generated energy for use in heating or cooling or in the production of power."

Research & Development Tax Credit

Companies engaged in qualified research activities (as defined under federal tax law) in Texas may choose between accepting a [sales tax exemption or a franchise tax credit](#) for materials, software and equipment used for R&D purposes.

The credit available is 5% of the difference between: (1) qualified research expenses incurred during the period on which the reporting period and (2) 50% of the average amount of qualified research expenses incurred during the three tax periods preceding the period on which the report is based. If the taxable entity has no qualified research expenses in one or more of the three tax periods preceding the period on which the report is based, the credit for the period on which the report is based equals 2.5% of the qualified research expenses incurred during that period.

An additional franchise tax credit would be available to companies that partnered on research projects with universities and private higher education institutions. In this case, the credit available is 6.25% of the difference between: (1) qualified research expenses incurred during the period on which the reporting period and (2) 50% of the average amount of qualified research expenses incurred during the three tax periods preceding the period on which the report is based. If the taxable entity has no qualified research expenses in one or more of the three tax periods preceding the period on which the report is based, the credit for the period on which the report is based equals 3.125% of the qualified research expenses incurred during that period. Unused credits may be carried forward.

Relocation Expenses Deduction

Companies [may deduct from apportioned margin relocation costs](#) incurred in relocating their main office or other principal place of business to Texas from another state provided the company (1) did not do business in Texas before the relocation and (2) is not a member of an affiliated group engaged in a unitary business, another member of which is already doing business in Texas.

Deductible relocation costs include (1) costs of relocating computers and peripherals, other business supplies, furniture, and inventory; and (2) any other costs related to the relocation that are allowable deductions for federal income tax purposes. The deduction must be taken on the company's initial franchise tax filing.

Renewable Energy Device Deductions

A taxable entity may deduct from its apportioned margin 10% of the amortized cost of a solar energy device. Under [the statute's](#) definition, wind energy is also included as an eligible technology. A similar deduction is available for equipment associated with a [clean coal project](#).



Aerospace Companies' Computation of Taxable Margin

[House bill 1607](#), enacted in 2019, modifies [Texas Tax Code Section 171.101](#) to allow taxable entities incurring certain federally contracted aerospace costs to subtract a percentage of these costs beyond what was included in cost of goods sold or compensation in computing their taxable margins under the franchise tax. Such costs could not already have been subtracted from the entity's taxable margin, and they would have to have been allocated and incurred under the Federal Acquisition Regulations System and subject to the requirements of the Defense Acquisition Regulations System or the National Aeronautics and Space Administration for contracts or for supporting subcontracts for such goods and services. The tax cut is being phased in over five years, with the companies able to deduct 100% of their eligible aerospace costs starting in 2024.

Tax Credit for Rehabilitation of Historic Structures

A tax credit of 25% of the total eligible costs and expenses incurred in the [certified rehabilitation of the certified historic structure](#) can be applied to a taxpayer's franchise tax due. The taxpayer must have an ownership interest in the certified historic structure in the year during which the structure is placed in service after the rehabilitation. Eligible structures are Recorded Texas Historic Landmarks, listed in the National Register of Historic Places, or located in specified historic districts. Eligible costs and expenses are defined by the Internal Revenue Code. Carryforward is available and credits can be sold or assigned.

Property Tax Abatements & Exemptions

Property Tax Abatement Agreements

A [property tax abatement](#) is a local agreement between a taxpayer and a taxing unit that exempts all or part of the increase in the value of the real property and/or tangible personal property from taxation for a period not to exceed 10 years. Tax abatements are an economic development tool available to cities, counties and special districts to attract new industries and to encourage the retention and development of existing businesses through property tax exemptions or reductions. School districts may not enter into abatement agreements. The statutes governing tax abatements are located in [Texas Tax Code Chapter 312](#). Each taxing unit that wants to consider tax abatement proposals must designate a reinvestment zone or an enterprise zone.

Chapter 380/381 Financing

Chapters [380](#) and [381](#) of the Local Government Code provide legislative authority for Texas municipalities and counties to provide a [grant or a loan of city or county funds or services](#) in order to promote economic development. Local governments have utilized the provisions under this law to provide a wide array of incentives that have drawn businesses and industries to locales throughout Texas. Whether a local government provides any such incentive is completely discretionary. A city or county may provide a Chapter 380 or 381 grant in the form of a sales or property tax rebate.

Chapter 403 Abatement Agreements

The [Texas Jobs, Energy, Technology and Innovation Act](#), signed into law on June 7, 2023, [amends Chapter 403](#) of the Texas Government Code. The [Texas Comptroller of Public Accounts](#) provides detailed information, including application forms, for prospective applicants.

This new program allows Texas school districts to cap the taxable value of property for 10 years. The cap applies only to the maintenance and operations (M&O) portion of school taxes (the cap does not apply to the portion of the school tax rate that goes toward debt).⁹ Under Chapter 403, 50% of a property's value can be capped. The cap can increase to 75% for projects in federally-designated Opportunity Zones.

⁹ The M&O portion represents the majority of a school district's rate.



The required number of jobs and capital investment is determined by county population:¹⁰

Population	Min. Investment	Min. Jobs
750,000+	\$200 million +	75
250,000-749,999	\$100 million +	50
100,000-249,999	\$50 million +	35
<100,000	\$20 million +	10

Eligible projects include those related to energy¹¹, technology, and innovation. All manufacturing projects and dispatchable electric generation facilities are eligible. Some water-related projects are eligible, as are research and development facilities.¹²

The average annual wage to all employees in connection with the project will exceed 110% of the average annual wage in the applicable industry sector. The employer is required to offer and contribute to a group health benefit plan for each employee in a full-time job. Companies that receive the incentives must create an apprenticeship program with the partnering school district.

