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CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

ALABAMA

Franchise Tax/ Corporate Income/Personal Income

Franchise tax rate is 0.25 percent of net taxable capital. Earned surplus component of 4.5 percent added in **1991**. Corporations calculate taxes on both and pay the greater of the two amounts.

Franchise tax credit for businesses that subsidize day care implemented in **1999**.

Franchise tax exemption for small businesses with gross receipts of less than \$150,000 offered in **1999**.

Franchise tax credit equal to five percent of qualified research and development expenses and payments for tax reports due in 2002 and after. Tax credit limited to 50 percent of company's franchise tax liability. Credit implemented in **1999**.

In **1994**, the Legislature approved a program in which approved Alabama companies can use income tax payments otherwise owed to the state to retire debt. Approved firms may also use the state income taxes deducted from their employees' salaries as payment against corporate debt service (e.g. land, buildings, equipment) Eligibility requirements for new facilities include an investment of at least \$5 million and creation of 50 jobs. Expanding companies must invest \$2 million and create 20 jobs.

The **1995** Legislature amended the state's industrial incentive plan by allowing new and expanding industries to write off five percent of their construction costs each year for 20 years against their state income tax. To receive the incentive, large businesses (over 100 full-time employees) must invest at least \$2 million, hire 20 people and pay an average wage of \$8 per hour. Smaller businesses also qualify if they create 15 new jobs and invest \$1 million.

New tax measure passed in **1996** allows income tax exemptions for businesses in enterprise zones. (See Zones)

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

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ALABAMA

Franchise tax credits for job creation equal to five percent over 5 years of wages paid to workers in those qualifying jobs. Company must create 10 new full-time jobs within a Strategic Investment Area. Credit is limited to 50 percent of company's franchise tax liability. Credit implemented in **1999**.

Franchise tax credit for capital investment is equal to 7.5 percent if a company invests at least \$500,000 in qualified investments in a Strategic Investment Area. Credit is limited to 50 percent of the company's franchise tax liability. Credit implemented in **1999**.

Sales & Use Tax

State sales and use tax rate increased from six percent to six and one-half percent in **1990**.

New legislation in **1991** authorizes cities to adopt, upon voter approval, an additional sales tax ranging from one-eighth to one-half of one percent for economic development purposes.

Texas Leverage Fund created in **1993** to allow eligible cities to leverage their economic development sales tax collections. (see Finance Programs)

In **1993**, Texas began phasing out the sales and use tax on manufacturing machinery and equipment. Manufacturers may claim 75 percent reduction on qualified purchases in 1994 and a full exemption takes effect in 1995.

A sales tax measure was passed in **1997** that prevents the double taxation of ingredients or components used in manufacturing.

The biggest business accomplishment of the **1998** legislature was the passage of two bills that improve the state's complicated sales tax collection practices.

Sales tax exemptions were approved in **1990** in conjunction with the approval of the new enterprise zone program. The exemptions are available on building and equipment purchases made within the enterprise zone.

New tax measure passed in **1996** allows sales and use tax exemptions for businesses in enterprise zones. (See Zones)

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

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ALABAMA

Semiconductor fabrication clean rooms are made exempt from sales and use tax in **1995**.

Labor to rehabilitate buildings, and gas and electricity used in enterprise zones are exempted from sales and use tax in **1995**.

Exemption on the first \$25 a month in Internet access charges for businesses granted in **1999**.

Other Taxes

In **1991**, motor fuel taxes increased by more than 30 percent.

A constitutional amendment passed in November **1991** exempted goods in transit from property taxation if the property is brought into the state for assembling, storing, or processing and is transported out within 175 days. Taxing units were allowed the option of voting to continue to tax the property.

In **1997** the legislature passed SB 345 to implement a state tax refund for economic development. Qualified property owners are eligible to receive refunds on their net state sales and use taxes and franchise taxes, limited to the amount of school district property taxes paid. The total for all refunds collectively may not exceed \$10 million.

In **1992**, approval was given to a five-cent increase in the state tax on gasoline and diesel fuel. The increase is expected to raise about \$128 million with more than 80 percent of the money going to the state highway department. Cities and counties will get about \$23 million to fund road and bridge projects.

A new law passed in **1998** eliminates stiff penalties for late payment of unemployment taxes. It gives businesses up to 12 months to pay the tax if the filing is made on a timely basis.

New tax measure passed in **1996** allows exemptions on utility gross receipt tax and utility gross receipt service tax for businesses in enterprise zones. (See Zones)

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

ALABAMA

Job Training

Smart Jobs Fund approved in **1993**. Program offers matching grants for new job training or on-the-job training. Funded by the diversion of one-tenth of one percent of the state's unemployment insurance tax, the fund is expected to provide some \$50 million a year for training.

Workforce development and training programs consolidated under the Texas Workforce Commission in **1995**, providing employers and workers with easier access to employment and training services.

Skills Development - (**1995**) Assists businesses by designing, financing, and implementing customized job training programs in partnership with public community and technical colleges for new or existing jobs in local businesses. The 77th Legislature has appropriated \$25 million for the 2002-2003 biennium. The average amount is \$1,000 per trainee.

Smart Jobs Fund Program modified in **1997** to assist small businesses and apply to a broader range of occupations.

Smart Jobs Program abolished effective December 31, **2001**.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

ALABAMA

Zones

A proposed constitutional amendment to be voted on in November **1991** would exempt goods in transit from property taxation if the property is brought into an enterprise zone for assembling, storing, or processing and is transported out within 175 days.

Foreign Trade Zone law amended in **1991**

Enterprise Zone law amended to allow for additional sales and use tax exemptions in **1995** (see Sales and Use Tax)

Enterprise Zone program modified in **1997** to reauthorize the Texas Department of Commerce to designate enterprise projects.

Reinvestment Zone and Tax Abatement Agreement central registry transferred from the Texas Department of Commerce to the Comptroller of Public Accounts in **1997**.

Tax abatement bill passed in **2001** allowing municipalities to enter into tax abatement agreements with lessees located in reinvestment zones.

In **1990**, Alabama instituted a new enterprise zone program. Under the new law, businesses locating in an enterprise zone may qualify for a ten percent income or franchise tax credit on the first \$10,000 in capital investment if at least 30 percent of their workers were formerly unemployed for at least 90 days.

The Alabama Legislature enacted new tax exemptions for some businesses in **1996**. Businesses that employ at least 1,200 people and make capital investments and improvements of at least \$75 million within the enterprise zone are exempt from utility gross receipt tax, utility gross receipt tax service tax, state and local sales and use tax and income tax.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

ALABAMA

In **2001**, the 77th Texas Legislature enacted House Bill 1200 creating Tax Code Chapter 313, Texas Economic Development Act. This Act allows school districts to attract new taxable property by offering a tax credit and an eight-year limitation on the appraised value of a property for the maintenance and operations portion of the school district property tax. In exchange for the appraised value limitation and tax credit, the property owner must enter into an agreement with the school district to create a specific number of jobs and build or install specified types of real and personal property worth a certain amount. To qualify, the property must be in a reinvestment zone and must be devoted to manufacturing, research and development, or renewable energy generation.

Education

A revenue package designed to generate funds to finance a court-ordered revision of the state school finance system was approved in **1990**.

Legislation enacted an education reform bill in **1991** intended to equalize school districts' access to funding for education.

In **1990**, the Legislature boosted elementary and secondary education funding by 11.7 percent and increased higher education funding by 10.7 percent over the previous fiscal year.

A broad education reform bill was passed in **1991**. The new law establishes a format for testing new teachers, a strengthened core curriculum in English, mathematics, science and social studies and alternative teacher certification. However, no funding was provided to implement the new legislation, expected to cost about \$300 million.

In **1993**, funding was increased for higher education by 5.8 percent and funding for K-12 education was boosted by 7 percent.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

ALABAMA

Environmental

Bill passed in **1990** to increase fees assessed to commercial hazardous waste storage facilities and generators of hazardous waste. Fees are to be used for cleanup at state Superfund sites.

Legislature approved a major recycling bill in **1991**. The law sets in motion a variety of initiatives designed to help reach a goal of recycling some 40 percent of the state's solid waste material by **1994**.

Bill passed in **2001** provides for the cleanup of certain brownfields by authorizing the state to encourage cleanup using sales and use tax proceeds, property tax breaks and other incentives.

The Texas Emissions Reduction Program approved in **2001** is a new \$133 million fund that incentivizes industry and individuals to purchase vehicles and equipment powered by alternative fuel.

Lawmakers approved a \$3.3 billion education budget in **1994** that will redistribute \$1.8 billion to schools. The redistribution is an effort to comply with a judge's order to equalize state education opportunities.

In **1990**, the Legislature voted to increase the fees levied on hazardous waste disposed of at Alabama disposal sites. Under the new measure, the current fee of \$22 per ton for disposing hazardous waste at an Emelle, Alabama disposal site will increase to \$40 per ton for in-state companies and \$112 per ton for out-of-state firms.

In action related to environmental legislation passed in 1990, an Alabama court in **1991** has ruled unconstitutional the state's policy of imposing higher dumping fees at an Emelle, Alabama facility on hazardous waste generated outside of Alabama than on hazardous waste generated in the state.

The new Alabama Voluntary Cleanup Act passed in **2001** will allow the reuse and redevelopment of older industrial and business sites by exempting new property owners from liability for past environmental damages. The state Department of Environmental Management will oversee the program.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

ALABAMA

Finance Programs

The Texas Economic Development Corporation was authorized in **1991** to issue revenue bonds in an unlimited amount for any eligible project. The Texas Department of Commerce was also authorized at the same time to make loan guarantees for a number of projects.

Texas Leverage Fund created in **1993** to allow eligible cities to leverage their economic development sales tax collections by providing access to an alternative source of capital through local industrial development corporations (IDCs). IDCs can lend as much as \$4,000,000 to companies for eligible projects.

The Rural Loan fund was established in **1995** to attract manufacturing jobs to rural areas. Loans may be used for land, buildings, equipment, facilities, improvements and working capital.

The Texas Capital Access Fund Program was established in **1997**. It is a loan loss reserve program intended to leverage private sector capital and encourage bank lending to small and medium sized businesses.

The Texas Linked Deposit Program was amended in **1997** by opening the business loan program to child care providers and non-profit corporations and doubling the maximum loan amount to \$200,000.

An interagency committee was created in **1997** to develop a loan application for state loan and loan guaranty programs.

In **1997**, Alabama lawmakers more than doubled the cap on site preparation grants, from \$150,000 to \$375,000 per project.

The Legislature created the Alabama 21st Century Fund Authority in **1999**, which has the power to issue bonds in limited amounts for purposes of economic development and industrial recruitment. The law will enable the state to provide infrastructure for such large projects as the Honda plant project announced in the summer of 1999.

In **1999**, lawmakers passed a change in funding of industrial development grants; the law removes the two-year limitation on selling bonds to fund the Alabama Industrial Development Grant Program. The previous law did not provide funding for the program. The new law will enable the State Industrial Development Authority to make grants to some 25 companies on the waiting list.

Among the major initiatives in **2000** was a bill to provide \$350 million from the Alabama Trust Fund to finance transportation infrastructure projects. Without raising taxes, the law allocates these funds to pay for needed roads, bridges and revitalized docks throughout Alabama.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

ALABAMA

Small Business

New program established in **1991** to provide funding for small and minority businesses.

A bill passed in **1993** was designed to help small businesses obtain affordable health insurance.

Legislation passed in **1993** to assist small businesses establish preferences for state businesses in state agency purchasing.

The Small Employer Health Care Availability Act was amended in **1995**. The amendments eliminate the requirement that small business pay at least 75 percent of the premium for employees' coverage; lower the minimum level of employee participation from 90 percent to 75 percent; and abolish three mandated benefit plans.

The Office of Small Business was created in **1997** within the Texas Department of Economic Development.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

ALABAMA

Tort Reform

The Rural Health Care Act was passed in **1989**. It contains three major provisions. The new law requires that juries be instructed that a negative medical outcome does not necessarily justify a finding of negligence, and requires that expert witnesses be practicing physicians. The measure also indemnifies physicians whose case load is more than 10 percent charity cases.

Product Liability Reform legislation was passed in **1993**, reversing a **1990** court order that allowed foreigners to sue over products made by companies with Texas connections. Additionally, laws were passed to shield wholesalers, retailers and distributors from exposure over an unsafe product, and to protect manufacturers of inherently unsafe products such as tobacco. Suits are no longer allowed against machine manufacturers after the equipment is more than 15 years old.

The **1995** Legislature passed five major tort reform liability laws. Several other new tort reform measures deal with specific liability issues in medicine, government and tourism.

In **1996**, lawmakers adopted a new mini-code. A measure that became law authorizes the board of health to designate the environmental services rendered, for which a reasonable fee may be charged, and sets the appropriate fee for each service.

