

## Financing

### Industrial Revenue Bonds

Tax-Exempt Industrial Revenue Bonds are designed to provide tax-exempt financing to finance land and depreciable property for eligible industrial or manufacturing projects. Under Title XIII of Revenue Reconciliation Act of 1993 and the Development Corporation Act of 1979, Local Industrial Development Corporations (IDC's) can issue tax exempt bonds and the IDC acts as a conduit for the financing. Project costs eligible include the acquisition of land and existing facilities, construction of new facilities, purchase of machinery, tools, equipment, and bond issuance costs in limited amounts. Only costs that have been incurred after the execution of an inducement resolution by the IDC can be recovered through bond issuance. The IDC acts as a conduit through which monies are provided. Bond debt service is often paid by the business under the terms of a lease, sale or loan agreement and a bond issue does not constitute a debt or obligation of the governmental unit, the IDC or the State of Texas. The maximum bond amount is \$10,000,000; however, the actual amount may be lower since the bond amount and certain capital expenditures made by the business within the issuer's jurisdiction for three years back and three years forward cannot exceed \$10,000,000.

These issues must receive a reservation under the State's volume limitation ("volume cap") managed by the [Texas Bond Review Board](#) and must receive approval from the Texas Department of Economic Development and also by the Attorney General's Office. Projects must be located within the boundaries of the sponsoring issuer and governmental unit unless the IDC is requested to issue bonds by another governmental unit. All three Counties in the Katy Area have IDC's. The terms may be fixed or variable, less than prime, and amortized over the useful life of the assets being financed.

The Tax Reform Act of 1986 imposes a volume ceiling on the aggregate principal amount of "private activity bonds" that may be issued with the State during any calendar year. Generally, the reservation of state ceiling issues is allocated by lottery in October each program year. For more information on the "volume cap" or the lottery dates, contact the [Texas Bond Review Board](#) at 512-463-1741.

### USDA Business and Industrial (B&I) Guaranty Program

The purpose of the B&I Guaranteed Loan Program is to improve, develop, or finance business, industry, and employment and improve the economic and environmental climate in rural communities. This purpose is achieved by bolstering the existing private credit structure through the guarantee of quality loans which will provide lasting community benefits. It is not intended that the guarantee authority will be used for marginal or substandard loans or for relief of lenders having such loans. Loan purposes must be consistent with the general purpose contained in the regulation. They include but are not limited to the following: business and industrial acquisitions when the loan will keep the business from closing, prevent the loss of employment opportunities, or provide expanded job opportunities; business conversion, enlargement, repair, modernization, or development; purchase and development of land, easements, rights-of-way, buildings, or facilities; purchase of equipment, leasehold improvements, machinery, supplies, or inventory.

The percentage of guarantee, up to the maximum allowed, is a matter of negotiation between the lender and the Agency. The maximum percentage of guarantee is 80 percent for loans of \$5 million or less, 70 percent for loans between \$5 and \$10 million, and 60 percent for loans exceeding \$10 million. The total amount of Agency loans to one borrower must not exceed \$10 million. The Administrator may, at the Administrator's discretion, grant an exception to the \$10 million limit for loans of \$25 million under certain circumstances. The Secretary may approve guaranteed loans in excess of \$25 million, up to \$40 million, for rural cooperative organizations that process value-added agricultural commodities.

The maximum repayment for loans on real estate will not exceed 30 years; machinery and equipment repayment will not exceed the useful life of the machinery and equipment purchased with loan funds or 15 years, whichever is less; and working capital repayment will not exceed 7 years. The interest rate for the guaranteed loan will be negotiated between the lender and the applicant and may be either fixed or variable as long as it is a legal rate. Interest rates are subject to Agency review and approval. The variable interest rate may be adjusted at different intervals during the term of the loan, but the adjustments may not be more often than quarterly. The site noted is located in a qualifying USDA area.

## **CenterPoint Energy Programs**

### Commercial and Industrial Standard Offer Program (C&I SOP)

The C&I Standard Offer Program pays Project Sponsors incentives based on the savings in peak demand and in energy that their projects achieve. Demand savings incentives are paid for the maximum one-hour average demand reduction that occurs when the newly installed system is operating at peak conditions during the summer period. The amount of the rebate is as follows: \$175 per kW reduction and \$0.060 per kWh saved.