To begin the application process, the company submits an application to the Texas Comptroller of Public Accounts. The Comptroller will review the application to ensure it meets the required criteria and make a recommendation for approval. The Comptroller must take action within 60 days of determining an application to be complete. No later than 30 days from receiving the comptroller's recommendation, the governor approves an application by written notice to the comptroller, school district and oversight committee. The school district receives the comptroller's recommendation at the same time as the governor. The school district must hold a public hearing and provide notice of the hearing. The governor, school district, and applicant may sign the agreement if the application is not denied within 30 days.

Reinvestment Zones

The designation of specified areas as "reinvestment zones" is a local economic development tool used by municipalities and counties throughout the state of Texas. Reinvestment zones have been used to stimulate local economies by attracting new companies and encouraging the growth of existing businesses. These zones can be created for the purpose of granting local businesses ad valorem property tax abatements on a portion of the value of real and/or tangible personal property located in the zone, for a period of up to 10 years.

Special taxation entities having jurisdiction over a reinvestment zone may participate in executed abatement agreements; however, the special taxing districts may not designate reinvestment zones or initiate tax abatement agreements. Reinvestment zones are designated by local ordinance or resolution. Incorporated cities, counties and special districts are allowed to enter into tax abatement agreements. However, school districts no longer possess this ability.

The Comptroller of Public Accounts has responsibility for the state's central registry of reinvestment zones for tax abatements and tax increment financing. [Comptroller reports](#) indicates active reinvestment zones in 14 communities in four area counties (Austin, Buda, Cedar Park, Dripping Springs, Elgin, Georgetown, Hutto, Kyle, Leander, Liberty Hill, Lockhart, Manor, Pflugerville, Round Rock, and Taylor).

¹⁰ U.S. Census Bureau county population estimates for 2024:

Bastrop Co.	114,931
Caldwell Co.	52,430
Hays Co.	292,029
Travis Co.	1,363,767
Williamson Co.	727,480

¹¹ Dispatchable electric generation facilities. Renewable energy projects or energy storage facilities are not eligible. Dispatchable electric generation is not subject to job requirements.

¹² Eligible projects are in [defined NAICS classifications](#).



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 parts¹³, a community, by official action, may extend the deadline to 730 days.

The law requires an annual application to the county appraisal district to claim a property tax exemption for freeport goods.

Community college districts cannot adopt the freeport exemption.

A [freeport exemptions map](#) is located on Opportunity Austin's website.

Freeport exemption availability in selected communities

		City	County	School district
Austin	Travis & Williamson Counties	Yes	Yes	No/Yes ¹⁴
Bastrop	Bastrop County	Yes	Yes	Yes
Buda	Hays County	Yes	Yes	Yes
Cedar Park	Williamson & Travis Counties	Yes	Yes	Yes
Dripping Springs	Hays County	No	Yes	Yes
Elgin	Bastrop County	Yes	Yes	Yes
Georgetown	Williamson County	Yes	Yes	Yes
Hutto	Williamson County	Yes	Yes	Yes
Jarrell	Williamson County	Yes	Yes	Yes
Kyle	Hays County	Yes	Yes	Yes
Lago Vista	Travis County	Yes	Yes	No
Leander	Williamson County	Yes	Yes	Yes
Liberty Hill	Williamson County	Yes	Yes	Yes
Lockhart	Caldwell County	Yes	Yes	Yes
Luling	Caldwell County	Yes	Yes	Yes
Manor	Travis County	Yes	Yes	Yes
Pflugerville	Travis County	Yes	Yes	Yes
Round Rock	Williamson & Travis Counties	Yes	Yes	Yes
San Marcos	Caldwell & Hays Counties	Yes	Yes	Yes
Smithville	Bastrop County	Yes	Yes	No
Taylor	Williamson County	Yes	Yes	Yes

Pollution Control Equipment

A Texas constitutional amendment providing an exemption from property taxation for pollution control equipment 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 Environmental 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.

¹³ Aircraft or repair parts used by a certified air carrier.

¹⁴ Austin ISD has not approved the Freeport exemption, however, portions of the City of Austin include the following school districts that do offer the exemption: Del Valle ISD, Leander ISD, Manor ISD, Pflugerville ISD and Round Rock ISD.

Solar or Wind-Powered Energy Devices

The Texas property tax code allows an exemption of the amount of the appraised property value that arises from the installation or construction of a solar or wind-powered energy device that is primarily for the production and distribution of thermal, mechanical, or electrical energy for on-site use, or devices used to store that energy. The Texas Comptroller publishes [guidelines for the solar and wind-powered energy device exemption](#).

Medical & Biomedical Property

Texas' 88th Legislature established a [property tax exemption for medical or biomedical property](#) that became effective January 1, 2024. A company is entitled to an exemption from taxation of medical or biomedical property that is located in a medical or biomedical manufacturing facility that the company owns or leases. Qualified medical or biomedical property is tangible personal property that is:

- stored, used or consumed in the manufacturing or processing of medical or biomedical products by a medical or biomedical manufacturer;
- or intended for use in the diagnosis, cure, mitigation, treatment or prevention of a condition or disease or in medical or biomedical research, including the invention, development and dissemination of materials, tools, technologies, processes and similar means for translating and applying medical and scientific research for practical applications to advance public health.

A qualified medical or biomedical manufacturing facility is a facility at which a company conducts manufacturing or processing of medical or biomedical products for the purpose of development and commercialization of products to advance public health.

Sales & 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](#). Tangible personal property that becomes an ingredient or component of an item manufactured for sale, as well as taxable services performed on a manufactured product to make it marketable are exempt. The exemption also applies to tangible personal property that makes a chemical or physical change in the product being manufactured and is necessary and essential in the manufacturing process, as well as semiconductor fabrication and pharmaceutical biotechnology cleanrooms and equipment.

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.

Gas and electricity are also exempted from sales and use taxes if used in the processing, storage, and distribution of data by a qualified data center (a facility certified by the Comptroller as a qualifying data center under [Section 151.359](#)).