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ALABAMA

Workers' Compensation

In special session in **1989**, the Legislature approved an extensive workers' compensation bill. The bill reduces the cost of workers' comp premiums, amends existing workers' comp laws in numerous respects including income and medical benefits, procedures, and adjudication of disputes.

A new workers' comp bill was passed in **1991** to help insure that legal proceedings under the state's unemployment compensation laws are not encumbered with excessive litigation. The legislature enacted the law that provides that findings and conclusions made in connection with claims for unemployment benefits cannot be used in other legal proceedings or actions.

Telecommunications/Utilities

The Telecommunications Infrastructure Fund was approved by the Legislature in **1995**. The fund is designed to provide \$150 million annually in grants and loans for projects in distance education, information sharing and telemedicine.

A workers' compensation bill passed in **1992** was designed to reduce business costs, hold down future rate increases and deliver higher benefits to workers.

New legislation passed in **1994** authorizes prison sentences of up to 10 years for workers' compensation fraud and allows denial of a workers' compensation claim if an employee tests positive for illegal drugs

One of the major bills passed in **1996** gives the Alabama Power company and other electric utilities the right to recoup money invested in supplying power to large industrial customers that switch to other electricity suppliers.

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ALABAMA

In **1999**, the Legislature enacted the state's electric deregulation bill. Different provisions of the bill will be phased in beginning in September 1999, when utilities will be required to freeze their basic electric rates at current prices until January 1, 2002. On January 1, 2002, new electric providers must discount rates by six percent for all residential customers and small commercial customers.

Transportation

In **1995**, the state Legislature enacted a bill that conforms Texas trucking statutes with federal legislation. The end of state regulation is expected to help shippers by generating more competition and greater service options.

Alabama lawmakers created a joint legislative study group in **1991**, which will look for ways to improve intrastate commuter air service.

Also created in **1991** was a joint legislative committee for promotion of the Tennessee-Tombigee Waterway.

In other transportation moves in **1991**, the Alabama Legislature created an International Airport Authority to oversee Alabama's efforts to site a proposed international airport in the state.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

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ALABAMA

Other

The Legislature passed a bill in **1991** that amends the existing Rural Economic Development Act. The amendments delete the requirement that only industrial and manufacturing enterprises may receive assistance. Any other eligible enterprises may also receive assistance under the law.

In **1991**, a bill was approved that created the Texas Partnership for Economic Development, an advisory body charged with developing policies and recommendations regarding a wide range of economic development issues. The new body is required to propose new legislation to the Legislature every two years.

The state Legislature abolished the Texas Department of Commerce in **1997**, transferring its powers to the Texas Department of Economic Development.

In **1997**, the same bill that created the Texas Department of Economic Development also created the Texas Business and Community Economic Development Clearinghouse and a research and data services area to collect, research and distribute economic development information.

A bill was enacted in **1997** that created an international trade task force for the promotion and development of international trade.

In **1992**, new legislation created the Alabama Commission on Aerospace, Science and Technology to foster continued development of the state's aerospace industry.

Lawmakers authorized a modest increase in the budget of the Alabama Development Office, the state's primary economic development agency in **1993**.

In **1997**, the legislature made a number of technical changes to the 1995 Tax Incentive Reform Act to help economic developers recruit industry.

A new law passed in **1998** eliminates stiff penalties for late payment of unemployment taxes. It gives businesses up to 12 months to pay the tax if the filing is made on a timely basis.

In **1998**, the Governor of Alabama signed an executive order extending the Business License Study Commission through the 1999 legislative session.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

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The Texas E-Government Task Force was formed in **1999**. The task force is charged with creating a single Internet portal that will enhance the ability of the state government to interact and exchange information online with its businesses and citizens.

A bill passed in **2001** created the Technology Workforce Fund, comprised of matching funds from the state and industry to bolster the output of engineering and computer science graduates from Texas universities.

ALABAMA

Several measures were signed into law in **1999** that impact Alabama's economic development prospects. They include the Alabama Development Office (ADO) Notification Requirement, requiring economic developers and other parties to notify the ADO in advance of any incentives programs under discussion. The purpose is to centralize incentives negotiations.

A Multi-county Industrial Development Authorities law passed in **1999** authorizes creation of industrial development authorities that may operate in more than one county in the state. The measure will let economic developers in different counties pool resources through creation of a common economic development authority.

In **2000**, legislation was enacted which provides preference for Alabama businesses in the awarding of public contracts. The bill allows more flexibility in negotiating contracts to save taxpayers' money.

A bill was signed into law in **2000** which created the Office of Information Technology as a department of the executive branch of government.

In **2001**, the Science Research Center opened in Huntsville, Alabama with \$16 million in state and federal funds.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

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CALIFORNIA

Franchise Tax/ Corporate Income/Personal Income

Franchise tax rate is 0.25 percent of net taxable capital. Earned surplus component of 4.5 percent added in **1991**. Corporations calculate taxes on both and pay the greater of the two amounts.

Franchise tax credit for businesses that subsidize day care implemented in **1999**.

Franchise tax exemption for small businesses with gross receipts of less than \$150,000 offered in **1999**.

Franchise tax credit equal to five percent of qualified research and development expenses and payments for tax reports due in 2002 and after. Tax credit limited to 50 percent of company's franchise tax liability. Credit implemented in **1999**.

Franchise tax credits for job creation equal to five percent over 5 years of wages paid to workers in those qualifying jobs. Company must create 10 new full-time jobs within a Strategic Investment Area. Credit is limited to 50 percent of company's franchise tax liability. Credit implemented in **1999**.

Franchise tax credit for capital investment is equal to 7.5 percent if a company invests at least \$500,000 in qualified investments in a Strategic Investment Area. Credit is limited to 50 percent of the company's franchise tax liability. Credit implemented in **1999**.

In **1991**, the research and development tax credit was extended through 1996 and authorized individual and business taxpayers to charge off losses against future tax bills through 1996.

The R&D tax credit became permanent in **1994**. It also increases the state's limit on research and development expenditures to conform with federal standards.

A bill enacted in **1994** reduced the tax rate for certain closely held corporations. Owners of those corporations previously had to pay a surcharge in addition to the corporate tax. The tax rate applied to Subchapter-S small business corporations has been reduced to 1.5 percent from 2.5 percent.

In **1996**, approved \$279 million in business tax cuts over three years. Included a 35 percent increase in research and development tax credits.

A tax cut, which takes effect January 1, **1997**, means that California's current 9.37 percent corporate tax rate will be lowered to 8.84 percent.

In **1996**, a manufacturers' investment credit for semiconductor and biotech industries was extended.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

CALIFORNIA

A \$25 million tax credit for aircraft maintenance and repair was passed in **1996**.

Expansion of R&D tax credit provisions was passed **1998**. It will bring an estimated \$46 million in tax relief for fiscal year 1998-99 and \$48 million the following year.

California's corporation tax law conforms with federal subchapter "S" provisions in the **1998** legislative session. It saves state taxpayers an estimated \$21 million in fiscal year 1998-99.

In July **1999**, a bill signed into law middle-class tax cuts worth \$715 million. Also signed is a bill that eliminates the first two years of the minimum franchise tax for new corporations.

A senate bill in **1999** increases the R&D tax credit.

Sales & Use Tax

State sales and use tax rate increased from six percent to six and one-half percent in **1990**.

New legislation in **1991** authorizes cities to adopt, upon voter approval, an additional sales tax ranging from one-eighth to one-half of one percent for economic development purposes.

Texas Leverage Fund created in **1993** to allow eligible cities to leverage their economic development sales tax collections. (see Finance Programs)

In **1991**, a bill is passed to boost the sales tax to 8.25 percent in Los Angeles, San Diego and San Francisco counties. New sales tax rates in other counties will range from 7.25 to 7.75 percent.

Legislation passed in **1994** gives a six percent tax credit on purchases of manufacturing equipment made after January 1, 1994.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

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CALIFORNIA

In **1993**, Texas began phasing out the sales and use tax on manufacturing machinery and equipment. Manufacturers may claim 75 percent reduction on qualified purchases in 1994 and a full exemption takes effect in 1995.

Semiconductor fabrication clean rooms are made exempt from sales and use tax in **1995**.

Labor to rehabilitate buildings, and gas and electricity used in enterprise zones are exempted from sales and use tax in **1995**.

Exemption on the first \$25 a month in Internet access charges for businesses granted in **1999**.

Other Taxes

In **1991**, motor fuel taxes increased by more than 30 percent.

A constitutional amendment passed in November **1991** exempted goods in transit from property taxation if the property is brought into the state for assembling, storing, or processing and is transported out within 175 days. Taxing units were allowed the option of voting to continue to tax the property.

Approval of Proposition 111 in **1990** doubled the state's gasoline tax from nine cents to 18 cents over five years and raised road taxes for large trucks by some 50 percent.

Lawmakers in **1994** reformed California's unitary tax law.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

CALIFORNIA

In **1997** the legislature passed SB 345 to implement a state tax refund for economic development. Qualified property owners are eligible to receive refunds on their net state sales and use taxes and franchise taxes, limited to the amount of school district property taxes paid. The total for all refunds collectively may not exceed \$10 million.

A **1996** tax package included \$29 million in cuts through unitary tax law changes.

A bill passed in **1998** provides that large capital investments (\$150 million or more) are now eligible for a property tax rebate on real and personal property. The rebate may be for as long as 15 years.

Job Training

Smart Jobs Fund approved in **1993**. Program offers matching grants for new job training or on-the-job training. Funded by the diversion of one-tenth of one percent of the state's unemployment insurance tax, the fund is expected to provide some \$50 million a year for training.

In **1997**, California Legislature funded \$4.5 million in seed money for the state's CalJOBS program to assist local governments. Grants will pay for matching welfare recipients with available jobs through the CalJOBS program.

Workforce development and training programs consolidated under the Texas Workforce Commission in **1995**, providing employers and workers with easier access to employment and training services.

Skills Development - (**1995**) Assists businesses by designing, financing, and implementing customized job training programs in partnership with public community and technical colleges for new or existing jobs in local businesses. The 77th Legislature has appropriated \$25 million for the 2002-2003 biennium. The average amount is \$1,000 per trainee.

Smart Jobs Fund Program modified in **1997** to assist small businesses and apply to a broader range of occupations.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

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CALIFORNIA

Smart Jobs Program abolished effective December 31, **2001**.

Zones

A proposed constitutional amendment to be voted on in November **1991** would exempt goods in transit from property taxation if the property is brought into an enterprise zone for assembling, storing, or processing and is transported out within 175 days.

Foreign Trade Zone law amended in **1991**

Enterprise Zone law amended to allow for additional sales and use tax exemptions in **1995** (see Sales and Use Tax)

Enterprise Zone program modified in **1997** to reauthorize the Texas Department of Commerce to designate enterprise projects.

Reinvestment Zone and Tax Abatement Agreement central registry transferred from the Texas Department of Commerce to the Comptroller of Public Accounts in **1997**.

Tax abatement bill passed in **2001** allowing municipalities to enter into tax abatement agreements with lessees located in reinvestment zones.

California lawmakers expanded the state's enterprise zone program in **1990**, authorizing the creation of 15 additional zones.

A bill passed in **1996** authorizes the State Public Utilities Commission to provide incentives for industry or business in federal rural enterprise zones.

Legislation passed in **1998** authorized the creation of manufacturing enhancement areas and targeted tax areas. Tax breaks and hiring credits will be available to companies establishing facilities in designated areas.

Two former military bases earned conditional designations as Local Area Recovery Areas (LAMBRA) in **1999**. The designation allows the bases to extend state tax incentives, including local inducements, to lure companies.

In **2000**, a Central Valley Economic Development Plan was approved. The plan provides more state money into raising employment and economic investment in the eight-county San Joaquin Valley region.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

CALIFORNIA

In **2001**, the 77th Texas Legislature enacted House Bill 1200 creating Tax Code Chapter 313, Texas Economic Development Act. This Act allows school districts to attract new taxable property by offering a tax credit and an eight-year limitation on the appraised value of a property for the maintenance and operations portion of the school district property tax. In exchange for the appraised value limitation and tax credit, the property owner must enter into an agreement with the school district to create a specific number of jobs and build or install specified types of real and personal property worth a certain amount. To qualify, the property must be in a reinvestment zone and must be devoted to manufacturing, research and development, or renewable energy generation.

Education

A revenue package designed to generate funds to finance a court-ordered revision of the state school finance system was approved in **1990**.

Legislation enacted an education reform bill in **1991** intended to equalize school districts' access to funding for education.

As part of a the big tax bill in **1996**, a \$7 million tax exclusion for an employee's educational assistance was passed.

California dedicated \$200 million toward low-performing schools in **2001**.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

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CALIFORNIA

Environmental

Bill passed in **1990** to increase fees assessed to commercial hazardous waste storage facilities and generators of hazardous waste. Fees are to be used for cleanup at state Superfund sites.

Legislature approved a major recycling bill in **1991**. The law sets in motion a variety of initiatives designed to help reach a goal of recycling some 40 percent of the state's solid waste material by **1994**.

