



A Business Friendly Approach To Saving Tax Dollars

By Jennifer Raymond, Vice President

“You have to give a little to get a lot.” This is the philosophy that taxing entities in Fort Bend County have adopted to create an aggressive business environment. Local officials realize that in order to receive a return on their investment, they must invest first. How they do this is through offering various tax incentive programs to businesses seeking to relocate, which in turn stimulates economic growth.

A variety of tax incentives are available throughout the Houston area as well as throughout the nation. So the leaders of our community and the State of Texas have realized that in order to stay competitive, they must offer aggressive incentive packages. On a local level, incentives include value added tax abatement, Freeport Tax Exemption on inventory leaving the state within 175 days, Tax Increment Financing, direct incentives (grants), rebates on local sales tax dollars, use of economic development sales tax dollars for infrastructure development, and Industrial Revenue Bonds. And on a state level, Sales and Use Tax Exemptions, Franchise Tax Credits, and grants from the Texas Enterprise Fund and Emerging Technology Fund are available for qualifying businesses.

So, as a relocating company or existing local company, which of these incentives are available to you?

Let's start with **existing businesses**. The Freeport Tax Exemption provides an exemption on property taxes for inventory (raw materials, goods-in-process, and finished products) that enters the facility and is sent out of state within 175 days. The school districts, utility districts and some cities in Fort Bend County allow this exemption, which is irrevocable once in effect. Sales and use tax exemptions are available through the state for qualifying machinery and equipment. The state also offers Franchise Tax Credits for qualified research and development.

The most widely used economic incentive is the value added tax abatement. If your business is planning to expand its facility or add a new business unit, the expansion may meet specific requirements and qualify for tax abatement. The local jurisdictions have criteria in place to determine whether or not the project is valuable enough to offer this incentive. Additionally, depending on the magnitude and nature of the expansion, the cities may offer grants from funds through city economic development corporations to incentivize the expansion.

For a **relocating company**, all of the above incentives apply with the addition of potential direct grants and possibly greater value added tax abatement terms. Recently, Sunoco Logistics Partners received a grant from the City of Sugar Land in the amount of \$500,000 for the relocation of its operations to existing vacant space in Lake Pointe Plaza.

Additionally, Industrial Revenue Bonds are available to qualified manufacturing facilities. Aaron Rents successfully received an IRB a few years ago for the acquisition of a manufacturing building in Fort Bend County. IRB's are tax-exempt bonds issued to finance manufacturing or industrial facilities which are not to exceed \$10 million. An Enterprise zone can also be established for businesses with a focus on foreign trade. In 2004, an Enterprise Zone was created in Stafford to attract Cardinal Health to its city.

The incentives offered to businesses in Fort Bend County are one of the many tools used to create an economic engine in the county. Attracting these new and expanding businesses helps create a larger commercial tax base in the county, which in turn, allows the local taxing entities to lower their property tax rates. Thus, all the citizens in the county benefit in the long run because they get to enjoy the lower tax rates.



Each of these incentive programs includes an application process and reporting. Indermuehle & Company can assist you with your relocation and expansion plans, as well as help you obtain further information about how these incentives may work for your business.

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