Water & Wastewater

[Section 151.315 of Texas Tax Code](#) exempts sales of water from the sales tax. The disposal of wastewater is a nontaxable service.



Construction Labor

Construction labor is not taxable for [new construction projects](#) (building new structures and completing unfinished structures). In addition, the labor to increase the production capacity of a manufacturing or processing production unit in a petrochemical refinery or chemical plant is not taxable.

Chapter 380/381 Financing

Chapters [380](#) and [381](#) of the Local Government Code provide legislative authority for Texas municipalities and counties to provide [a grant or a loan of city or county funds or services](#) in order to promote economic development. Local governments have utilized the provisions under this law to provide a wide array of incentives that have drawn businesses and industries to locales throughout Texas. Whether a local government provides any such incentive is completely discretionary. A city or county may provide a Chapter 380 or 381 grant in the form of a sales or property tax rebate.

Research & Development

Beginning January 2014, companies engaged in qualified research activities (as defined under federal tax law) in Texas may choose between accepting a [sales tax exemption or a franchise tax credit](#) for materials, software and equipment used for R&D purposes. The sales tax exemption can be applied to the sale, storage, or use of depreciable tangible personal property directly used in qualified research. A 2025 bill increased the incentive amount further, increasing the credit rate, adding additional benefits for partnering with Universities, converting it to a refundable credit in some cases, and allowing carryover if unused in an individual year.

Food & Over-the-Counter Drugs & Medicines

[Food products](#) (such as flour, sugar, bread, milk, eggs, fruits, vegetables and similar groceries) and [over-the-counter drugs and medicines](#) that are required by the U.S. Food and Drug Administration to be labeled with a Drug Facts panel, as well as prescription drugs, are not taxable. Wound care items, hygiene products, and nutritional supplements are also tax exempt.

Data Centers

Tangible property necessary to operate a data center is [exempt from state sales and use taxes](#) provided the data center meets certain criteria. The single-occupant Texas data center must be at least 100,000 square feet, specifically built or refurbished to house servers and data processing and storage equipment, not be used primarily for delivery of telecommunications services, and have an uninterruptable power source, backup generator, and advanced security and safety technology.

The data center would have to create at least 20 permanent jobs, not including jobs transferred from within the state, with a salary 120% or higher than the average salary in the county in which the data center was built. The data center owner would have to make or agree to make a capital investment of at least \$200 million in the data center over a 5-year period. The exemption would expire 10 years after the date of the first exemption for an operator that invested more than \$200 million and less than \$250 million, and 15 years if the operator invested more than \$250 million.

Telecom, Internet & Cable TV

Providers of telecommunications, internet access, and cable television services can obtain a [refund of the state sales and use taxes paid](#) on tangible personal property used or consumed in transmitting, routing, or distributing those services.

Film, Video & Audio Production Companies & Broadcasting Companies

A production company may claim a [sales or use tax exemption](#) on items or services necessary and essential and used or consumed during the production of a motion picture, commercial, television project, corporate film, infomercial, or video game. These rules apply only to projects intended for commercial distribution, broadcast, or some other exhibition.

Exempt items include tangible personal property that becomes a component part of the qualifying motion picture, video or audio recording, or broadcast; cameras; film; film developing chemicals; lights; props; sets; teleprompters; microphones; digital equipment; special effects equipment and supplies; audio or video routing switchers located in a studio; certain services; and certain other equipment and tangible personal property that are necessary and essential to and used directly in the production.

Non-exempt items include office equipment or supplies; maintenance or janitorial equipment or supplies; machinery, equipment, and supplies used in sales or transportation activities; machinery, equipment, or supplies used in distribution activities, unless otherwise exempted; taxable items used incidentally in a qualifying production or broadcast; telecommunications equipment and services; transmission equipment; security services; motor vehicle parking services; and food and beverages.

Production companies can also obtain [hotel occupancy tax exemptions](#) (state and local occupancy taxes can be waived after the 30th day for stays longer than 30 consecutive days) and tax refunds or exemptions for [fuels used off road](#).

Enterprise Zones

The [Texas Enterprise Zone Program](#) also offers opportunities for sales and use tax refunds. See Texas Enterprise Zone Program section at the beginning of the INCENTIVES section of this document.

Financing Programs

Texas Enterprise Fund

The [Texas Enterprise Fund](#) (TEF) was established in 2003 to allow the state to respond quickly and aggressively to opportunities to bring jobs and employers to Texas. The funds are used primarily to attract new business to the state or assist with the substantial expansion of an existing business as part of a competitive recruitment situation.

Award dollar amounts are determined using an analytical model applied uniformly to each TEF applicant. This model assures that the State of Texas will see a full return on its investment within the period of a project contract due to the resulting increase in estimated sales tax revenues. Variations in award amounts are influenced by the number of jobs to be created, the expected timeframe for hiring, and the average wages to be paid. Award amounts typically range between \$1,000 and \$10,000 per qualified job. In the past, awards have ranged from \$75,000 to \$40 million.

To be eligible for TEF support, a project must demonstrate a significant return on the state's investment and strong local support. The review process will consider a variety of factors associated with each project, including job creation and wages, capital investment, the financial strength of the applicant, the applicant's business history, analysis of the relevant business sector, and public and private sector financial support. The project must have community involvement from the city, county, and/or school district, primarily in the form of local economic incentive offers. Before funds can be awarded, the Governor, Lieutenant Governor and Speaker must unanimously agree to support the use of the Texas Enterprise Fund for each specific project.

In 2018, an additional incentive benefit for new TEF grantees was implemented to encourage the hiring of military veterans. New grantees, in addition to being eligible for funding on a per-job-created basis, will be eligible for an additional \$1,000 per job filled by a veteran during the first year of job creation.