Bill passed in **2001** provides for the cleanup of certain brownfields by authorizing the state to encourage cleanup using sales and use tax proceeds, property tax breaks and other incentives.

The Texas Emissions Reduction Program approved in **2001** is a new \$133 million fund that incentivizes industry and individuals to purchase vehicles and equipment powered by alternative fuel.

The **1991** Legislature established three pollution control loan programs for small business. (see Finance Programs)

A five-point plan to reform and streamline the state's environmental permitting process was passed in **1994**. Included are special offices where businesses can obtain all permits.

Finance Programs

The Texas Economic Development Corporation was authorized in **1991** to issue revenue bonds in an unlimited amount for any eligible project. The Texas Department of Commerce was also authorized at the same time to make loan guarantees for a number of projects.

In **1991**, the Legislature established three new pollution-control loan programs for small businesses. The low-interest loans are available for underground-storage tank projects, energy conservation and hazardous-waste reduction. (see Small Business and Environmental)

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

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Texas Leverage Fund created in **1993** to allow eligible cities to leverage their economic development sales tax collections by providing access to an alternative source of capital through local industrial development corporations (IDCs). IDCs can lend as much as \$4,000,000 to companies for eligible projects.

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The Texas Capital Access Fund Program was established in **1997**. It is a loan loss reserve program intended to leverage private sector capital and encourage bank lending to small and medium sized businesses.

The Texas Linked Deposit Program was amended in **1997** by opening the business loan program to child care providers and non-profit corporations and doubling the maximum loan amount to \$200,000.

An interagency committee was created in **1997** to develop a loan application for state loan and loan guaranty programs.

Small Business

New program established in **1991** to provide funding for small and minority businesses.

A bill passed in **1993** was designed to help small businesses obtain affordable health insurance.

CALIFORNIA

The Highway to Space and Space Flight Competitive Grant programs were created in **2001** to continue growth and innovation of high-tech industries. The \$2 million matching grants program was designed to improve California's international competitiveness.

The **1991** Legislature established three new pollution-control loan programs for small businesses. (see Finance Programs)

The **1996** Legislature passed a \$28 million tax deduction for small business expensing.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

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CALIFORNIA

Legislation passed in **1993** to assist small businesses establish preferences for state businesses in state agency purchasing.

The Small Employer Health Care Availability Act was amended in **1995**. The amendments eliminate the requirement that small business pay at least 75 percent of the premium for employees' coverage; lower the minimum level of employee participation from 90 percent to 75 percent; and abolish three mandated benefit plans.

The Office of Small Business was created in **1997** within the Texas Department of Economic Development.

A bill passed in **1999** provides a permanent exclusion of 50 percent of capital gains on small business stock held over five years.

Tort Reform

The Rural Health Care Act was passed in **1989**. It contains three major provisions. The new law requires that juries be instructed that a negative medical outcome does not necessarily justify a finding of negligence, and requires that expert witnesses be practicing physicians. The measure also indemnifies physicians whose case load is more than 10 percent charity cases.

Product Liability Reform legislation was passed in **1993**, reversing a **1990** court order that allowed foreigners to sue over products made by companies with Texas connections. Additionally, laws were passed to shield wholesalers, retailers and distributors from exposure over an unsafe product, and to protect manufacturers of inherently unsafe products such as tobacco. Suits are no longer allowed against machine manufacturers after the equipment is more than 15 years old.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

CALIFORNIA

The **1995** Legislature passed five major tort reform liability laws. Several other new tort reform measures deal with specific liability issues in medicine, government and tourism.

Workers' Compensation

In special session in **1989**, the Legislature approved an extensive workers' compensation bill. The bill reduces the cost of workers' comp premiums, amends existing workers' comp laws in numerous respects including income and medical benefits, procedures, and adjudication of disputes.

A new workers' comp bill was passed in **1991** to help insure that legal proceedings under the state's unemployment compensation laws are not encumbered with excessive litigation. The legislature enacted the law that provides that findings and conclusions made in connection with claims for unemployment benefits cannot be used in other legal proceedings or actions.

A workers' compensation bill approved in **1991** is designed to reduce fraudulent worker claims and solicitation of claims by physicians. The measure also limits claims based upon stress during the first six months of employment.

A workers' compensation reform bill was signed in **1993** that will save about \$1.5 billion per year. The bill will help cut costs by reducing litigation, trimming ineffectual use of vocational rehabilitation services, limiting stress claims and bogus claims in response to personnel actions, and strengthening anti-fraud provisions. Included is a seven percent rate reduction for employers.

The **1993** Legislature repealed an 80-year-old law that established minimum rates for workers' compensation coverage.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

CALIFORNIA

Telecommunications/Utilities

The Telecommunications Infrastructure Fund was approved by the Legislature in **1995**. The fund is designed to provide \$150 million annually in grants and loans for projects in distance education, information sharing and telemedicine.

In **1999**, the Legislature enacted the state's electric deregulation bill. Different provisions of the bill will be phased in beginning in September 1999, when utilities will be required to freeze their basic electric rates at current prices until January 1, 2002. On January 1, 2002, new electric providers must discount rates by six percent for all residential customers and small commercial customers.

In **2001**, new Legislative committee re-vamped power boards and gives the state control over the sale of some power plants.

Transportation

In **1995**, the state Legislature enacted a bill that conforms Texas trucking statutes with federal legislation. The end of state regulation is expected to help shippers by generating more competition and greater service options.

An \$18.5 billion transportation improvement package was passed in **1990**. The package includes for the upgrading of highways, enlarging mass transit systems and beautification along highways.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

CALIFORNIA

Other

The Legislature passed a bill in **1991** that amends the existing Rural Economic Development Act. The amendments delete the requirement that only industrial and manufacturing enterprises may receive assistance. Any other eligible enterprises may also receive assistance under the law.

In **1991**, a bill was approved that created the Texas Partnership for Economic Development, an advisory body charged with developing policies and recommendations regarding a wide range of economic development issues. The new body is required to propose new legislation to the Legislature every two years.

The state Legislature abolished the Texas Department of Commerce in **1997**, transferring its powers to the Texas Department of Economic Development.

California's Governor signed Transportation **2000**. This multifaceted bill provides \$3.4 billion toward relieving gridlock in congested corridors, improving road safety, providing better connections between cities and regions, moving goods more quickly and providing alternatives to highways. Some \$600 million in unused state cash and another \$300 million in local gas taxes were earmarked for select road projects.

The state's Supreme Court ruled in **1990** that employees cannot be fired solely for refusing to submit to random drug tests.

Created the Governor's Council on Defense Conversion and Technology Assessment to coordinate the state's efforts on defense conversion. Also in **1993**, California provided almost \$62 million to help state businesses make the transition to non-defense activities.

New legislation passed in **1994** provides an eight-year carry-over period for losses incurred in a new firm's first year of operation. It also permits a start-up company to carry forward a full 100 percent of losses incurred in its first three years of operation.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

In **1997**, the same bill that created the Texas Department of Economic Development also created the Texas Business and Community Economic Development Clearinghouse and a research and data services area to collect, research and distribute economic development information.

A bill was enacted in **1997** that created an international trade task force for the promotion and development of international trade.

The Texas E-Government Task Force was formed in **1999**. The task force is charged with creating a single Internet portal that will enhance the ability of the state government to interact and exchange information online with its businesses and citizens.

A bill passed in **2001** created the Technology Workforce Fund, comprised of matching funds from the state and industry to bolster the output of engineering and computer science graduates from Texas universities.

CALIFORNIA

In July **1999**, the governor signed a bill authorizing the use of electronic signatures and digital signatures in brokerage agreements.

The New Economy strategy was created in **2000**. The strategy is aimed at advancing California's use of information technology and the Internet. The initiative allocates \$75 million a year for four years to the University of California to launch three California Institutes for Science and Innovation and provides funding for Next Generation Internet Application Centers. It also finances projects to connect rural communities to the Internet.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

GEORGIA

Franchise Tax/ Corporate Income/Personal Income

Franchise tax rate is 0.25 percent of net taxable capital. Earned surplus component of 4.5 percent added in **1991**. Corporations calculate taxes on both and pay the greater of the two amounts.

Franchise tax credit for businesses that subsidize day care implemented in **1999**.

Franchise tax exemption for small businesses with gross receipts of less than \$150,000 offered in **1999**.

Franchise tax credit equal to five percent of qualified research and development expenses and payments for tax reports due in 2002 and after. Tax credit limited to 50 percent of company's franchise tax liability. Credit implemented in **1999**.

Franchise tax credits for job creation equal to five percent over 5 years of wages paid to workers in those qualifying jobs. Company must create 10 new full-time jobs within a Strategic Investment Area. Credit is limited to 50 percent of company's franchise tax liability. Credit implemented in **1999**.

The General Assembly approved a bill in **1991** granting employers a \$150 income tax credit for each employee successfully completing an employer-provided basic skills education program.

The Georgia Business Expansion and Support Act was passed in **1994**. The Act provides various tax credits and incentives to encourage business growth. The new law provides a statewide job credit that ranges from \$500 to \$2,500 per new job, with bigger credits in less-developed counties. Credits are allowed for each full-time job for five years.

Credits against income tax liability for companies that have operated a manufacturing facility in the state for the past three years was past in **1994**. Those credits range from 1 percent to 5 percent, with bigger credits in less-developed counties. In all cases, even larger credits are available for recycling, pollution control and defense conversion activities.

Lawmakers expanded the eligibility for investment and job tax credits in **1995**.

Legislature passed a measure that made job tax credits more easily available to businesses that relocate or expand. The program passed in **1996**, gives job and investment tax credits to companies based on where they locate. The more economically depressed, the more credits a company can receive.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

Franchise tax credit for capital investment is equal to 7.5 percent if a company invests at least \$500,000 in qualified investments in a Strategic Investment Area. Credit is limited to 50 percent of the company's franchise tax liability. Credit implemented in **1999**.

GEORGIA

The **1997** Legislature approved tax credits for fast-growing industrial, telecom, tourism and R&D businesses and for new research expenses.

The **1997** R&D tax credit shall be 10 percent of additional research expenses over the "base amount".

The Small Business Growth Companies Tax Credit was passed in **1997**. (see Small Business)

The **1998** General Assembly extended the Job Tax Credit to businesses of any nature in specified Tier 1 counties.

Companies that increase their port tonnage at Georgia ports are now eligible for job tax credits or investment tax credits. This bill was passed in **1998**.

The Georgia Assembly passed a bill in **1998** that will allow self-employed business owners to deduct 100 percent of their health insurance premiums from their Georgia income tax returns.

The Ports Activity Job Tax and Investment Tax Credits was passed in **1999**. Companies that increase their port traffic tonnage through Georgia ports by more than 10 percent over 1997 base year port traffic, or 75 net tons, five containers, or 10 TEUs, whichever is greater, during the previous 12-month period and meet Business Expansion and Support Act (BEST) criteria for the county in which they are located, are qualified for increased credits.

House Bill 438, passed in **1999**, lets members of an affiliated group of corporations assign income tax credits to another corporation in the group, and back to the assignor if the two parties cease to be members of the same affiliation.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

GEORGIA

Sales & Use Tax

State sales and use tax rate increased from six percent to six and one-half percent in **1990**.

New legislation in **1991** authorizes cities to adopt, upon voter approval, an additional sales tax ranging from one-eighth to one-half of one percent for economic development purposes.

Texas Leverage Fund created in **1993** to allow eligible cities to leverage their economic development sales tax collections. (see Finance Programs)

In **1993**, Texas began phasing out the sales and use tax on manufacturing machinery and equipment. Manufacturers may claim 75 percent reduction on qualified purchases in 1994 and a full exemption takes effect in 1995.

Semiconductor fabrication clean rooms are made exempt from sales and use tax in **1995**.

House Bill 1509, passed in **2000**, provides enhancements by raising the business tax credit for most counties, lowering some of the thresholds to qualify for the credit and giving more flexibility in how the credit can be used.

In **1990**, a bill was passed which requires out-of-state mail-order retailers to collect the sales tax on sales made to Georgia customers.

Sales tax exemptions were passed in **1994** for manufacturing machinery, primary material-handling equipment and, in some cases, electricity used in manufacturing.

1996 brought a sales tax exemption for groceries.

In **1997**, the Georgia Legislature allowed counties to hold votes to slash homeowner's property taxes and substitute a new one-cent sales tax.

House Bill 1510, passed in **2000**, exempts machinery repair and replacement parts used in the manufacturing process from the state sales tax. The exemption will be phased in over five years. The bill also provides an exemption for computer purchases totaling more than \$15 million by high-tech companies. The bill further offers a sales tax exemption on equipment used in "clean rooms", which are used to manufacture computer chips.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

GEORGIA

Labor to rehabilitate buildings, and gas and electricity used in enterprise zones are exempted from sales and use tax in **1995**.