### Load Management Program

CenterPoint Energy will pay a participating Customer (or the Project Sponsor, if different) up to \$40 per kW of verified curtailed load each year of participation. For example, a Project Sponsor which contracts for 1,000 kW and consistently curtails 1,000 kW or more when asked would earn up to \$40,000 each year. The program was developed to pay incentives to participating Project Sponsors (customers and/or energy service companies) for curtailment of electric consumption on short notice during peak demand periods. Incentives are based on verified demand savings that occur at CenterPoint Energy distribution or eligible institutional customer's site as a result of an interruption.

## **Tax Incentives**

### **Freeport Exemption**

Freeport exemption is available 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. The following areas/districts in the Katy Area provide Freeport exemption: Brookshire Katy Drainage District, Emergency Services Districts, Municipal Utility Districts, Improvement and Water Districts and the City of Houston. [Application Form](#)

### **Goods in Transit Exemption**

This exemption applies to items in your inventory of last year (if applicable) that: (1) were acquired in or imported into Texas to be forwarded to another location (2) were temporarily stored at a location in which you do not have a direct or indirect ownership interest for assembling, storing, manufacturing, processing or fabricating by the person who acquired or imported the items and (3) that are transported to another location, inside or outside the state, within 175 days after the items were acquired or imported into the state. The exemption does not apply to oil, natural gas, petroleum products, aircraft, dealer's motor vehicle inventory, dealer's vessel and outboard motor inventory, dealer's heavy equipment inventory or retail manufactured housing inventory. Some Municipal Utility Districts, Drainage Districts and other districts provide this exemption. Contact the EDC for a list of entities that provide this exemption.

Companies must file the completed form between January 1 and no later than April 30 of the year. Attach any additional documents requested. Companies must apply for the exemption in each year that the Company claims entitlement. [Application Form](#)

### **Chapter 381 Property Tax Discount/Rebate**

Waller County projects that may qualify for property tax discount/rebate include manufacturing, wholesale distribution, office operations, and recreational uses that serve a regional population. Authorized investments include new plant, expansion, and modernization. Eligible investments include buildings, structures, fixed machinery, equipment, site improvements, speculative industrial buildings, warehouses, recreation and entertainment facilities serving a regional population. Ineligible investments include: Ineligible for abatement: land; inventories; supplies; tools; furnishings, and other forms of movable personal property; vehicles; vessels; aircraft; housing; hotels accommodations; retail facilities; deferred maintenance investments; property to be rented or leased except as

provided in Section II (f); improvements for the generation or transmission of electrical energy not wholly consumed by a new facility or expansion; any improvements, including those to produce, store or distribute natural gas, fluids or gases, which are not integral to the operation of the facility; property which has a productive life of less than 10 years; property owned or used by the State of Texas or its political subdivisions or by any organization owned, operated or directed by a political subdivision of the State of Texas. The abatement period is negotiable up to 50% up to a period of 8 years dependent upon job creation and capital investment. Minimum investment is \$1,000,000 in new additional assessed value. Job creation requirement is five new jobs. An economic impact analysis is performed to determine eligibility.

## **Texas Sales and Use Tax Exemptions**

### Manufacturing Machinery & Equipment

Leased or purchased machinery, equipment, replacement parts, and accessories that have a useful life of more than six months, and that are used or consumed in the manufacturing, processing, fabricating, or repairing of tangible personal property for ultimate sale, are exempt from state and local sales and use tax. Texas businesses are exempt from paying state sales and use tax on labor for constructing new facilities. Texas businesses are exempt from paying state sales and use tax on the purchase of machinery exclusively used in processing, packing, or marketing agricultural products by the original producer at a location operated by the original producer. [More Information](#)

## **Texas Franchise Tax Exemptions and Deductions - Wind and Solar Energy**

Tax Code Section 171.056 extends a franchise tax exemption to manufacturers, sellers, or installers of solar energy devices. The state also permits a corporate deduction from the state's franchise tax for renewable energy sources. Business owners may deduct the cost of the system from the company's taxable capital or deduct 10% from the company's income. Wind energy qualifies under the term "solar energy" for the exemption and deduction under Sections 171.056 and 171.07. Franchise tax questions: 1-800-531-5441, ext 5-9952 or 512-305-9952.

