

Corporate Welfare Means **Less** Property Tax Relief for Texans



Executive Summary

In 2021, under significant political pressure from the left and the right, the Texas Legislature let expire the Chapter 313 “economic development” program that allows Texas school districts to offer property tax abatements to politically connected businesses. The program did little for expanding economic development. Instead, it filled school district coffers at the expense of taxpayers across the state while littering Texas counties with wind and solar farms. Now, however, big business interests have joined with a number of Texas politicians this session to file three bills to bring the program back to life, despite the evidence of the harm it has caused. Any iteration of the defunct Chapter 313 program would benefit only big business, school districts, and politicians. Taxpayers will not see lower property taxes, employees will not see more jobs, and the economy will not experience more growth. The Texas Legislature should not renew school property tax abatements. Instead, the Texas House and Senate should add at least another \$9 billion to their property tax relief efforts to help Texas Gov. Greg Abbott keep his promise to “provide the largest property tax cut in Texas history.”

A Brief History of Chapter 313

Chapter 313 was one of two major property tax abatement programs, along with Chapter 312, adopted by the Texas Legislature. Chapter 313 allowed school districts to offer appraised value limitation agreements to businesses moving into the district or expanding current operations. Chapter 312 allows cities, counties, and special districts to provide property tax abatements to these businesses as well. While the nomenclature is slightly different between the two programs, the practical results were almost identical. Businesses usually received about a 50% cut in property taxes over a 10-year period.

The amount of the lost revenue from property taxes is staggering. The Texas Comptroller reported that as of June 1, 2022, there were 598 current and executed Chapter 313 agreements that provided an estimated gross tax benefit of \$12.3 billion (Texas Comptroller) to the businesses. The 82.7% reduction of taxable property value in 2021 shown in Figure 1 helps explain the large amount of lost revenue.

The Property Tax Debate

Gov. Abbott and Texas House Speaker Dade Phelan have been the most vocal proponents of resurrecting some version of Chapter 313. Three bills have been filed in the Texas Legislature to again give schools districts the ability to offer property tax reductions for businesses. While the bills are currently light on details, it appears that it could be much more expansive and costly than Chapter 313. In the Texas Senate, Sen. Drew Springer (R) has filled SB 1926. Titled both the Texas Miracle Act and the Texas Vitality Act, it is similar to HB 5. Both HB 5 and SB 1926 give great political power to Texas Comptroller Glen Hegar by giving him the sole discretion of determining whether the proposed project provides “a net economic or financial benefit to the state” and thus earning his recommendation.

The push for giving tax breaks to large businesses comes as Texas politicians are struggling to gain credibility with taxpayers frustrated about rising property taxes and the Legislature’s unwillingness to meaningfully reduce them. At his inauguration, Abbott promised to “provide the

Figure 1: Property Value Reductions Under Chapter 313 in 2021

Category	Active Projects Executed Before 06/01/2022	2021 Taxable Value for M&O w/o 313	2021 Taxable Value for M&O with 313
Manufacturing	209	\$56,978,368,000	\$8,356,451,000
R&D	1	\$77,536,000	\$77,536,000
Wind Generation	210	\$18,509,441,000	\$3,993,052,000
Solar Generation	178	\$5,511,498,000	\$1,584,769,000
Total	598	\$81,076,843,000	\$14,011,808,000

Source: Texas Comptroller

largest property tax cut in Texas history” ([The Center Square](#)). Yet that has failed to appear. Taking inflation into account, the largest tax cut would have to be about \$20 billion to match the Legislature’s 2006 effort of \$14.2 billion. So far, the Texas Senate has proposed only \$11.2 billion and the Texas House only \$11.7 billion in new property tax relief. However, that hasn’t stopped leaders of both chambers from claiming they surpassed the “largest tax cut” mark with relief of \$16.5 billion and \$17 billion, respectively, by making the false assertion that an additional \$5.3 billion included in their packages for property tax relief they passed in 2019 is somehow “new” property tax relief for 2023 ([Huffines Liberty Foundation](#)).

While legislative leaders refuse to use much more than a third of the current \$32.7 billion budget surplus for property tax relief, they certainly have not been shy about spending the surplus on plenty of other things. For instance, the Texas Senate recently passed a supplemental appropriations bill that would spend \$11.3 billion of the surplus ([Legislative Budget Board - Senate](#)). The House version of the bill would spend \$14.8 billion. Among the expenditures in the Senate and House versions are \$1 billion toward teacher retirement, \$3.8 billion to reduce debt incurred by electric-related businesses because of Winter Storm Uri, \$3 billion for Medicaid, \$2.3 billion for building state hospitals, more than \$10 million for new cars for state agencies, and \$100 million for state employee pay raises

([Legislative Budget Board - House](#)). Similarly, restoring Chapter 313 would wind up costing Texas taxpayers billions. Tax abatements given to businesses through Chapter 313 have to be made up by the state to maintain public school funding ([Legislative Budget Board – SB 1255](#)). And big business is still hungry for these abatements; as the program expired last year, the Texas Comptroller’s office “received 416 applications in 2022: a new record high” ([Texas Comptroller](#)).