Chapter 380/381 Financing

Chapters 380 and 381 of the Local Government Code provide legislative authority for Texas municipalities and counties to provide a [grant or a loan of city funds or services](#) in order to promote economic development. Local governments have utilized the provisions under this law to provide a wide array of incentives that have drawn businesses and industries to locales throughout Texas. Whether a local government provides any such incentive is completely discretionary.

Economic Development Sales Tax Corporations

Voters in Texas cities have the option of imposing a local sales and use tax to help finance economic development efforts. Cities may adopt an [economic development sales tax](#) under Section 4A or Section 4B of the Development Corporation Act of 1979. Chapters 501, 504 and 505 of the Local Government Code outline the characteristics of Type A and Type B economic development corporations (EDCs), authorize cities to adopt a sales tax to fund the corporations and define projects EDCs are allowed to undertake.

Type A EDCs are typically created to fund industrial development projects such as business infrastructure, manufacturing and research and development. Type A EDCs can also fund military base realignment, job training classes and public transportation. EDCs may use Type A revenue to fund land, buildings, equipment, facilities expenditures, and targeted infrastructure and improvements for projects that create or retain primary jobs.

Type B EDCs can fund all projects eligible for Type A, as well as parks, museums, sports facilities and affordable housing. However, Type B EDCs are subject to more administrative restrictions than Type A, such as public hearings and waiting provisions.

An EDC must enter into a written performance agreement with any business enterprise that it funds directly or makes expenditures that benefit an eligible project. At a minimum, the performance agreement must contain: a schedule of additional payroll or jobs to be created or retained; the capital investment to be made by the business enterprise; and the terms for repayment of the EDC's investment if the business fails to meet the performance requirements specified in the agreement.

4A & 4B economic & industrial development corporations in the Austin region¹⁵

4A	4B		
Cedar Park	Bastrop	Hutto	Rollingwood
Georgetown	Bee Cave	Lago Vista	Round Rock
Jarrell	Buda	Liberty Hill	Thorndale
Taylor	Cedar Park	Lockhart	Uhland
	Elgin	Luling	Webberville
	Georgetown	Pflugerville	

Source: [Texas Comptroller of Public Accounts](#).

¹⁵ An EDC may undertake projects outside city limits so long as it is clear that the city benefits from the project. If an EDC undertakes a project outside city limits, it must receive permission to do so from the governing body of the entity with jurisdiction in that area. For example, if an EDC locates a project beyond the city limits, it should seek approval from the county's commissioners court.

Texas Small Business Credit Initiative

Texas administers two programs under the [Texas Small Business Credit Initiative](#) (TSBCI): a Capital Access Program (CAP) and a Loan Guarantee Program (LGP), which are open to eligible new and existing Texas businesses with 499 or fewer employees. These programs assist small business growth and create new jobs through increased access to small business funding. TSBCI programs will assist all small businesses, but will focus on traditionally marginalized and those that have been impacted by the COVID-19 pandemic. Eligible businesses must also be for-profit organizations, domiciled in Texas, and have a minimum of 51% of their employees currently located in Texas.

The CAP supports small businesses by working with financial institutions including banks, credit unions, and community development financial (CDFI's), to offer small business loans. To encourage lenders to make loans to small businesses that struggle to access capital, the CAP provides matching portfolio insurance premium payments to a loan loss reserve (LLR) account created for each participating financial institution, reducing the lender's portfolio risk. Loans of \$5,000 up to \$5 million may be enrolled in the CAP. Both the lender and the borrower must make matching premium payments of up to 3.5% of the loan principal to the LLR account. The State will match the combined amount the borrower and the lender contributed to the LLR.

The LGP supports small businesses by working with financial institutions to offer small business loan guarantees. The LGP provides guarantees of up to 80% of unpaid principal on enrolled loans. By providing loan guarantees, the program provides financial institutions the additional assurance needed to extend loans to small business that otherwise face challenges in accessing capital. Loans of \$5,000 up to \$20 million may be enrolled in the LGP. Loan guarantees may be up to 80%, but no higher than \$4 million. Interest rate and qualifications will be determined by each participating lender.

TSBCI is administered by the Economic Development Finance Division of the Texas Economic Development and Tourism Office, within the Office of the Governor, on behalf of the U.S. Department of the Treasury. Businesses do not apply directly to the TSBCI program for a loan, instead, they contact their preferred financial institution or a registered participating institution.

Texas Semiconductor Innovation Fund

The Texas CHIPS Act, approved in June 2023, creates a \$698 million [Texas Semiconductor Innovation Fund \(TSIF\)](#) benefiting companies engaged in semiconductor research, design and manufacturing in Texas. The fund will issue grants to private businesses private business entities planning new or expanded semiconductor manufacturing and design projects. Businesses must have an established presence in Texas¹⁶ and be positioned to advance or sustain Texas' position as a leader in the semiconductor industry, undertake capital investment, and create jobs. Applications for TSIF grants will be accepted on a rolling basis with no application deadline until TSIF funds are exhausted. A demonstration of local support in the form of local economic incentives is taken into account. Initiatives that have been announced are not prohibited and may be eligible for TSIF funding. Applications are submitted to the Economic Development and Tourism Office in the Office of the Governor.

The Act also provides matching funds to universities¹⁷ and other state entities that invest in chip design or manufacturing projects.

Cancer Prevention & Research Institute of Texas Grants

The Cancer Prevention and Research Institute of Texas (CPRIT) funds awards for cancer research, product development, and prevention. Recipients of CPRIT awards include academic institutions, non-profit organizations, and private companies located in Texas. CPRIT's [Product Development Research Program](#) seeks to support early stage "startup" and established companies in the development of innovative products and services with significant potential impact on cancer patient care. Company applicants must be headquartered in Texas or be willing to relocate to Texas upon receipt of an award. Product Development Research awards can be up to \$20 million and for a maximum duration of 36 months.

¹⁶ The applicant must demonstrate its "established presence" by maintaining a permanent physical presence in the state or by showing it has registered under section 9.003 of the Texas Business Organizations Code.