## **Training and Other Incentives**

### **Texas Skills Development Fund**

The [Skills Development Fund](#) is an innovative program created to assist Texas public community and technical colleges to finance customized job training for their local businesses. The Fund was established by the Legislature in 1995 and is administered by the Texas Workforce Commission. Grants are provided to help companies and labor unions form partnerships with local community colleges and technical schools to provide custom job training. Average training costs are \$1,000 per trainee. However, the benefit may vary depending on the proposal.

### **Workforce Solutions**

Workforce Solutions has a wide variety of resources available to employers.

#### Pre-Screening Services

- Recruiting, Screening, and referring qualified applicants for job openings; Customized recruiting, screening, and referral process to individual employers' needs.

#### Testing Services

- Provide space for interviewing and employer-administered testing.
- Scheduling and coordinating tests and orientations at Workforce Solutions facilities, or onsite at the workplace.

### Job Fairs

- Quarterly onsite Job Fairs
- Customized Job Fairs to meet immediate needs

### Listing and Maintenance of Job Orders

- Listing and maintaining job orders for employers in the local and national America's Job Bank and America's Workforce Network
  - Contact Susan Dixon for more information at (713) 817-0344 [susan.dixon@wrksolutions.com](mailto:susan.dixon@wrksolutions.com)

### **Employer Scholarship Project for Recently Separated Veterans**

The Texas Workforce Commission (TWC) provides \$1 million in funding for the Employer Scholarship Project for Recently Separated Veterans. Scholarships are awarded for skills training based on employers' identification of the skills necessary for Texas' future economic growth. When employers identify these needs, the training fund enables recently separated veterans to upgrade their skills to meet current and future workforce demands.

Private Texas employers can apply to TWC for training grants by partnering with established training providers such as community colleges, apprenticeship training programs, or community-based training programs with demonstrated experience. Employers must be based in Texas and in good standing and in compliance with the Texas Unemployment Compensation Act and other applicable state and federal labor laws.

Veterans eligible for skills training scholarships must:

- Be discharged or released from active duty within the previous 36 months;
- Be discharged or released from active duty under conditions other than dishonorable;
- Have served during a war, campaign, or expedition for which a campaign badge has been authorized;
- Be employed by a participating employer or have an offer of employment from a participating employer; and
- Provide a DD-214 to document service status.

Scholarship funds can be used to pay tuition, books, and fees for eligible veterans and must not exceed \$1,000 per scholarship without substantial justification.

### **Apprenticeship Training Program**

The Texas Workforce Commission's Apprenticeship Training Program is an effective job training system for skilled trade and journey workers. Apprenticeship training is designed to prepare individuals for occupations in skilled trades and crafts and combines structured on-the-job training - supervised by experienced journey workers - with related classroom instruction. All apprenticeship training programs must be registered through the U.S. Department of Labor Employment and Training Administration's Bureau of Apprenticeship and Training. Apprentices who successfully complete the prescribed number of training hours in a registered apprenticeship training program can become certified and skilled journey workers.

The Texas Workforce Commission provides funds to local public educational institutions to support the costs of related classroom instruction in registered apprenticeship training programs. To qualify for funds, apprenticeship training programs and apprentices must be registered with the U.S. Administration's Bureau of Apprenticeship and Training.

### **Economic Development and Diversification In-State Tuition for Employees**

The Economic Development and Diversification In-state Tuition incentive may be offered 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 in-state tuition fees if the individual files with a Texas institution of higher education. Without this incentive designation, a student must reside in Texas for a 12-month period to be entitled to pay the tuition fees of a Texas resident.

### **Goodwill Incentives**

Katy Area EDC and Katy Area Chamber of Commerce staff can assemble a local goodwill incentives package and facilitate provisions of the package to employees relocating to the Katy Area and for corporate purposes. Some of these incentives may include: community orientations and tours; assistance marketing available jobs, discounted service proposals from area firms related to moving, residential banking, temporary lodging, spousal employment assistance, provision of local coupon books and temporary use of training and office facilities.