Exemption on the first \$25 a month in Internet access charges for businesses granted in **1999**.

Other Taxes

In **1991**, motor fuel taxes increased by more than 30 percent.

A constitutional amendment passed in November **1991** exempted goods in transit from property taxation if the property is brought into the state for assembling, storing, or processing and is transported out within 175 days. Taxing units were allowed the option of voting to continue to tax the property.

In **1997** the legislature passed SB 345 to implement a state tax refund for economic development. Qualified property owners are eligible to receive refunds on their net state sales and use taxes and franchise taxes, limited to the amount of school district property taxes paid. The total for all refunds collectively may not exceed \$10 million.

The **1993** legislative session provides that computer software is personal property only to the extent of the unmounted or uninstalled storage medium. Most software will be taxed as intangible personal property, but "canned" software sold at retail will be subject to sales tax.

Lawmakers cut unemployment insurance taxes for the fourth time in the past five years. State businesses will see their tax bills reduced by about \$92 million. This cut passed in **1998**.

The **1999** legislature passed House Bill 533 which provides a property tax credit to homeowners.

2001 session amended the BEST Tax Credit Program to clarify requirements and increase tax credit values.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

GEORGIA

Job Training

Smart Jobs Fund approved in **1993**. Program offers matching grants for new job training or on-the-job training. Funded by the diversion of one-tenth of one percent of the state's unemployment insurance tax, the fund is expected to provide some \$50 million a year for training.

Workforce development and training programs consolidated under the Texas Workforce Commission in **1995**, providing employers and workers with easier access to employment and training services.

Skills Development - (**1995**) Assists businesses by designing, financing, and implementing customized job training programs in partnership with public community and technical colleges for new or existing jobs in local businesses. The 77th Legislature has appropriated \$25 million for the 2002-2003 biennium. The average amount is \$1,000 per trainee.

Smart Jobs Fund Program modified in **1997** to assist small businesses and apply to a broader range of occupations.

Smart Jobs Program abolished effective December 31, **2001**.

Georgia approved changes in **1992** to their Quick Start, the state's workforce training program, to include worker retraining.

Employee retraining and child-care tax credits were authorized in **1994**.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

GEORGIA

Zones

A proposed constitutional amendment to be voted on in November **1991** would exempt goods in transit from property taxation if the property is brought into an enterprise zone for assembling, storing, or processing and is transported out within 175 days.

Foreign Trade Zone law amended in **1991**

Enterprise Zone law amended to allow for additional sales and use tax exemptions in **1995** (see Sales and Use Tax)

Enterprise Zone program modified in **1997** to reauthorize the Texas Department of Commerce to designate enterprise projects.

Reinvestment Zone and Tax Abatement Agreement central registry transferred from the Texas Department of Commerce to the Comptroller of Public Accounts in **1997**.

Tax abatement bill passed in **2001** allowing municipalities to enter into tax abatement agreements with lessees located in reinvestment zones.

The Job Tax Credit Program had changes in **1993**. The revised law allows businesses located in designated distressed urban areas in metro Atlanta and other cities to receive an annual \$2,000 tax credit for each new job created here.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

GEORGIA

In **2001**, the 77th Texas Legislature enacted House Bill 1200 creating Tax Code Chapter 313, Texas Economic Development Act. This Act allows school districts to attract new taxable property by offering a tax credit and an eight-year limitation on the appraised value of a property for the maintenance and operations portion of the school district property tax. In exchange for the appraised value limitation and tax credit, the property owner must enter into an agreement with the school district to create a specific number of jobs and build or install specified types of real and personal property worth a certain amount. To qualify, the property must be in a reinvestment zone and must be devoted to manufacturing, research and development, or renewable energy generation.

Education

A revenue package designed to generate funds to finance a court-ordered revision of the state school finance system was approved in **1990**.

Legislation enacted an education reform bill in **1991** intended to equalize school districts' access to funding for education.

In **1994**, some \$16 million was approved to create 80 alternative school sites for students that otherwise would not graduate from high school.

The Education Reform Initiative, passed in **2001**, includes \$486 million for new school construction and the end of social promotion.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

GEORGIA

Environmental

Bill passed in **1990** to increase fees assessed to commercial hazardous waste storage facilities and generators of hazardous waste. Fees are to be used for cleanup at state Superfund sites.

Legislature approved a major recycling bill in **1991**. The law sets in motion a variety of initiatives designed to help reach a goal of recycling some 40 percent of the state's solid waste material by **1994**.

Bill passed in **2001** provides for the cleanup of certain brownfields by authorizing the state to encourage cleanup using sales and use tax proceeds, property tax breaks and other incentives.

The Texas Emissions Reduction Program approved in **2001** is a new \$133 million fund that incentivizes industry and individuals to purchase vehicles and equipment powered by alternative fuel.

Finance Programs

The Texas Economic Development Corporation was authorized in **1991** to issue revenue bonds in an unlimited amount for any eligible project. The Texas Department of Commerce was also authorized at the same time to make loan guarantees for a number of projects.

The hazardous waste management bill passed in **1990** requires that companies generating large amounts of hazardous waste prepare a plan to reduce the amount of hazardous waste they generate.

A **1991** law requires consideration of the environmental effects of any state government actions. The law also applies to local government actions if a project includes more than \$250,000 in state funds or if more than 50 percent of the total cost of the project is borne by the state.

A \$2 million fund was passed in **1993** for wastewater treatment facilities. (see Finance Programs)

The **1994** session gave larger credits to companies involved in recycling and pollution control. (see Franchise Tax/Corporate Income/Personal Income)

Passed in **1991**, new legislation repeals the requirement that applicants requesting loans from business development corporations be denied funding until the applicant has been refused by at least two other financial institutions.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

Texas Leverage Fund created in **1993** to allow eligible cities to leverage their economic development sales tax collections by providing access to an alternative source of capital through local industrial development corporations (IDCs). IDCs can lend as much as \$4,000,000 to companies for eligible projects.

The Rural Loan fund was established in **1995** to attract manufacturing jobs to rural areas. Loans may be used for land, buildings, equipment, facilities, improvements and working capital.

The Texas Capital Access Fund Program was established in **1997**. It is a loan loss reserve program intended to leverage private sector capital and encourage bank lending to small and medium sized businesses.

The Texas Linked Deposit Program was amended in **1997** by opening the business loan program to child care providers and non-profit corporations and doubling the maximum loan amount to \$200,000.

An interagency committee was created in **1997** to develop a loan application for state loan and loan guaranty programs.

GEORGIA

A \$2 million program to fund low-interest loans for wastewater treatment facilities in Georgia's less-developed counties was created in **1993**.

Lawmakers agreed to shift \$12.5 million to a new grant program designed to make communities more attractive to business. Grants will be limited to \$750,000 per community or project and a \$200,000 limit for multi-county projects. This new program was created in **1995**.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

GEORGIA

Small Business

New program established in **1991** to provide funding for small and minority businesses.

A bill passed in **1993** was designed to help small businesses obtain affordable health insurance.

Legislation passed in **1993** to assist small businesses establish preferences for state businesses in state agency purchasing.

The Small Employer Health Care Availability Act was amended in **1995**. The amendments eliminate the requirement that small business pay at least 75 percent of the premium for employees' coverage; lower the minimum level of employee participation from 90 percent to 75 percent; and abolish three mandated benefit plans.

The Office of Small Business was created in **1997** within the Texas Department of Economic Development.

Passed in **1997**, the Small Business Growth Companies Tax Credit applies to business or headquarters of business engaged in manufacturing, warehousing and distributing, processing, telecommunications, tourism, and research and development industries with 20 percent-plus growth rates. The credit is the excess over 20 percent of percentage growth, but not more than 50 percent of net income tax liability due.

A measure passed in **1998** allows small businesses to deduct 100 percent of their health insurance premiums. (see Franchise Tax/Corporate Income/Personal Income)

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

GEORGIA

Tort Reform

The Rural Health Care Act was passed in **1989**. It contains three major provisions. The new law requires that juries be instructed that a negative medical outcome does not necessarily justify a finding of negligence, and requires that expert witnesses be practicing physicians. The measure also indemnifies physicians whose case load is more than 10 percent charity cases.

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CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

GEORGIA

Workers' Compensation

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A new workers' comp bill was passed in **1991** to help insure that legal proceedings under the state's unemployment compensation laws are not encumbered with excessive litigation. The legislature enacted the law that provides that findings and conclusions made in connection with claims for unemployment benefits cannot be used in other legal proceedings or actions.

The **1990** session saw the passage of a major workers' compensation reform bill, which will increase program benefits and help control costs.

A bill designed to reduce costs to businesses by 6 to 8 percent while providing increased benefits to injured workers passed in **1992**.

The **1994** Legislature passed a new workers' compensation measure to boost system efficiency and reduce fraud. It releases employers from responsibility for paying for pre-existing conditions and shifts the burden of proof to employees from employers when an injury involves intoxication.

More workers' compensation reform measures were passed in **1995**.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

GEORGIA

Telecommunications/Utilities

The Telecommunications Infrastructure Fund was approved by the Legislature in **1995**. The fund is designed to provide \$150 million annually in grants and loans for projects in distance education, information sharing and telemedicine.

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Broadcom Corp. became a member of the Yamacraw Design Center in **2000**. Through this partnership, Broadcom will commit to create 100 broadband communications development jobs in Georgia over the next five years.

The Georgia Technology Initiative of **2001** will build a state-of-the-art statewide communications network that will connect the state and will aid rural areas.

Transportation

In **1995**, the state Legislature enacted a bill that conforms Texas trucking statutes with federal legislation. The end of state regulation is expected to help shippers by generating more competition and greater service options.

The **1999** Legislature passed a law establishing the Georgia Regional Transportation Authority, which will build and operate mass transit systems in counties not meeting federal environmental regulations.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

GEORGIA

Other

The Legislature passed a bill in **1991** that amends the existing Rural Economic Development Act. The amendments delete the requirement that only industrial and manufacturing enterprises may receive assistance. Any other eligible enterprises may also receive assistance under the law.

In **1991**, a bill was approved that created the Texas Partnership for Economic Development, an advisory body charged with developing policies and recommendations regarding a wide range of economic development issues. The new body is required to propose new legislation to the Legislature every two years.

The state Legislature abolished the Texas Department of Commerce in **1997**, transferring its powers to the Texas Department of Economic Development.

In **1997**, the same bill that created the Texas Department of Economic Development also created the Texas Business and Community Economic Development Clearinghouse and a research and data services area to collect, research and distribute economic development information.

A bill was enacted in **1997** that created an international trade task force for the promotion and development of international trade.

The **1990** legislature approved a bill limiting local governments' application of impact fees primarily to those infrastructure needs brought about by increased development.

Georgia's Trade Secrets Law was strengthened in **1990** to protect companies against the loss of proprietary information when key employees leave.

Lawmakers approved a tax amnesty program in their **1992** session that may inject \$30 million into state coffers. If delinquent accounts don't pay up, their assessments will be subject to a 50 percent collection fee, plus penalties and interest.

The **1992** session created a new Joint Study Commission on Revenue Structure to analyze the state's tax structure .

The General Assembly designated \$7.1 million grant to buy a 300-acre site near Covington in **1996**, for a deal-closing incentive for a videotape manufacturer.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

The Texas E-Government Task Force was formed in **1999**. The task force is charged with creating a single Internet portal that will enhance the ability of the state government to interact and exchange information online with its businesses and citizens.

A bill passed in **2001** created the Technology Workforce Fund, comprised of matching funds from the state and industry to bolster the output of engineering and computer science graduates from Texas universities.

GEORGIA

The Department of Industry, Trade and Tourism was given the responsibility in **1998** to formulate a state economic development strategy.

The **1998** legislature provided funding for four economic and community development staff in each of the state's new development regions. Lawmakers also approved \$220,000 for upgrading and enhancing economic development data collection and maintenance.

The **2001** session created the Georgia Cancer Coalition, a statewide network of cancer treatment and research centers. The initiative will cost \$800 million over the next five years, with part of the funding paid for with the tobacco settlement.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

LOUISIANA

Franchise Tax/ Corporate Income/Personal Income

Franchise tax rate is 0.25 percent of net taxable capital. Earned surplus component of 4.5 percent added in **1991**. Corporations calculate taxes on both and pay the greater of the two amounts.

Franchise tax credit for businesses that subsidize day care implemented in **1999**.

Franchise tax exemption for small businesses with gross receipts of less than \$150,000 offered in **1999**.

Franchise tax credit equal to five percent of qualified research and development expenses and payments for tax reports due in 2002 and after. Tax credit limited to 50 percent of company's franchise tax liability. Credit implemented in **1999**.

A new **1991** development incentives law passed provides a \$750 tax credit against the state income tax and corporate franchise tax for employment of each previously unemployed person in a newly-created full-time job.