¹⁷ The University of Texas at Austin will receive \$440 million to build fabs, which will be part of [the Texas Institute for Electronics \(TIE\)](#), a public-private partnership launched in 2022. TIE focuses on advanced packaging systems. Nearby Texas A&M University will receive \$226 million to build fabs for quantum and artificial intelligence fabrication, as well as related research activities.



Tax Increment Financing

[Tax increment financing \(TIF\)](#) is a tool that local governments can use to publicly finance needed structural improvements and enhanced infrastructure within a defined area. These improvements usually are undertaken to promote the viability of existing businesses and to attract new commercial enterprises to the area. The statutes governing TIF are located in [Chapter 311](#) of the Texas Tax Code.

The cost of improvements to the area is repaid by the contribution of future tax revenues by each taxing unit that levies taxes against the property. Specifically, each taxing unit can choose to dedicate all, a portion of, or none of the tax revenue that is attributable to the increase in property values due to the improvements within the reinvestment zone. The additional tax revenue that is received from the affected properties is referred to as the tax increment. Each taxing unit determines what percentage of its tax increment, if any, it will commit to repayment of the cost of financing the public improvements.

Only a city or county may initiate tax increment financing. A county can designate by order a contiguous geographic area within its borders as a reinvestment zone. A municipality can designate by ordinance a contiguous or noncontiguous geographic area in its corporate limits as a reinvestment zone. A municipality also can designate a reinvestment zone in the city's extraterritorial jurisdiction. Once a city begins the process of establishing a tax increment financing reinvestment zone, other taxing units may consider participating in the zone.

Industrial Revenue Bond Program

The State of Texas [Industrial Revenue Bond Program \(IRB\)](#) provides tax-exempt or taxable financing for eligible industrial or manufacturing projects as defined in the Development Corporation Act of 1979. The Act allows cities, counties, and conservation and reclamation districts to form non-profit industrial development corporations (IDCs) or authorities on their behalf to provide bond financing for projects within their jurisdictions. The IDC issues bonds to finance the capital costs for an industrial or manufacturing business.

Generally, the bond debt service is paid by the business under the terms of a lease, sale or loan agreement. As such, it does not constitute a debt or obligation of the sponsoring governmental unit, the IDC or the State of Texas. Tax exempt IRBs for manufacturing facilities and are subject to the state's volume limitation ("volume cap") managed by the [Texas Bond Review Board](#). The bond amount cannot exceed \$10 million and the total capital expenditure limitation for the project is \$20 million.

Exempt facility bonds can be issued to finance facilities for the furnishing of water, sewage and solid waste disposal facilities, electric energy or gas production facilities, local district heating or cooling facilities and qualified hazardous waste facilities. Other exempt facility bonds can be issued to finance airports, dock and wharf facilities, mass commuting facilities and high-speed inter-rail facilities. These facilities must be government owned, but they can be leased or operated by management contractors. Some facility types may be subject to the state's volume cap.

Businesses interested in applying for an industrial revenue bond should contact the local industrial development corporation as well as legal counsel specializing in the issuance of municipal bonds who will submit application materials on the business' behalf. Upon adoption of a bond resolution by the IDC or equivalent body authorizing the project and principal bond amounts, an IRB application is made to the Office of the Attorney General and, if applicable, to the Governor's Office, for approval.



Texas Moving Image Industry Incentive Program

The [Texas Moving Image Industry Incentive Program](#) (TMIIP) offers qualifying feature films, television programs, commercials, video games, and visual effect projects the opportunity to receive a payment of 5-25% of eligible Texas spending upon completion of a review of their Texas expenditures. There is no cap on the incentive amount.

While previously subject to biennial appropriations, in 2025, the incentive program was upgraded to guaranteed funding directly from the State budget of \$300 million every other year, an increase from the previous appropriation of \$200 million.

Film & television projects are qualified based on at least \$250,000 in Texas spending, 60% of total production must be completed in Texas, 35% of paid crew are Texas residents, and 35% of paid cast (including extras) are Texas residents. Texas spending can include eligible pre-production, production and post-production expenditures. Benefits based on in-state spend:

5% for \$250,000 - \$1 million	10% for \$1 million - \$1.5 million	25% for \$1.5 million+
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Commercial projects (commercials and related; music, educational and instructional videos) are qualified based on at least \$100,000 in Texas spending, 60% of total production must be completed in Texas, and 35% of the total number of paid crew, cast & extras Texas residents. Texas spending can include eligible pre-production, production and post-production expenditures. Benefits based on in-state spend:

5% for \$100,000 - \$1 million	10% for \$1 million+
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Video game projects are qualified based on at least \$100,000 in Texas spending, 60% of total production is completed in Texas, and 35% of paid employees and contract labor are Texas residents. Benefits based on in-state spend:

5% for \$100,000 - \$1 million	10% for \$1 million - \$1.5 million	25% for \$1.5 million+
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Reality television projects (nationally syndicated reality series, talk shows, and contest or game shows) are qualified based on at least \$250,000 in Texas spending, 60% of total production is completed in Texas, and 35% total number of paid crew and paid cast are Texas residents. Benefits based on in-state spend:

5% for \$250,000 - \$1 million	10% for \$1 million+
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Animation and visual effects projects (a self-contained production whereby computer-generated images are created or manipulated to integrate with live-action film, television, and commercials) are qualified based on Texas spending of at least \$250,000 for film or television projects or \$100,000 for commercial projects. At least 60% of total production must be completed in Texas and 35% of paid crew and 35% of paid cast (including extras) must be Texas residents. Texas spending can include eligible pre-production, production and post-production expenditures.

