



# Let Markets Work by Ending Chapter 313

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## Overview

- Free-market capitalism is the best path to prosperity.
- The Tax Code should not pick winners and losers but rather fund limited roles for government.
- Unfortunately, Chapter 313 property tax abatements do pick winners:
  - Big businesses are favored over small businesses.
  - Businesses that may not be in operation for the long term receive long-term tax breaks.
  - Nearly two thirds of Chapter 313 projects [are for renewable energy](#), which would likely locate in Texas anyway given Texas's geography of open lands, a lot of sun, and wind in specific regions.
  - A third of those renewable energy projects [are for foreign companies](#), like those affiliated with French and Chinese governments.
  - These agreements can result in increased property values in certain areas, which reduces housing affordability, and decreased property values in others.
- Chapter 313 tax breaks socialize the cost of those local school districts' deals to the rest of the state's taxpayers by holding school districts harmless.

## Good Parts of HB 1556

- Eliminates payment in lieu of taxes (PILOT) or supplemental payments.
- Increases verification of data in Chapter 313 agreements.

## What We Can Learn From Existing Research

- Business incentives are rarely at the top of the list of reasons why businesses choose a location.
  - A 2017 study of more than 80 Chapter 313 projects looked into the bargaining behavior between businesses applying for the abatements and the school districts granting them. Based notably on the percentage of a granted abatement businesses were willing to pay in supplemental payments to the school districts and a survey of economic development experts, the author concluded that only about [15% of businesses that received such deals would have located elsewhere without them](#).
  - A 2018 study of the research literature on the effects of state and local incentives, with a focus on “but for” percentages—how many businesses would not have chosen a location “but for” the incentives offered—estimated that at least [75% of businesses that received incentives in the U.S. would have located where they did without them](#).
- Spending more on targeted business incentives as a percentage of a state's GSP is [correlated with less economic freedom](#).

## Recommendations for Chapter 313

- Do not extend Chapter 313: See [HB 2971](#).
- If the Legislature decided to extend it:
  - Extend Chapter 313 for a fewer number of years: See [HB 4242](#) that extends it for 4 years.
  - Strengthen the job requirement as it currently exists by repealing the provision that allows school districts to waive this requirement.
  - Require 30-day public notice after the Comptroller's certification and before a school district votes on the final agreement.
  - Post more information with the public notice, similar to what was [added to Chapter 312](#) in the 86th Legislature, such as the name of the property owner and the name of the applicant for the tax abatement agreement, the name and location of the reinvestment zone in which the property subject to the agreement is located, but also a copy of the agreement.
  - Do not hold school districts' decision harmless by redistributing funds from across the state.
  - Eliminate all energy projects from this tax break to level the playing field.

## Instead of Tax Breaks

- Follow the Foundation's [Responsible Recovery Agenda](#) to strengthen the [Texas Model](#):
  - [Pass a Conservative Texas Budget](#) below \$246.8 billion, which the [base budgets follow](#).
  - [Reduce government spending](#) and [use the Rainy Day Fund responsibly](#).
  - [Reduce regulatory burdens](#) as during the pandemic.
  - [Cut taxes](#) on [businesses](#) and [property](#), like [school M&O](#).