Another incentives law passed in **1991** includes a credit against the state's corporate income tax, personal income tax and corporate franchise tax for ad valorem taxes paid to political subdivisions on inventory held by manufacturers, distributors and retailers. The law provides for a five-year phase-in of inventory tax credits for all state firms at 20 percent for the first year, increasing 20 percent annually for five years.

A new incentive program approved in **1995** was the Quality Jobs Program. The program is a complex rebate to companies based on their net worth to the state (computed by a formula using estimated cost to state and benefit to state). No more than five percent of the payroll can be rebated, and companies must have a payroll of more than \$1.5 million and provide basic health care for employees.

New business incentive were approved in **1996** in the form of tax credits to eligible companies for participation in the Louisiana Quality Jobs Program.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

Franchise tax credits for job creation equal to five percent over 5 years of wages paid to workers in those qualifying jobs. Company must create 10 new full-time jobs within a Strategic Investment Area. Credit is limited to 50 percent of company's franchise tax liability. Credit implemented in **1999**.

Franchise tax credit for capital investment is equal to 7.5 percent if a company invests at least \$500,000 in qualified investments in a Strategic Investment Area. Credit is limited to 50 percent of the company's franchise tax liability. Credit implemented in **1999**.

Sales & Use Tax

State sales and use tax rate increased from six percent to six and one-half percent in **1990**.

New legislation in **1991** authorizes cities to adopt, upon voter approval, an additional sales tax ranging from one-eighth to one-half of one percent for economic development purposes.

LOUISIANA

In **1999** tax matters, tax credits under the Louisiana Capital Investment and Quality Jobs Program were extended to the year 2000. The tax credit for employers providing alcohol and substance abuse treatment programs for their employees was also extended.

In **2000**, the Quality Jobs Program within the Louisiana Department of Economic Development was extended by the Legislature through January 1, 2003 with changes. Employers are now required to pay 75 percent or more of basic health care insurance for full-time employees and 50 percent for part-time workers who choose to participate. Employers can no longer receive credit for non-cash compensation; businesses in certain high-technology clusters may also qualify for Quality Job assistance; and qualifying businesses must pay an average wage that is equal to or at least 1.5 times the minimum federal wage. In 1999, this program generated 3,215 new permanent jobs and 132 temporary construction jobs with a total investment of \$32.3 million.

The legislature gave approval in **1990** to \$300 million in sales tax, including a 3 percent tax on food, utilities and other traditionally exempt items.

A new incentive program approved in **1992** designed to lure aerospace companies to Louisiana exempts certain passenger aircraft made in the state from sales tax. Eligible aircraft must have a capacity of 50 or more persons.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

Texas Leverage Fund created in **1993** to allow eligible cities to leverage their economic development sales tax collections. (see Finance Programs)

In **1993**, Texas began phasing out the sales and use tax on manufacturing machinery and equipment. Manufacturers may claim 75 percent reduction on qualified purchases in 1994 and a full exemption takes effect in 1995.

Semiconductor fabrication clean rooms are made exempt from sales and use tax in **1995**.

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Exemption on the first \$25 a month in Internet access charges for businesses granted in **1999**.

Other Taxes

In **1991**, motor fuel taxes increased by more than 30 percent.

LOUISIANA

The **1994** Louisiana Legislature suspended the sales tax exemption for food and other goods, raising an estimated \$410 million for state coffers.

In **1996**, lawmakers again extended the state's temporary sales tax on food, utilities and other items for two years, with the rate remaining at the full four percent for 1996-97, but dropping to three percent the following year. The tax will bring in about \$430 million the first year and about \$320 million in the second.

A growing economy is expected to offset higher spending as lawmakers cut one cent from the state's sales tax in **1997**.

The state's new law passed in **1990** which raises the environmental standards on asbestos abatement and hazardous waste management also raised the existing "waste-end" tax on producers of hazardous waste (see Environment)

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

LOUISIANA

A constitutional amendment passed in November **1991** exempted goods in transit from property taxation if the property is brought into the state for assembling, storing, or processing and is transported out within 175 days. Taxing units were allowed the option of voting to continue to tax the property.

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Job Training

Smart Jobs Fund approved in **1993**. Program offers matching grants for new job training or on-the-job training. Funded by the diversion of one-tenth of one percent of the state's unemployment insurance tax, the fund is expected to provide some \$50 million a year for training.

Workforce development and training programs consolidated under the Texas Workforce Commission in **1995**, providing employers and workers with easier access to employment and training services.

A tax measure enacted in **1997** repeals the state's inheritance tax over seven years, as state legislators seek to develop Louisiana as a retirement state.

The **1995** Legislature established a fund for customized workforce training that would include retraining and shop-floor upgrading.

In **1997**, the Legislature created a new state workforce commission to coordinate more than 100 training programs and \$400 million in financing. The 27-member commission will also set policy for the state's new occupational and training information system that is designed to survey available jobs, forecast job growth and evaluate job training performance.

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Skills Development - **(1995)** Assists businesses by designing, financing, and implementing customized job training programs in partnership with public community and technical colleges for new or existing jobs in local businesses. The 77th Legislature has appropriated \$25 million for the 2002-2003 biennium. The average amount is \$1,000 per trainee.

Smart Jobs Fund Program modified in **1997** to assist small businesses and apply to a broader range of occupations.

Smart Jobs Program abolished effective December 31, **2001**.

Zones

A proposed constitutional amendment to be voted on in November **1991** would exempt goods in transit from property taxation if the property is brought into an enterprise zone for assembling, storing, or processing and is transported out within 175 days.

Foreign Trade Zone law amended in **1991**

Enterprise Zone law amended to allow for additional sales and use tax exemptions in **1995** (see Sales and Use Tax)

Enterprise Zone program modified in **1997** to reauthorize the Texas Department of Commerce to designate enterprise projects.

LOUISIANA

Funding was increased in **1999** for the incumbent worker-training program from \$6 million to \$50 million, giving Louisiana the second-largest incumbent worker program in the country and the largest fund per worker.

In **2000**, the Louisiana Department of Labor launched a \$50 million incumbent worker training program. The purpose of the program is to train workers who already have jobs to acquire the skills they need to get better jobs.

In 1995, the Legislature expanded enterprise zone coverage.

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LOUISIANA

Reinvestment Zone and Tax Abatement Agreement central registry transferred from the Texas Department of Commerce to the Comptroller of Public Accounts in **1997**.

Tax abatement bill passed in **2001** allowing municipalities to enter into tax abatement agreements with lessees located in reinvestment zones.

In **2001**, the 77th Texas Legislature enacted House Bill 1200 creating Tax Code Chapter 313, Texas Economic Development Act. This Act allows school districts to attract new taxable property by offering a tax credit and an eight-year limitation on the appraised value of a property for the maintenance and operations portion of the school district property tax. In exchange for the appraised value limitation and tax credit, the property owner must enter into an agreement with the school district to create a specific number of jobs and build or install specified types of real and personal property worth a certain amount. To qualify, the property must be in a reinvestment zone and must be devoted to manufacturing, research and development, or renewable energy generation.

Education

A revenue package designed to generate funds to finance a court-ordered revision of the state school finance system was approved in **1990**.

Legislation enacted an education reform bill in **1991** intended to equalize school districts' access to funding for education.

In education matters, the Legislature created, in **1992**, a revised statewide teacher-evaluation program to be fully implemented in the 1994-95 school year.

Lawmakers enacted several significant education laws in **1993**. They appropriated an additional \$80 million for K-12 education.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

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LOUISIANA

A new law in **1993** also created a scholars' tuition-exemption program in which the top five percent in each high school graduating class will be awarded a grant to pay for tuition at any public college or university in Louisiana.

Other new education legislation passed in **1993** created an apprenticeship program to provide on-the-job training for students as part of the high school curriculum.

In **1994**, the Louisiana Legislature's 1995 appropriation for primary and secondary education is about 2.8 percent higher than total expenditures for that category in fiscal year 1994. Meanwhile, the fiscal year 1995 appropriation for higher education is about 6 percent higher than total expenditures for colleges and universities the previous fiscal year.

A bill passed by the Legislature in **1997** entitles any Louisiana student with a 2.5 grade point average and a 19 on the ACT, regardless of income, to attend state colleges without having to pay tuition.

In **1998**, the Legislature appropriated a pay raise for etchers. With a budget surplus estimated at \$80 million, they were able to fund the pay hike without a tax increase.

On the education front in **1999**, new legislation passed commits \$45 million to a program that guarantees college tuition to all qualified high school graduates.

Another measure passed in **1999** creates a new, statewide community and technical college system. According to the state's Office of Commerce and Industry, Louisiana has climbed from 46th to fourth in the nation in increased investment in higher education.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

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LOUISIANA

Environmental

Bill passed in **1990** to increase fees assessed to commercial hazardous waste storage facilities and generators of hazardous waste. Fees are to used for cleanup at state Superfund sites.

Legislature approved a major recycling bill in **1991**. The law sets in motion a variety of initiatives designed to help reach a goal of recycling some 40 percent of the state's solid waste material by **1994**.

Bill passed in **2001** provides for the cleanup of certain brownfields by authorizing the state to encourage cleanup using sales and use tax proceeds, property tax breaks and other incentives.

In **2001**, the state's first voucher program started this fall in New Orleans, with 46 private schools having been approved for the program.

In its most recent session in **1990**, the Louisiana Legislature raised state environmental standards in the areas of asbestos abatement and hazardous waste management. The state's new hazardous waste law will create new commercial disposal facilities for hazardous waste and increases an already existing "waste-end" tax on producers of hazardous waste. Serving as a model for other states with its Department of Environmental Quality's Asbestos Disposal Verification Form, the state implemented state guidelines for dealing with asbestos-containing materials in all schools and buildings. the state now has an asbestos abatement certification program in place, regulates asbestos removal from commercial and industrial buildings before they are demolished and regulates asbestos prior to issuance of permits for renovations of such buildings.

In **1992**, to facilitate environmental permitting for new and expanding facilities, the Department of Environmental Quality now holds pre-permit meetings with the company, representatives of the department and state economic development officials. In a related move, the Governor's Office of Permits was established by executive order.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

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LOUISIANA

The Texas Emissions Reduction Program approved in **2001** is a new \$133 million fund that incentivizes industry and individuals to purchase vehicles and equipment powered by alternative fuel.

Finance Programs

The Texas Economic Development Corporation was authorized in **1991** to issue revenue bonds in an unlimited amount for any eligible project. The Texas Department of Commerce was also authorized at the same time to make loan guarantees for a number of projects.

Texas Leverage Fund created in **1993** to allow eligible cities to leverage their economic development sales tax collections by providing access to an alternative source of capital through local industrial development corporations (IDCs). IDCs can lend as much as \$4,000,000 to companies for eligible projects.

The Rural Loan fund was established in **1995** to attract manufacturing jobs to rural areas. Loans may be used for land, buildings, equipment, facilities, improvements and working capital.

The Texas Capital Access Fund Program was established in **1997**. It is a loan loss reserve program intended to leverage private sector capital and encourage bank lending to small and medium sized businesses.

The Texas Linked Deposit Program was amended in **1997** by opening the business loan program to child care providers and non-profit corporations and doubling the maximum loan amount to \$200,000.

Louisiana Department of Economic Development sponsors the Capital Companies Tax Credit Program approved in **1999**. The program has facilitated the development of the venture capital industry in Louisiana and has raised \$260 million for qualified Louisiana businesses.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

LOUISIANA

An interagency committee was created in **1997** to develop a loan application for state loan and loan guaranty programs.

Small Business

New program established in **1991** to provide funding for small and minority businesses.

A bill passed in **1993** was designed to help small businesses obtain affordable health insurance.

Legislation passed in **1993** to assist small businesses establish preferences for state businesses in state agency purchasing.

The Small Employer Health Care Availability Act was amended in **1995**. The amendments eliminate the requirement that small business pay at least 75 percent of the premium for employees' coverage; lower the minimum level of employee participation from 90 percent to 75 percent; and abolish three mandated benefit plans.

The Office of Small Business was created in **1997** within the Texas Department of Economic Development.

In **1995**, the Legislature created a small business incubator program.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

LOUISIANA

Tort Reform

The Rural Health Care Act was passed in **1989**. It contains three major provisions. The new law requires that juries be instructed that a negative medical outcome does not necessarily justify a finding of negligence, and requires that expert witnesses be practicing physicians. The measure also indemnifies physicians whose case load is more than 10 percent charity cases.

Product Liability Reform legislation was passed in **1993**, reversing a **1990** court order that allowed foreigners to sue over products made by companies with Texas connections. Additionally, laws were passed to shield wholesalers, retailers and distributors from exposure over an unsafe product, and to protect manufacturers of inherently unsafe products such as tobacco. Suits are no longer allowed against machine manufacturers after the equipment is more than 15 years old.

The **1995** Legislature passed five major tort reform liability laws. Several other new tort reform measures deal with specific liability issues in medicine, government and tourism.