Benefits to film and television projects based on in-state spend:

5% for \$250,000 - \$1 million	10% for \$1 million - \$1.5 million	25% for \$1.5 million+
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Benefits to Commercials

5% for \$100,000 - \$1 million	10% for \$1 million+
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An [Additional Grant Award](#) equal to 1 or 2.5% of total in-state spending is available to a TMIIP project based on meeting one of the following criteria:

- Projects that hire Texas resident veterans as 5% of their combined total paid Crew and paid Cast, including extras
- Projects that spend 25% of their total eligible in-state spending on eligible expenditures during postproduction
- Projects that spend at least 35% of their filming days in a county with a population of 300k or less.
- Projects that are faith-based or focus on Texas heritage.
- Projects that utilize historic sites.
- Projects that partner with institutions of higher education to provide workforce development opportunities.



Training Programs & Other Employer Support

Skills Development Fund

The [Skills Development Fund](#) is Texas' premier job-training program providing local customized training opportunities for Texas businesses and workers to increase skill levels and wages of the Texas workforce. The Texas Workforce Commission administers funding for the program. Grants are provided to help a business, consortium of businesses, or trade union form partnerships with local community colleges and technical schools to provide custom job training. The Skills Development Fund pays for the training, the college administers the grant, and businesses create new jobs and improve the skills of their current workers. Average training costs are \$2,000 per trainee. However, the benefit may vary depending on the proposal. Grants for a single business may be limited to \$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. LSWF benefits employers in Texas by partnering with public junior colleges, public technical institutes, and nonprofit organizations to administer a company's workforce training that leads to a full-time job in a high-demand, high-growth career. Average cost per participant is \$7,500. The maximum award amount for a grantee is \$250,000 per year.

Skills for Small Business Program

The [Skills for Small Business Program](#) is an opportunity for small businesses (less than 100 employees) to train new workers or upgrade the skills of incumbent workers. The initiative was implemented by the Texas Workforce Commission in coordination with the Office of the Governor's Small Business Forums to address the training needs of small business in Texas. Small businesses can apply funds to training offered by their local community or technical college, or the Texas Engineering Extension Service. TWC processes the applications and works with the college to fund the specific courses selected by businesses for their employees. The program funds tuition and fees up to \$1,800 per newly hired employee and up to \$900 per incumbent employee per 12-month period.

Self-Sufficiency Fund

The [Self-Sufficiency Fund](#) is a job-training program that is primarily designed for adult recipients of Temporary Assistance for Needy Families (TANF), Supplemental Nutritional Assistance Program (SNAP) or individuals at risk of becoming dependent on public assistance, which includes individuals earning less than \$37,000 and who are the parent (custodial or non-custodial) of a dependent child. The program links the business community with local educational institutions and is administered by the Texas Workforce Commission. Training must result in an acceptable industry-recognized certification that leads to permanent full-time employment opportunities. The Fund makes grants available to eligible public colleges or to eligible private, non-profit organizations to provide customized job training and training support services for specific employers. Grant costs may include curriculum development, instructor fees and training materials, and certain work-related expenses for the trainees. Grants are typically for 12 months. The target cost per trainee is \$2,100. Contracts that include one business partner may be limited to a maximum of \$500,000.

Workforce Solutions

Three regional workforce development boards serve employers in the Austin metropolitan area. [Workforce Solutions—Central Texas](#) delivers services in Milam County, [Workforce Solutions—Capital Area](#) delivers services in Travis County and [Workforce Solutions—Rural Capital](#) delivers services in the remaining metro counties. Each year Workforce Solutions assists thousands of local employers with their recruitment, hiring, and retention needs. Services vary between regional workforce boards but generally are available at no cost or low cost and may include:

- *[Applicant recruiting](#)*: Recruitment¹⁸, pre-screening and referral of motivated, qualified job applicants.
- *[Skills Testing, Assessment and Evaluation](#)*: Skills testing, assessments and evaluations to measure job applicants' aptitude and ability.
- *[On-the-Job Training](#)*: Reimbursement of up to 50% a new hire's salary for up to three months.
- *[Incumbent Worker Training](#)*: Funding assistance to provide skills training to current full-time, permanent employees.
- *[High Demand Job Training](#)*: Collaboratively with Economic Development Corporations, Workforce Development Boards can draw on sales tax funds to support provision of training.
- *[Subsidized Employment](#)*: Program can provide reimbursement of 50% or more on straight time wages for eight weeks and applies to part-time as well as full-time employees.
- *[Industry Partnership Program](#)*: Collaborations between workforce development boards and industry partners leverage matching contributions of cash or qualifying expenditures for occupational training for designated industry clusters (advanced technologies and manufacturing, aerospace and defense, biotechnology and life sciences, information technology, petroleum refining and chemical products, and energy).
- *[Tax Credits & Incentives](#)*: Information and assistance on applying for available worker tax credit programs and funding programs.
- *[WorkInTexas.com](#)*: Unlimited, real time, free job posting through statewide online job matching tool with access to thousands active job seekers.
- *[Professional Outplacement Assistance/Rapid Response](#)*: Professional outplacement support for companies restructuring, downsizing or closing operations.
- *[Layoff Aversion/Rapid Response](#)*: Layoff aversion funds can be used to support creative approaches and strategies to preserve jobs in emergency situations.
- *[Conference Center](#)*: Conference center for meetings, customized job fairs and applicant interviews.
- *[Business-focused seminars](#)*: Seminars and workshops targeting issues and challenges of employers in Central Texas.
- *[Customized labor market information](#)*: Local and state labor market information including growth trends, wage data and labor supply.

Veteran Employment

Texas Workforce Commission (TWC) and the [Texas Veterans Commission](#) collaborate to support employers with [veterans employment preference](#), as well as providing [priority service to veteran job seekers](#). [Veterans Resource and Referral Specialists](#) are assigned to each of Texas' 28 workforce development areas and work closely with Workforce Solutions office staff and Texas Veterans Commission staff who are co-located in Workforce Solutions offices. TWC's [Operation Welcome Home](#) assists military service members who are preparing to separate from service within 180 days or who have been discharged within 180 days and will remain in Texas. [Federal contractors](#) can prioritize veteran access to their employment openings on [WorkInTexas.com](#), the state's job board. The TWC also helps administer to [Work Opportunity Tax Credit](#), a federal income tax benefit for employers who hire individuals in specified target populations, including veterans.