The Moral Hazard with Property Tax Abatements

Chapter 313 expired in large part due to a left-right coalition that rallied in the last few weeks of the Legislature’s regular session. In its investigative article released during that time, [Huge corporations are saving \\$10 billion on Texas taxes, and you’re paying for it](#), the Houston Chronicle reported:

Yet Texas legislators and Gov. Abbott are

“While legislative leaders refuse to use much more than a third of the current \$32.7 billion budget surplus for property tax relief, they certainly have not been shy about spending the surplus on plenty of other things.”

on board with minimizing property tax relief for Texans this session while supporting big business lobbyists' call for property tax abatements for their clients.

“As millions of Texans struggle with the economic devastation of COVID-19, the biggest corporate tax giveaway in Texas has helped businesses cut more than \$10 billion from their property taxes — and there are no limits on the program’s exponential growth.

The gusher of tax incentives is flowing to firms ranging from petrochemical plants on the Gulf Coast to sprawling wind farms in the Panhandle. Companies are saving billions by promising to bring their business to Texas — even if evidence suggests some never would have gone anywhere else.

Meanwhile, nothing has changed during the pandemic for Texas homeowners who must pay their property tax bills on time or face stiff penalties.”

Neither has anything changed since 2021. Despite promises of property tax relief in 2019 and 2021, Figure 2 shows that the total property tax levy increased by more than 12% in 2022, a total of \$8.9 billion. There is no relief in those numbers.

“We simply have to have” property tax breaks, says Tony Bennett, president of the Texas Association of Manufacturers. “Competition (for projects nationwide) is not going away, and your team has to have everything the other team has to win.”

It is clear, however, that Texans do not win when tax abatements are granted to these businesses. Abatements are simply a transfer of wealth from regular taxpayers to big companies. One Erath County resident who has opposed abatements being sought by a solar farm, Joanna Friebele, said, “I want everyone to remember this is America and we are all entitled to our opinions, we are entitled to work at it and if we do, sometime we get to reap the rewards.” She also reminded others of the ongoing efforts of businesses to get tax breaks, “These are also a multi-million-dollar corporations and they will work at it too.”

Robert Fleming led many Bell County residents in another effort successfully opposing abatements in Troy I.S.D. The school board voted down (6-1) the abatements for a proposed solar farm. He talked about how difficult the fight is because of the resources the businesses bring to the fight.

Figure 2: Texas Property Tax Revenue 2021 - 2022

Tax Year	Special Districts	Counties	Cities	School Districts	Total Revenue
2021	\$10,400,964,541	\$11,244,745,912	\$12,492,364,456	\$38,946,142,782	\$73,084,217,691
2022	\$11,381,507,038	\$12,668,561,428	\$13,634,751,910	\$44,296,728,440	\$81,981,548,816
Increase	\$980,542,497	\$1,423,815,516	\$1,142,387,454	\$5,350,585,658	\$8,897,331,125
%	9.43%	12.66%	9.14%	13.74%	12.17%

“These companies are very organized, they’re very professional,” Fleming said. “They come into our communities, they separate family, they separate friends, they separate neighbors with a dollar bill, and that is what really bothers me the most.”

While property tax abatements do not benefit most Texans, they do provide full employment for lobbyists and consultants. During the current legislative session, lobbyists are lining Capitol hallways pressing members to support the renewal of Chapter 313 or something similar. And numerous consulting firms serve as consultants to school districts, counties, and cities to make sure that Chapter 312 and Chapter 313 agreements with businesses are in compliance with state law.

There is no credible evidence that Chapter 312 and 313 agreements result in more jobs or increased business investment in Texas. That is especially the case when it comes to renewable energy generators. Renewable projects create very few jobs—perhaps 1 or 2 per location, yet they make up 65% of all current Chapter

“Tax abatements—giving tax breaks to politically connected businesses—while continuing to raise everyone else’s property taxes to pay for the abatements is theft.”

313 projects ([Texas Comptroller](#)). It is worth asking what exactly Texans have gotten for the billions of dollars of local tax abatements given to businesses in Texas.

“You shall not steal.”

– Exodus 20:15

Conclusion

Tax abatements—giving tax breaks to politically connected businesses—while continuing to raise everyone else’s property taxes to pay for the abatements is theft. Members of the Texas Legislature that vote for these programs are aiding and abetting theft. School district property tax abatements should not be renewed.



About the Founder

Don Huffines

Former Texas State Senator Donald B. Huffines is a strong Christian, proud fifth-generation Texan, husband, father, grandfather, and self-made businessman.

Don Huffines fought fearlessly for fiscal restraint and government accountability in the Texas State Senate while representing Dallas County.

During his time in the Senate from 2015 to 2019, Senator Huffines served as the Vice-Chair of the Texas Senate Border Security, Veteran Affairs, and Transportation committees. Huffines also earned a reputation as one of Texas's most conservative lawmakers.

Don Huffines founded the Huffines Liberty Foundation to promote the values we all cherish that make Texas great.

The Huffines Liberty Foundation is a 501(c)(3) non-profit, non-partisan research institute.

Our mission is to advance the cause of liberty, prosperity, and virtue in the State of Texas by educating citizens so they may hold their elected officials accountable.

We look beyond the obvious and develop researched solutions based upon the common sense liberty principles of individual rights, fiscal restraint, personal responsibility, limited government, and social conservatism.

The Huffines Liberty Foundation encourages and educates citizens so they are better informed to tackle the toughest challenges.