Tort reform highlighted the Louisiana Legislature special session in **1996**. Among the legislative actions passed were measures that require the plaintiffs to prove negligence, repeal punitive damages in suits involving the storage and transportation of hazardous materials (including items like ink and paint), limited damages to their proportion of fault and reduce the pain and suffering damages.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

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LOUISIANA

Workers' Compensation

In special session in **1989**, the Legislature approved an extensive workers' compensation bill. The bill reduces the cost of workers' comp premiums, amends existing workers' comp laws in numerous respects including income and medical benefits, procedures, and adjudication of disputes.

A new workers' comp bill was passed in **1991** to help insure that legal proceedings under the state's unemployment compensation laws are not encumbered with excessive litigation. The legislature enacted the law that provides that findings and conclusions made in connection with claims for unemployment benefits cannot be used in other legal proceedings or actions.

Telecommunications/Utilities

The Telecommunications Infrastructure Fund was approved by the Legislature in **1995**. The fund is designed to provide \$150 million annually in grants and loans for projects in distance education, information sharing and telemedicine.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

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LOUISIANA

In **1999**, the Legislature enacted the state's electric deregulation bill. Different provisions of the bill will be phased in beginning in September 1999, when utilities will be required to freeze their basic electric rates at current prices until January 1, 2002. On January 1, 2002, new electric providers must discount rates by six percent for all residential customers and small commercial customers.

Transportation

In **1995**, the state Legislature enacted a bill that conforms Texas trucking statutes with federal legislation. The end of state regulation is expected to help shippers by generating more competition and greater service options.

Lawmakers passed a bill in **1992** creating the Louisiana Airport Authority. The new body is charged with siting and financing a new international airport between Baton Rouge and New Orleans.

Other

The Legislature passed a bill in **1991** that amends the existing Rural Economic Development Act. The amendments delete the requirement that only industrial and manufacturing enterprises may receive assistance. Any other eligible enterprises may also receive assistance under the law.

In **1991**, the Legislature passed the New Directions in Economic Development bill, reorganizing the Department of Economic Development. Among other changes, the development agency will now administer a new Regional Economic Development Alliance (REDA) program. REDAs are coalitions of existing public and private multi-parish economic development organizations grouped together for the purpose of better delivering economic development services. For fiscal year 1992, the program is funded at \$1.5 million.

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In **1991**, a bill was approved that created the Texas Partnership for Economic Development, an advisory body charged with developing policies and recommendations regarding a wide range of economic development issues. The new body is required to propose new legislation to the Legislature every two years.

The state Legislature abolished the Texas Department of Commerce in **1997**, transferring its powers to the Texas Department of Economic Development.

In **1997**, the same bill that created the Texas Department of Economic Development also created the Texas Business and Community Economic Development Clearinghouse and a research and data services area to collect, research and distribute economic development information.

A bill was enacted in **1997** that created an international trade task force for the promotion and development of international trade.

The Texas E-Government Task Force was formed in **1999**. The task force is charged with creating a single Internet portal that will enhance the ability of the state government to interact and exchange information online with its businesses and citizens.

A bill passed in **2001** created the Technology Workforce Fund, comprised of matching funds from the state and industry to bolster the output of engineering and computer science graduates from Texas universities.

LOUISIANA

In a move which merges concern for the environment with development incentives, new **1991** legislation provides that one-half of the property tax abatement available to state industries be tied to those firms' compliance with environmental standards and chemical emissions. Under the new law, greater environmental compliance will result in larger tax exemptions.

Also in **1991**, lawmakers removed a prohibition that had prevented deep-water ports from selling property for industrial inducement purposes.

In a positive development for Louisiana's business climate, the **1992** Legislature voted down a bill that would have considerably weakened the state's right-to-work law. The measure would have allowed labor unions to collect union dues from non-union employees in bargaining units they represent.

The Legislature narrowly approved legislation in **1992** establishing a single gambling casino near New Orleans' historic French Quarter.

In **1993**, lawmakers approved a sweeping health care reform package. Some 17 major health care laws were passed, including a measure allowing policyholders to change insurers without being barred from coverage by pre-existing illnesses and another creating a basic health care plan for the working poor.

In a **1995** move to assist those seeking information about the state, the Louisiana Department of Economic Development has been established as an information clearinghouse for data relating to economic development.

A new measure passed in **1996** creates the Louisiana Economic Development Council and mandates a strategic plan be devised.

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LOUISIANA

A new **1998** law exempts employers from civil liability for withholding child support from an employee's paycheck under an assignment order. It also increases the fee employers may charge employees for performing the task.

Another significant law passed in **1998** approved the Taxpayers' Bill of Rights. It guarantees that the rights, privacy and property of state taxpayers will be safeguarded and protected during tax assessments, collections and enforcement procedures administered under the state's tax laws.

In **1999**, the Legislature passed several laws that benefit the state's work force. Unemployment taxes paid by businesses have been cut 20 percent and unemployment benefits for workers who lost their job through no fault of their own have increased by 20 percent.

In **2001**, the lawmakers approved the Biomedical Research & Development Park Program as an incentive to help attract medical research and manufacturing.

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NORTH CAROLINA

Franchise Tax/ Corporate Income/Personal Income

Franchise tax rate is 0.25 percent of net taxable capital. Earned surplus component of 4.5 percent added in **1991**. Corporations calculate taxes on both and pay the greater of the two amounts.

Franchise tax credit for businesses that subsidize day care implemented in **1999**.

Franchise tax exemption for small businesses with gross receipts of less than \$150,000 offered in **1999**.

Franchise tax credit equal to five percent of qualified research and development expenses and payments for tax reports due in 2002 and after. Tax credit limited to 50 percent of company's franchise tax liability. Credit implemented in **1999**.

Franchise tax credits for job creation equal to five percent over 5 years of wages paid to workers in those qualifying jobs. Company must create 10 new full-time jobs within a Strategic Investment Area. Credit is limited to 50 percent of company's franchise tax liability. Credit implemented in **1999**.

Franchise tax credit for capital investment is equal to 7.5 percent if a company invests at least \$500,000 in qualified investments in a Strategic Investment Area. Credit is limited to 50 percent of the company's franchise tax liability. Credit implemented in **1999**.

The **1990** Legislature created a new program for helping medium-sized businesses increase their share of the state's exports. The new initiative is based in part on a federal law permitting exporters to save on taxes on foreign income and from assistance from the U.S. Export-Import Bank.

A program approved in **1991** expanded the number of counties eligible for the Jobs Tax Credit Program from 25 counties to 33 counties. Under the program, eligible businesses receive an annual income-tax credit of \$700 per new employee for a period up to four years.

In **1992**, the corporate income tax was increased to 7.75 percent from seven percent.

An additional personal income tax bracket of 7.75 percent was enacted in **1992**.

Legislators extended the Job Creation Tax Credit to 17 more counties in **1993**. The plan provides \$2,800 in tax credits for each new job created above nine.

Lawmakers refined the Qualified Business Tax Credit in **1993**. The credit provides a 25 percent tax credit on investments in certain businesses.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

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NORTH CAROLINA

In the **1995** session, individual and corporate income taxes were slashed by \$380 million.

The incentives-packed William S. Lee Quality Jobs and Expansion Act was passed in **1996**. The new incentives law authorizes several tax reductions and credits. One of the more significant laws involves the gradual reduction of the corporate income tax to 6.9 percent from 7.75 percent during the next four years.

The **1996** session brought a new investment tax credit that is equal to 7 percent of the excess value of machinery and equipment placed in service in North Carolina by new or expanding firms. The credit is taken in equal installments over seven years. Thresholds range from zero in the state's 10 most economically distressed counties to \$1 million in the 25 most developed counties.

Lawmakers increased an existing credit for job creation and expanded it to all 100 counties in **1996**. Firms with at least five full-time employees can take a credit for each new job created, taken in equal installments over four years. The available credit ranges from \$12,500 per job in the 10 most economically distressed counties to \$500 per job in the 25 most developed counties.

The **1996** session also approved a worker training tax credit, a research and development tax credit and a business property tax credit.

The Economic Opportunity Act modified tax credits associated with the William S. Lee Act in **1998**.

North Carolina passed the Widely Shared Prosperity Act of **1999** (WSPA). The new law adds call centers and electronic mail order houses to the industries eligible under the William S. Lee tax credit.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

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NORTH CAROLINA

Sales & Use Tax

State sales and use tax rate increased from six percent to six and one-half percent in **1990**.

New legislation in **1991** authorizes cities to adopt, upon voter approval, an additional sales tax ranging from one-eighth to one-half of one percent for economic development purposes.

Texas Leverage Fund created in **1993** to allow eligible cities to leverage their economic development sales tax collections. (see Finance Programs)

In **1993**, Texas began phasing out the sales and use tax on manufacturing machinery and equipment. Manufacturers may claim 75 percent reduction on qualified purchases in 1994 and a full exemption takes effect in 1995.

Semiconductor fabrication clean rooms are made exempt from sales and use tax in **1995**.

Labor to rehabilitate buildings, and gas and electricity used in enterprise zones are exempted from sales and use tax in **1995**.

Exemption on the first \$25 a month in Internet access charges for businesses granted in **1999**.

The **1991** session increased the state sales and use tax from three percent to four percent.

The intangibles tax was repealed in **1995**.

A new law, passed in **1999**, provides a refund of sales taxes paid on capitalized machinery and equipment for businesses eligible for Lee tax credits located in Tier 1 and Tier 2 counties. For non-profit insurance companies investing at least \$20 million in the state, the act refunds sales taxes for purchases of building materials and fixtures for eight years and for computer systems for four years.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

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NORTH CAROLINA

Other Taxes

In **1991**, motor fuel taxes increased by more than 30 percent.

A constitutional amendment passed in November **1991** exempted goods in transit from property taxation if the property is brought into the state for assembling, storing, or processing and is transported out within 175 days. Taxing units were allowed the option of voting to continue to tax the property.

In **1997** the legislature passed SB 345 to implement a state tax refund for economic development. Qualified property owners are eligible to receive refunds on their net state sales and use taxes and franchise taxes, limited to the amount of school district property taxes paid. The total for all refunds collectively may not exceed \$10 million.

Job Training

Smart Jobs Fund approved in **1993**. Program offers matching grants for new job training or on-the-job training. Funded by the diversion of one-tenth of one percent of the state's unemployment insurance tax, the fund is expected to provide some \$50 million a year for training.

1992 changes decrease the paperwork and fees for newly incorporated businesses and permit a 20 percent tax credit against gross premium taxes levied for assessments paid to the Insurance Guaranty Association and the Life and Accident and Health Insurance Guaranty Association.

Unemployment taxes for employers were cut 30 percent in **1993**..

Unemployment insurance taxes were reduced for the third year in a row in **1995**.

A panel was created in **1993** to oversee all workforce training efforts. (see Education)

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

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NORTH CAROLINA

Workforce development and training programs consolidated under the Texas Workforce Commission in **1995**, providing employers and workers with easier access to employment and training services.

Skills Development - (**1995**) Assists businesses by designing, financing, and implementing customized job training programs in partnership with public community and technical colleges for new or existing jobs in local businesses. The 77th Legislature has appropriated \$25 million for the 2002-2003 biennium. The average amount is \$1,000 per trainee.

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Smart Jobs Program abolished effective December 31, **2001**.

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Foreign Trade Zone law amended in **1991**

Enterprise Zone law amended to allow for additional sales and use tax exemptions in **1995** (see Sales and Use Tax)

A measure passed in **1992** expanded the definition of distressed areas, increasing the availability of incentives.

The Economic Opportunity Act of **1998** creates State Development Zones in urban areas with poverty levels higher than 20 percent. The zones feature several tax credits tied to job creation within the zones.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

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NORTH CAROLINA

Enterprise Zone program modified in **1997** to reauthorize the Texas Department of Commerce to designate enterprise projects.

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CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

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NORTH CAROLINA

Education

A revenue package designed to generate funds to finance a court-ordered revision of the state school finance system was approved in **1990**.

Legislation enacted an education reform bill in **1991** intended to equalize school districts' access to funding for education.

A new commission to set higher standards for primary and secondary education was created in **1993**. Another panel to oversee all workforce training efforts was created, utilizing up to \$600 million in federal, state and local money.

Lawmakers established a \$42 million Education and Technology Fund in **1994** to buy computer and technology equipment for public schools. An additional \$19 million was appropriated to expand Smart Start, the Governor's program to help prepare poor children for school, to 12 more counties.

In **1994**, teachers in primary and secondary schools were given a seven percent raise, university faculty a six percent raise and community college teachers were given an eight percent raise.

The Smart Start program was fully funded in all 100 counties in **2000**. It also raised teacher's salaries up to the national average.

Environmental

Bill passed in **1990** to increase fees assessed to commercial hazardous waste storage facilities and generators of hazardous waste. Fees are to be used for cleanup at state Superfund sites.