¹⁸ Recruitment services include regularly scheduled as well as customized job fairs conducted by Workforce Solutions. Workforce Solutions can also conduct interviewing and orientations.



Shared Work Program

The [Shared Work Program](#) provides Texas employers with an alternative to layoffs. TWC developed this voluntary program to help Texas employers and employees withstand a slowdown in business. Shared Work allows employers to:

- Supplement their employees' wages lost because of reduced work hours with partial unemployment benefits.
- Reduce normal weekly work hours for employees in an affected unit by at least 10% but not more than 40%; the reduction must affect at least 10% of the employees in that unit.

Shared Work does not subsidize a seasonal employer during the off-season. Employees who qualify will receive both wages and Shared Work unemployment benefits.

Foreign Trade Zone 183 of Central Texas

A [foreign trade zone](#) (FTZ) is a geographic area within the U.S. where foreign and domestic merchandise is considered to be within the realm of international commerce and as such, not within U.S. Customs territory. Any foreign or domestic merchandise not otherwise prohibited by law may be stored in a FTZ for an unlimited period of time. This allows merchandise to be stored duty-free indefinitely while waiting for receptive markets and favorable sales opportunities.

Foreign Trade Zone 183 covers the five-county Austin metropolitan area and is overseen by the grantee, the [Foreign Trade Zone of Central Texas](#) (c/o Opportunity Austin). In 2012, the FTZ of Central Texas received approval from the federal government to operate under new streamlined procedures designed to make U.S. business more competitive. Under the new [Alternative Site Framework](#) designation, the five-county metropolitan area has been preapproved by the federal government as eligible foreign trade zone property. With the concurrence of local taxing entities and the zone grantee, companies located anywhere in the metro area can apply for foreign trade zone designation on an expedited and simplified basis.

FTZ applications for sites under 100 acres within the existing five-county Alternative Site Framework service area typically take one month to obtain designation after the completed application is sent to the U.S. FTZ Board. FTZ applications for sites over 100 acres in the five-county area, or any site outside of the five-county service area typically take five months to obtain designation. However, the U.S. FTZ Board does not guarantee any project will obtain designation. While applying for designation, the applying company will also seek activation of the site from U.S. Customs. Activation typically occurs within two months after designation.

There are costs involved in obtaining and operating an FTZ. Consequently, a company should first conduct an evaluation to decide whether the economic benefits outweigh the costs. If your company can benefit from FTZ user designation, first contact the grantee for approval and support and to determine applicable fees. An application will have to be filed with the Foreign Trade Zone Board for approval. Once the applications are approved, the company will work with FTZ of Central Texas and Customs and Border Protection Services to obtain activation approval for the facility.

Other Assistance

Texas In-State Tuition Incentive for Employees & Family Members

Texas has an [Economic Development and Diversification In-State Tuition Incentive](#) that may be offered by the Economic Development and Tourism division of the Office of the Governor to qualified businesses that are in the decision-making process to relocate or expand their operations into Texas. The incentive allows employees and family members of the qualified businesses to pay the Texas resident tuition rate at a Texas public institution of higher education without first establishing residency if the business is admitted to the program not earlier than five years before the relevant enrollment date. Qualified businesses must be an industry that will have a high economic impact to the Texas region in which it locates and should be a targeted industry of the state or an ancillary or support industry. The business should also promote highly skilled, high-wage jobs. A letter of request for consideration to the Executive Director of the Economic Development & Tourism is to be submitted by the city or county or economic development organization on behalf of the company. The [Texas Higher Education Coordinating Board](#), in consultation with the Economic Development and Tourism office, administers the benefit for approved companies.

New Market Tax Credit Program (Federal)

The [New Market Tax Credit \(NMTC\) Program](#) incentivizes community development and economic growth through the use of tax credits that attract private investment to distressed communities. The NMTC Program attracts private capital into low-income communities by permitting individual and corporate investors to receive a tax credit against their federal income tax in exchange for making equity investments in specialized financial intermediaries called Community Development Entities (CDEs).

The Treasury Department's Community Development Financial Institutions (CDFI) Fund allocates tax credit authority to CDEs who offer tax credits to investors in exchange for equity in the CDE. Using the capital from these equity investments, CDEs can make loans and investments to businesses operating in low-income communities on better rates and terms and more flexible features than the market. In exchange for investing in CDEs, investors claim a tax credit worth 39% of their original CDE equity stake, which is claimed over a seven-year period.

CDEs have approved service areas that range from local to national in scale. CDEs that may have available NMTC allocation authority remaining, and the amount of Qualified Equity Investments not yet raised, can be identified on the CDFI Fund website.

NMTC-qualified low income Census Tracts exist in all 5 counties of the Austin MSA and can be identified with the [CDFI Fund's mapping tool](#).

Opportunity Zones Program (Federal)

An [Opportunity Zone](#) is an economically-distressed community where new investments, under certain conditions, may be eligible for preferential tax treatment. Localities qualify as Opportunity Zones if they have been nominated for that designation by the state and that nomination has been certified by the Secretary of the U.S. Treasury via his delegation of authority to the Internal Revenue Service. Opportunity Zones are an economic development tool—that is, they are designed to spur economic development and job creation in distressed communities.

Opportunity Zones are designed to spur economic development by providing tax benefits to investors. First, investors can defer tax on any prior gains invested in a Qualified Opportunity Fund (QOF) until the earlier of the date on which the investment in a QOF is sold or exchanged, or December 31, 2026. If the QOF investment is held for longer than 5 years, there is a 10% exclusion of the deferred gain. If held for more than 7 years, the 10% becomes 15%. Second, if the investor holds the investment in the Opportunity Fund for at least 10 years, the investor is eligible for an increase in basis of the QOF investment equal to its fair market value on the date that the QOF investment is sold or exchanged.

