State and Local Incentives

The Dallas–Fort Worth area has a strong business culture. The municipalities within the region offer a variety of local incentive programs to expand or relocate businesses, ranging from tax abatements and tax credits to financial assistance to support the development of infrastructure and free-trade zones. The programs help maintain the low cost of doing business, enabling job-creating companies to gain a competitive advantage.

Additionally, statewide programs, including the Texas Enterprise Fund, Events Trust Fund, Workforce Development, and Product Development and Small Business Incubator Fund, are in place to encourage companies that create jobs and drive innovation to set up shop in the Lone Star State.

Local Incentives

Freeport Exemption: Property tax exemption offered by cities, school districts, and counties, or all three. It applies to various types of property designated in Texas for more than 175 days to be transported out of state. Goods must be in Texas for assembly, storing, manufacturing, repair, maintenance, processing, or fabricating purposes.

Economic Development Act (Chapter 336): An appraised value limitation may be extended to a taxpayer who agrees to build or install property and create jobs in exchange for a 10-year limitation on the taxable value of the property. The value limitation applies to the local school district maintenance and operations tax (M&O) portion of the property tax and a credit. Projects must be located in a reinvestment zone or enterprise zone.

Tax Increment Financing District: A tool that local governments can use to provide financial need improvements to infrastructure and buildings within a designated area known as a reinvestment zone. Reinvestment zones are improvements to the Tax Increment Reinvestment Zone is repaired by the future taxes of such taxing units that levy the property taxes against the property.

Tax Abatements: 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 tangible personal property from taxation for a period not to exceed 10 years.

Chapter 380/381 Agreements: Allow municipalities and counties to offer grants and loans for economic development or a variety of other economic incentives.

Type A and B Economic Development Corporations: Cities located within a county of fewer than 500,000 residents can form economic development corporations and institute a sales tax, if the new combined tax doesn't exceed 2 percent. Some cities in more populous counties may also participate under certain conditions. Type A is generally for industrial and manufacturing, while Type B is for quality-of-life projects. Voters must approve the creation of a Type A or Type B tax.

State Incentives

Texas Enterprise Fund: TEF is the largest “deal-closing” fund of its kind in the nation. The fund is a cash grant used as a financial incentive tool for projects that offer significant projected job creation and capital investment where a single Texas site is competing with another viable site for state economic development or expansion. Funds can be used for infrastructure development, community development, job training, and business incentives.

Manufacturing Exemptions: Exemption from state sales-and-use tax for taxpayers who manufacture, fabricate, or process tangible personal property for sale. It generally applies to tangible personal property related in the manufacturing process.

Natural Gas and Electricity Exemptions: Manufacturing companies may be exempt from paying state sales-and-use tax on electricity and natural gas used in manufacturing, processing, or fabricating tangible personal property.

Data Center Exemption: This incentive allows data centers that meet certain conditions on site after Sept. 1, 2013, to qualify for an exemption on state sales-and-use tax on certain items necessary and essential to the data center operation.

Research and Development Tax Credit: Companies can choose to expense a portion of increased costs for research and development or to claim a tax credit. Applicable students must have at least three years of operating history and have unencumbered assets available for collateral. Preference for funding is given to the state’s defined industry clusters including, but not limited to: nanotechnology, biotechnology, biomedicine, renewable energy, agriculture, and aerospace.

Federal Incentives

Research and Development Tax Credit: Federal tax incentives are designed to encourage companies to invest in research and development. This incentive allows companies to deduct a portion of their research and development expenses from their taxable income.

Location: This incentive allows companies to locate their operations in or near a targeted location, such as a research park or a designated economic development zone.

Size: This incentive allows companies to expand their operations in or near a targeted location, such as an industrial park or a designated economic development zone.

Incentives: The amount of incentives offered can vary based on factors such as the size of the project, the number of jobs created, and the amount of capital invested.

Type of Incentive: This incentive allows companies to qualify for a specific type of federal tax incentive, such as the Research and Development Tax Credit or the Location Tax Credit.

Examples of Local Incentives

Relocation and Expansion Support

Economic incentives have helped support office, industrial, and mixed-use projects throughout North Texas.

The Kroger Co.

The Kroger Co. is expanding in the Dallas–Fort Worth area with the opening of a new Kroger Business Park facility in Fort Worth. The facility will serve as the company’s regional distribution center and will create 800 jobs.

Kubota

Kubota, a leading manufacturer of agricultural and construction equipment, is expanding in the Dallas–Fort Worth area with the opening of a new manufacturing facility in Fort Worth. The facility will create 400 jobs and provide an additional 10 percent tax abatement for 10 years.

McKesson

McKesson, a leading pharmaceutical company, is expanding in the Dallas–Fort Worth area with the opening of a new distribution center in Irving. The facility will create 1,200 jobs and provide a 10-year property tax abatement.

Smith + Nephew

Smith + Nephew is expanding in the Dallas–Fort Worth area with the opening of a new manufacturing facility in Fort Worth. The facility will create 600 jobs and provide a 10-year property tax abatement.

McLane Company

McLane Company is expanding in the Dallas–Fort Worth area with the opening of a new distribution center in Fort Worth. The facility will create 500 jobs and provide a 10-year property tax abatement.

Uber

Uber is expanding in the Dallas–Fort Worth area with the opening of a new regional office in Fort Worth. The facility will create 500 jobs and provide a 10-year property tax abatement.

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