The **1995** session approved programs to encourage recycling.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

Legislature approved a major recycling bill in **1991**. The law sets in motion a variety of initiatives designed to help reach a goal of recycling some 40 percent of the state's solid waste material by **1994**.

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The Texas Economic Development Corporation was authorized in **1991** to issue revenue bonds in an unlimited amount for any eligible project. The Texas Department of Commerce was also authorized at the same time to make loan guarantees for a number of projects.

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The Rural Loan fund was established in **1995** to attract manufacturing jobs to rural areas. Loans may be used for land, buildings, equipment, facilities, improvements and working capital.

NORTH CAROLINA

The Brownfields Property Reuse Act of **1997** provides incentives to redevelop brownfield sites, plus liability protection for innocent parties involved in cleanup efforts. The law also allows different levels of site remediation, depending on the property's intended use.

The North Carolina Legislature passed a \$1 billion Clean Water and Natural Gas bond in **1999**. It will provide funding to improve water and sewer infrastructure in more rural areas and to extend natural gas lines into counties that do not currently have service.

The Industrial Building Renovation Fund was created in **1990**. The Fund is designed to create jobs in 50 of North Carolina's 100 counties. Funds up to a maximum of \$250,000 can be used for any legitimate purpose associated with renovation of existing industrial facilities.

Lawmakers appropriated \$7 million in **1994** to the state's Industrial Recruitment Competitive Fund. Grants are available to communities for infrastructure, relocation expenses or equipment costs for new or expanding businesses.

The Small Business Finance Initiative was funded in **1994** at \$1 million to support a new program to leverage private and federal resources to finance small business loans.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

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Small Business

New program established in **1991** to provide funding for small and minority businesses.

A bill passed in **1993** was designed to help small businesses obtain affordable health insurance.

Legislation passed in **1993** to assist small businesses establish preferences for state businesses in state agency purchasing.

NORTH CAROLINA

In business financing, a new **1997** law provides greater access to loan guarantees for new start-up forms, as well as expanding small businesses.

The Economic Opportunity Act of **1998** promotes job growth in rural areas and inner cities. The Act expands the reach of the Industrial Development Fund (IDF) which provides grants to fund improvements to public infrastructure in economically distressed counties. The state's largest banks contributed \$30 million, which combined with expected state and federal funds will leverage more than \$100 million in investment funds for rural areas.

The existing business incubator program was expanded in **1990** to allow for participation by communities of all sizes.

Lawmakers passed a bill in **1992** that addressed problems with providing accident and health insurance coverage for small employers, defined as those with less than 35 workers. Among the requirements, carriers must offer at least two plans, including a health maintenance organization option, and those who do not issue policies directly must join the state's Health Reinsurance Pool.

The **1994** legislature appropriated \$1.25 million to expand the state's network of incubator facilities.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

The Small Employer Health Care Availability Act was amended in **1995**. The amendments eliminate the requirement that small business pay at least 75 percent of the premium for employees' coverage; lower the minimum level of employee participation from 90 percent to 75 percent; and abolish three mandated benefit plans.

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NORTH CAROLINA

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NORTH CAROLINA

Workers' Compensation

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Telecommunications/Utilities

The Telecommunications Infrastructure Fund was approved by the Legislature in **1995**. The fund is designed to provide \$150 million annually in grants and loans for projects in distance education, information sharing and telemedicine.

A **1997** measure passed increased criminal penalties for fraud. When the amount at issue is \$1,000 or more, workers' compensation fraud is now classified as a Class H felony, punishable by a maximum 10-year prison sentence.

The governor announced in April **2000** an agreement between the state's top three communications companies to work with state government in bringing affordable, high-speed Internet access to all parts of North Carolina within three years. The agreement is between BellSouth, Sprint and GTE.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

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NORTH CAROLINA

In **1999**, the Legislature enacted the state's electric deregulation bill. Different provisions of the bill will be phased in beginning in September 1999, when utilities will be required to freeze their basic electric rates at current prices until January 1, 2002. On January 1, 2002, new electric providers must discount rates by six percent for all residential customers and small commercial customers.

Transportation

In **1995**, the state Legislature enacted a bill that conforms Texas trucking statutes with federal legislation. The end of state regulation is expected to help shippers by generating more competition and greater service options.

Approved in **1989**, a new \$9 billion-plus program includes for additional four-lane highways, outer loops around seven major cities, paving for some 10,000 miles of dirt roads and increased state road aid for cities.

Lawmakers created the North Carolina Air Cargo Airport Authority in **1991**. It's charged with establishing the International Transport and Industrial Complex.

Other

The Legislature passed a bill in **1991** that amends the existing Rural Economic Development Act. The amendments delete the requirement that only industrial and manufacturing enterprises may receive assistance. Any other eligible enterprises may also receive assistance under the law.

A discretionary fund to recruit new business, the Industrial Recruitment Competitive Fund, was approved in **1993**. The \$5 million fund allows the governor to assist in the establishment or expansion of plants deemed vital and significant.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

In **1991**, a bill was approved that created the Texas Partnership for Economic Development, an advisory body charged with developing policies and recommendations regarding a wide range of economic development issues. The new body is required to propose new legislation to the Legislature every two years.

The state Legislature abolished the Texas Department of Commerce in **1997**, transferring its powers to the Texas Department of Economic Development.

In **1997**, the same bill that created the Texas Department of Economic Development also created the Texas Business and Community Economic Development Clearinghouse and a research and data services area to collect, research and distribute economic development information.

A bill was enacted in **1997** that created an international trade task force for the promotion and development of international trade.

The Texas E-Government Task Force was formed in **1999**. The task force is charged with creating a single Internet portal that will enhance the ability of the state government to interact and exchange information online with its businesses and citizens.

A bill passed in **2001** created the Technology Workforce Fund, comprised of matching funds from the state and industry to bolster the output of engineering and computer science graduates from Texas universities.

NORTH CAROLINA

The **1993** session created three export assistance programs.

The General Assembly appropriated \$900,000 to implement a new economic development information system, a strategic planning staff and a video conference center in **1994**.

The **1994** session gave the North Carolina Supercomputing Center at the Microelectronics Center of North Carolina \$2 million to upgrade its supercomputing capability.

North Carolina launched its e-government initiative in **2000**. NC@YourService is a state Internet portal that lets citizens, businesses and state employees create a personalized home page.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

OKLAHOMA

Franchise Tax/ Corporate Income/Personal Income

Franchise tax rate is 0.25 percent of net taxable capital. Earned surplus component of 4.5 percent added in **1991**. Corporations calculate taxes on both and pay the greater of the two amounts.

Franchise tax credit for businesses that subsidize day care implemented in **1999**.

Franchise tax exemption for small businesses with gross receipts of less than \$150,000 offered in **1999**.

Franchise tax credit equal to five percent of qualified research and development expenses and payments for tax reports due in 2002 and after. Tax credit limited to 50 percent of company's franchise tax liability. Credit implemented in **1999**.

Franchise tax credits for job creation equal to five percent over 5 years of wages paid to workers in those qualifying jobs. Company must create 10 new full-time jobs within a Strategic Investment Area. Credit is limited to 50 percent of company's franchise tax liability. Credit implemented in **1999**.

A bill passed in **1990** increases corporate and personal income taxes.

A 20 percent tax credit is provided for investments in qualified venture-capital companies. According to the **1991** bill passed, venture capital companies must raise a minimum of \$5 million and invest at least 55 percent of their funds in Oklahoma businesses.

According to a **1994** bill, funds invested in a qualified venture capital company to finance a new business at a former military installation now are eligible for an income tax credit. The credit is equal to 35 percent of the amount invested.

New agricultural processing facilities are eligible for an income tax exemption equal to 15 percent of the capital investment, and agricultural producers are eligible for an income tax credit of 30 percent of the amount invested in producer-owned agricultural processing cooperatives. This bill was passed **1996**.

The **1996** Legislature revived an expired income tax credit for companies that invest in qualified recycling facilities. The credit applies to facilities already on the drawing board that aren't in service yet.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

Franchise tax credit for capital investment is equal to 7.5 percent if a company invests at least \$500,000 in qualified investments in a Strategic Investment Area. Credit is limited to 50 percent of the company's franchise tax liability. Credit implemented in **1999**.

Sales & Use Tax

State sales and use tax rate increased from six percent to six and one-half percent in **1990**.

New legislation in **1991** authorizes cities to adopt, upon voter approval, an additional sales tax ranging from one-eighth to one-half of one percent for economic development purposes.

Texas Leverage Fund created in **1993** to allow eligible cities to leverage their economic development sales tax collections. (see Finance Programs)

OKLAHOMA

The Small Business Capital Formation Act of **1997** allows a 20 percent tax credit to qualified investors in qualified businesses. (see Small Business)

The **1999** Oklahoma legislature provided a 60 percent capital gains exemption on stock options in start-up companies, which will encourage new or growth companies.

A research tax credit was also established in **1999**. The credit provides 30 percent credit for companies that work with Oklahoma universities for research and development.

Solons in their **1990** session, approved increases in the state's sales tax.

The Oklahoma Legislature met in special session in **1991** and authorized Oklahoma City voters to vote on a local sales tax increase that would fund facility improvements to attract United Airlines. Proceeds of the one-cent sales tax increase would raise \$120 million if the airline chooses Oklahoma City.

In **1992**, Oklahoma approved a sales tax exemption for certain telecommunication services operating in the state and extended similar exemption for distribution facilities. Likewise, the Legislature okayed a sales tax exemption and refund for information companies buying computers and related high-tech equipment.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

In **1993**, Texas began phasing out the sales and use tax on manufacturing machinery and equipment. Manufacturers may claim 75 percent reduction on qualified purchases in 1994 and a full exemption takes effect in 1995.

Semiconductor fabrication clean rooms are made exempt from sales and use tax in **1995**.

Labor to rehabilitate buildings, and gas and electricity used in enterprise zones are exempted from sales and use tax in **1995**.

Exemption on the first \$25 a month in Internet access charges for businesses granted in **1999**.

Other Taxes

In **1991**, motor fuel taxes increased by more than 30 percent.

A constitutional amendment passed in November **1991** exempted goods in transit from property taxation if the property is brought into the state for assembling, storing, or processing and is transported out within 175 days. Taxing units were allowed the option of voting to continue to tax the property.

OKLAHOMA

A bill passed in **1994** allowed county sales tax proceeds to be used in the acquisition and development of machinery and equipment for qualified manufacturing facilities.

The definition was broadened in **1994** for tangible personal property sales that are eligible for sales tax exemption.

A **2000** bill modifies the sales tax exemption for new and expanding industries to include an enterprise whose total cost for construction of an expanded facility exceeds \$300 million. The measure also allows tax credits to be carried over for 10 years after an initial five-year period. (designed to provide tax incentives for General Motors plant)

Lawmakers in **1990** passed a bill that offers tax benefits to employers who voluntarily establish employee health care plans.

Lawmakers approved bills in **1991** providing that aircraft repair and maintenance facilities and computer servicing/data processing facilities are now eligible for the state's five year ad valorem tax exemption, and extended limitations on commercial and industrial leasing of large tracts of state school lands from 10 years to 55 years.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

In **1997** the legislature passed SB 345 to implement a state tax refund for economic development. Qualified property owners are eligible to receive refunds on their net state sales and use taxes and franchise taxes, limited to the amount of school district property taxes paid. The total for all refunds collectively may not exceed \$10 million.

Job Training

Smart Jobs Fund approved in **1993**. Program offers matching grants for new job training or on-the-job training. Funded by the diversion of one-tenth of one percent of the state's unemployment insurance tax, the fund is expected to provide some \$50 million a year for training.

Workforce development and training programs consolidated under the Texas Workforce Commission in **1995**, providing employers and workers with easier access to employment and training services.

OKLAHOMA

A **1994** bill provides that if a retail establishment is located in property otherwise qualifying for a local tax exemption, the exemption will not be allowed for that portion of the property used for retail purposes.

Senate Bill 467 of the **1999** legislature provides an ad valorem tax credit to qualifying distribution centers if they hire 100 new full-time employees, invest more than \$5 million and start construction before January 1, 2000. A similar bill was passed in **1992** without a date restriction.

Another **1999** bill exempts manufacturers from ad valorem taxes for five years if the investment costs for new, expanded or acquired manufacturing facilities is between \$250,000 and \$500,000.

The **1995** session boosted funding for workforce training.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

OKLAHOMA

Skills Development - **(1995)** Assists businesses by designing, financing, and implementing customized job training programs in partnership with public community and technical colleges for new or existing jobs in local businesses. The 77th Legislature has appropriated \$25 million for the 2002-2003 biennium. The average amount is \$1,000 per trainee.

Smart Jobs Fund Program modified in **1997** to assist small businesses and apply to a broader range of occupations.

Smart Jobs Program abolished effective December 31, **2001**.

Zones

A proposed constitutional amendment to be voted on in November **1991** would exempt goods in transit from property taxation if the property is brought into an enterprise zone for assembling, storing, or processing and is transported out within 175 days.