A Qualified Opportunity Fund is an investment vehicle that is set up as either a partnership or corporation for investing in eligible property that is located in a Qualified Opportunity Zone.

Qualified Opportunity Zone Census Tracts exist in all 5 counties of the Austin MSA and can be identified with the [CDFI Fund's mapping tool](#).

HUBZone Program (Federal)

The [HUBZone program](#) fuels small business growth in historically underutilized business zones with a goal of awarding at least 3% of federal contract dollars to HUBZone-certified companies each year. The government limits competition for certain contracts to businesses in historically underutilized business zones. It also gives preferential consideration to those businesses in full and open competition. Joining the HUBZone program makes your business eligible to compete for the program's set-aside contracts. HUBZone-certified businesses also get a 10% price evaluation preference in full and open contract competitions. HUBZone-certified businesses can still compete for contract awards under other socio-economic programs they qualify for.

To qualify for the HUBZone program, a business must: be a small business; be at least 51% owned and controlled by U.S. citizens, a Community Development Corporation, an agricultural cooperative, an Alaska Native corporation, a Native Hawaiian organization, or an Indian tribe; have its principal office located in a HUBZone; and have at least 35% of its employees living in a HUBZone.



Businesses need to recertify for the HUBZone program once a year. There is no limit to the length of time a business can participate as long as it continues to qualify. Businesses that purchase a building or enter a long-term lease (of 10 years or more) may maintain HUBZone eligibility for up to 10 years, even if at some point the office location no longer qualifies as a HUBZone.

Qualified HUBZone Census Tracts exist in 4 of the 5 counties of the Austin MSA and can be identified with the [SBA HUBZone Map application](#).

Utility Incentives

Area municipal utilities¹⁹ and cooperatives may offer financial incentives to qualifying customers. These economic development riders and business incentive plans are designed to encourage industrial and commercial development by providing additional start-up cost savings to large users of natural gas and electricity. Utility cost reductions can also be a benefit of Enterprise Zone projects.

[Austin Energy](#), serving customers in the City of Austin, offers customers the option to select a portion of their electricity from clean, renewable energy sources through its [GreenChoice program](#). GreenChoice customers receive a fixed GreenChoice charge over a long term that replaces the variable fuel charge tied to fuels that are subject to market volatility, like natural gas. Green building design consulting and commercial energy management services are provided free to customers. Companies may also qualify for conservation rebates or low-interest loans.

Austin Energy offers businesses [20+ different rebates and incentives](#) addressing lighting, heating and cooling, chiller, building envelope, etc. Building owners, design professionals, contractors, or other agents are eligible to apply for Austin Energy [new construction rebates](#) on behalf of their customers. These projects can be building shells, complete build-outs, finish-outs, additions, and major building remodeling projects. This rebate may help reduce the cost of installing energy-efficient technologies. Businesses can also receive incentives to help [reduce the cost of installing a solar energy system](#). Depending on the size of the system, business may be eligible to receive either a one-time check or monthly bill credits.

Bluebonnet Electric Cooperative, [serving eastern/southeastern parts of the Austin metro](#), offers a renewable interconnection program and a [Green Energy Rate](#) that purchases energy for the user from renewable wind power generated in West Texas.

Pedernales Electric Cooperative (PEC), [serving much of the western part of the Austin metro](#), offers rebate incentives to help businesses install energy-efficient lighting technologies and HVAC equipment, [a renewable energy rider](#) rate allowing customers to power their business with 100% renewable energy, and a renewable interconnection program.

[Oncor](#), the delivery company [serving the deregulated areas of the Austin metro](#), offers a number of incentive programs, including savings for solar energy, insulation, ENERGY STAR® appliances, LED lighting, and battery storage. Oncor also supports interconnection with distributed generation systems. Some retail electric providers offer buy-back plans for surplus generation sent to the grid.

PACE programs

[Property Assessed Clean Energy \(TX-PACE\)](#) is a proven financial tool that incentivizes Texas' property owners to upgrade facility infrastructure with little or no capital outlay. Approved by State legislation and established by local governments, TX-PACE programs enable owners to lower their operating costs and use the savings to pay for eligible water conservation, energy efficiency, resiliency, and distributed generation projects. Owners gain access to private, affordable, long-term (typically 10-20 years) financing that is not available through traditional funding avenues.

Bastrop, Caldwell, Hays, Travis and Williamson Counties' PACE programs enable owners of non-profit, commercial, and industrial properties to obtain low-cost, long-term financing for water and energy efficiency improvements and solar generation retrofits. Private sector lenders finance qualified improvements and property owners voluntarily agree to contractual assessments imposed on the property. PACE improvements generate positive cash flow with no out-of-pocket cost to the property owner. If the property is sold before the full amount is repaid, the repayment obligation automatically transfers to the next owner.

¹⁹ In addition to Austin Energy, area municipal electric utilities include [Bastrop Power & Light](#), the [Lockhart Electric Utility](#), [Georgetown Utility Systems](#), and the [San Marcos Electric Utility](#).

International Trade Services

The Office of the Governor's [Export Assistance and the State Trade Expansion Programs](#) work with a variety of entities to ensure that Texas companies are represented abroad. The programs help small- and medium-sized Texas companies expand into foreign markets with opportunities for companies to promote their products and services to international buyers and partners through trade missions, trade shows, seminars and inbound buyer missions. The Office of the Governor Business Assistance team also connects companies with trade counseling and training programs.

Other Central Texas points of contact for international business and trade assistance:

- [International Small Business Development Center](#)
- [International Trade Center](#)
- [Austin U.S. Export Assistance Center](#)
- [Texas Camino Real District Export Council](#)
- [City of Austin's International Trade & Investment Program](#)
- [Center for Global Business at the University of Texas at Austin](#)
- [International Business Institute at Austin Community College](#)