Foreign Trade Zone law amended in **1991**

Enterprise Zone law amended to allow for additional sales and use tax exemptions in **1995** (see Sales and Use Tax)

Enterprise Zone program modified in **1997** to reauthorize the Texas Department of Commerce to designate enterprise projects.

The **1990** Legislature simplified and consolidated enterprise zone designation criteria.

Enterprise zone law was modified in **1994** to allow any city or town within a county already designated as an enterprise zone to also be designated as an enterprise zone. Cities and towns still must apply for status as enterprise zones.

The **1998** session passed the Redevelopment Zone Incentive Act, which establishes qualifications for incentive zones with exemptions from certain fees and taxes for businesses locating in the zones.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

OKLAHOMA

Reinvestment Zone and Tax Abatement Agreement central registry transferred from the Texas Department of Commerce to the Comptroller of Public Accounts in **1997**.

Tax abatement bill passed in **2001** allowing municipalities to enter into tax abatement agreements with lessees located in reinvestment zones.

In **2001**, the 77th Texas Legislature enacted House Bill 1200 creating Tax Code Chapter 313, Texas Economic Development Act. This Act allows school districts to attract new taxable property by offering a tax credit and an eight-year limitation on the appraised value of a property for the maintenance and operations portion of the school district property tax. In exchange for the appraised value limitation and tax credit, the property owner must enter into an agreement with the school district to create a specific number of jobs and build or install specified types of real and personal property worth a certain amount. To qualify, the property must be in a reinvestment zone and must be devoted to manufacturing, research and development, or renewable energy generation.

Education

A revenue package designed to generate funds to finance a court-ordered revision of the state school finance system was approved in **1990**.

The **1990** Legislature enacted a major education reform bill, including reforms in curriculum and kindergarten, an optional extended school year, reduction in class sizes and teachers salaries.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

Legislation enacted an education reform bill in **1991** intended to equalize school districts' access to funding for education.

Environmental

Bill passed in **1990** to increase fees assessed to commercial hazardous waste storage facilities and generators of hazardous waste. Fees are to used for cleanup at state Superfund sites.

Legislature approved a major recycling bill in **1991**. The law sets in motion a variety of initiatives designed to help reach a goal of recycling some 40 percent of the state's solid waste material by **1994**.

Bill passed in **2001** provides for the cleanup of certain brownfields by authorizing the state to encourage cleanup using sales and use tax proceeds, property tax breaks and other incentives.

The Texas Emissions Reduction Program approved in **2001** is a new \$133 million fund that incentives industry and individuals to purchase vehicles and equipment powered by alternative fuel.

OKLAHOMA

A new student testing and teacher education program was passed in the **1992** session. Funding for both primary and higher education was increased seven percent.

The **1999** budget created the Outstanding Graduate Student Initiative, which provides \$1.2 million in additional stipends to attract top graduates to Oklahoma University and Oklahoma State University to encourage more research.

Also created in the **1999** session was the \$28.5 million Regents Business Plan. This is a one-time funding to increase faculty and staff salaries.

Bills passed during the **1992** session streamlines environmental permitting.

Environmental regulation and facility permitting reforms occurred in **1993**.

New environmental legislation in **1995** provides financial assistance for companies that transport, recycle, make products from or derive energy from waste tires.

In **1996**, a Master Business License Task Force was charged with creating a one-stop master business license computer system.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

OKLAHOMA

Finance Programs

The Texas Economic Development Corporation was authorized in **1991** to issue revenue bonds in an unlimited amount for any eligible project. The Texas Department of Commerce was also authorized at the same time to make loan guarantees for a number of projects.

Texas Leverage Fund created in **1993** to allow eligible cities to leverage their economic development sales tax collections by providing access to an alternative source of capital through local industrial development corporations (IDCs). IDCs can lend as much as \$4,000,000 to companies for eligible projects.

The Rural Loan fund was established in **1995** to attract manufacturing jobs to rural areas. Loans may be used for land, buildings, equipment, facilities, improvements and working capital.

The Texas Capital Access Fund Program was established in **1997**. It is a loan loss reserve program intended to leverage private sector capital and encourage bank lending to small and medium sized businesses.

The **1996** Legislature revived an expired income tax credit for companies that invest in qualified recycling facilities. (see Franchise/Corporate Income/Personal Income)

A new brownfield law provides quarterly cash incentive payments to companies that locate facilities on brownfield sites. Law was passed in **1997**.

The **1990** session provided for additional flexibility in venture capital investments.

The Credit Enhancement Reserve Act passed in **1991** allows the Oklahoma Development Finance Authority (ODFA) to establish a credit enhancement program to bolster the credit of revenue bonds issued by the ODFA for loans to Oklahoma business or governmental borrowers.

Acquisition of development financing was eased in **1992** with the consolidation of several state agencies into a one-stop funding shop.

The **1992** session allowed local governments to utilize tax increment financing for their projects.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

The Texas Linked Deposit Program was amended in **1997** by opening the business loan program to child care providers and non-profit corporations and doubling the maximum loan amount to \$200,000.

An interagency committee was created in **1997** to develop a loan application for state loan and loan guaranty programs.

Small Business

New program established in **1991** to provide funding for small and minority businesses.

A bill passed in **1993** was designed to help small businesses obtain affordable health insurance.

Legislation passed in **1993** to assist small businesses establish preferences for state businesses in state agency purchasing.

The Small Employer Health Care Availability Act was amended in **1995**. The amendments eliminate the requirement that small business pay at least 75 percent of the premium for employees' coverage; lower the minimum level of employee participation from 90 percent to 75 percent; and abolish three mandated benefit plans.

OKLAHOMA

Full funding of the new technology commercialization center and implementation of the Technology Business Finance Program was authorized in **1998** with HB 2863.

Legislation in **1994** requires insurance companies that issue new health benefit plans to offer a standard health benefit plan to qualified small employers. It also requires those plans to provide certain benefits and cost-sharing levels.

The Small Employer Quality Jobs Incentive Act of **1997** provides incentive payments to qualified firms with no more than 90 employees. The payments are equal to 5 percent of a firm's new payroll for five years, and out-of-state sales must account for at least 75 percent of total sales within three months of applying for the incentive.

The Small Business Capital Formation Act of **1997** allows a 20 percent tax credit to qualified investors in qualified businesses, either through a direct equity or near-equity investment in the firm or a qualified investment company.

The **1998** session provides a tax credit for small businesses on the guarantee fee charged by the Small Business Administration.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

OKLAHOMA

The Office of Small Business was created in **1997** within the Texas Department of Economic Development.

Tort Reform

The Rural Health Care Act was passed in **1989**. It contains three major provisions. The new law requires that juries be instructed that a negative medical outcome does not necessarily justify a finding of negligence, and requires that expert witnesses be practicing physicians. The measure also indemnifies physicians whose case load is more than 10 percent charity cases.

Product Liability Reform legislation was passed in **1993**, reversing a **1990** court order that allowed foreigners to sue over products made by companies with Texas connections. Additionally, laws were passed to shield wholesalers, retailers and distributors from exposure over an unsafe product, and to protect manufacturers of inherently unsafe products such as tobacco. Suits are no longer allowed against machine manufacturers after the equipment is more than 15 years old.

The **1995** Legislature passed five major tort reform liability laws. Several other new tort reform measures deal with specific liability issues in medicine, government and tourism.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

OKLAHOMA

Workers' Compensation

In special session in **1989**, the Legislature approved an extensive workers' compensation bill. The bill reduces the cost of workers' comp premiums, amends existing workers' comp laws in numerous respects including income and medical benefits, procedures, and adjudication of disputes.

A new workers' comp bill was passed in **1991** to help insure that legal proceedings under the state's unemployment compensation laws are not encumbered with excessive litigation. The legislature enacted the law that provides that findings and conclusions made in connection with claims for unemployment benefits cannot be used in other legal proceedings or actions.

A bill was signed in **1990** to help employers and employees expedite workers' compensation cases. The measure sets up an ombudsman in the Workers' Compensation Court to ensure that workers get their disability benefits quickly and empowers that court to fine health care providers who charge higher than normal fees to treat work-related injuries.

The **1992** session addresses some workers' compensation reform measures.

The omnibus workers' compensation reform measures of **1993** stiffens impairment requirements and requires vocational rehabilitation evaluations, as well as upgrading the fraud unit.

As a result of the **1995** session, a portion of the state fund will support safety training programs.

The state passed legislation in **2000** that changes the workers' compensation system from a more costly judicial system to an administrative one.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

OKLAHOMA

Telecommunications/Utilities

The Telecommunications Infrastructure Fund was approved by the Legislature in **1995**. The fund is designed to provide \$150 million annually in grants and loans for projects in distance education, information sharing and telemedicine.

In **1999**, the Legislature enacted the state's electric deregulation bill. Different provisions of the bill will be phased in beginning in September 1999, when utilities will be required to freeze their basic electric rates at current prices until January 1, 2002. On January 1, 2002, new electric providers must discount rates by six percent for all residential customers and small commercial customers.

A ruling in **1990** provides that the state's rural electric cooperatives are exempt from collecting state, county and city sales tax on electricity.

Transportation

In **1995**, the state Legislature enacted a bill that conforms Texas trucking statutes with federal legislation. The end of state regulation is expected to help shippers by generating more competition and greater service options.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

OKLAHOMA

Other

The Legislature passed a bill in **1991** that amends the existing Rural Economic Development Act. The amendments delete the requirement that only industrial and manufacturing enterprises may receive assistance. Any other eligible enterprises may also receive assistance under the law.

In **1991**, a bill was approved that created the Texas Partnership for Economic Development, an advisory body charged with developing policies and recommendations regarding a wide range of economic development issues. The new body is required to propose new legislation to the Legislature every two years.

The state Legislature abolished the Texas Department of Commerce in **1997**, transferring its powers to the Texas Department of Economic Development.

In **1997**, the same bill that created the Texas Department of Economic Development also created the Texas Business and Community Economic Development Clearinghouse and a research and data services area to collect, research and distribute economic development information.

A bill was enacted in **1997** that created an international trade task force for the promotion and development of international trade.

The **1990** session enhanced confidentiality of business information received by government agencies.

The **1991** Legislature appropriated funding for implementation of an ombudsman program to assist new and expanding companies in obtaining information and permits.

The Quality Jobs Program of **1993** encourages the creation of "quality" jobs by providing direct quarterly payments to qualifying businesses for up to 10 years. The amount of the incentive is figured on a cost-benefit formula and cannot exceed five percent of payroll.

The **1993** session enacted health care reforms and addressed export assistance.

The **1994** session expanded the types of businesses that qualify for the Quality Jobs Program.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

The Texas E-Government Task Force was formed in **1999**. The task force is charged with creating a single Internet portal that will enhance the ability of the state government to interact and exchange information online with its businesses and citizens.

A bill passed in **2001** created the Technology Workforce Fund, comprised of matching funds from the state and industry to bolster the output of engineering and computer science graduates from Texas universities.

OKLAHOMA

The eligibility threshold for the Quality Jobs Program was reduced in **1995** to \$1.5 million of new payroll for food processing and research and development companies. Lawmakers also expanded benefits for defense contractors.

The **1998** session provided an unemployment rate reduction for employers for the third straight year.

The Oklahoma Center for the Advancement of Science and Technology (OCAST) received a \$2.6 million increase in the **1998** session.

The state's Department of Commerce established a Business License Information Office in **1998**.

The Oklahoma Quality Jobs Program was expanded in **1999** by adding two SIC Codes: wholesale grocery distribution and insurance company claims processing services. The state also recognizes leased employees as new employees under certain circumstances.

The state established the Oklahoma Science and Technology Advisory Council in **2000**.

The **2001** session created the Oklahoma Film Enhancement Rebate Program, which provides 15 percent rebate to movie production companies making films in the state.

The **2001** session also created an International Trade Legislative Advisory Committee to study and recommend reforms that will increase international trade activities.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

SOUTH CAROLINA

Franchise Tax/ Corporate Income/Personal Income

Franchise tax rate is 0.25 percent of net taxable capital. Earned surplus component of 4.5 percent added in **1991**. Corporations calculate taxes on both and pay the greater of the two amounts.

Franchise tax credit for businesses that subsidize day care implemented in **1999**.

Franchise tax exemption for small businesses with gross receipts of less than \$150,000 offered in **1999**.

Franchise tax credit equal to five percent of qualified research and development expenses and payments for tax reports due in 2002 and after. Tax credit limited to 50 percent of company's franchise tax liability. Credit implemented in **1999**.

Franchise tax credits for job creation equal to five percent over 5 years of wages paid to workers in those qualifying jobs. Company must create 10 new full-time jobs within a Strategic Investment Area. Credit is limited to 50 percent of company's franchise tax liability. Credit implemented in **1999**.

Franchise tax credit for capital investment is equal to 7.5 percent if a company invests at least \$500,000 in qualified investments in a Strategic Investment Area. Credit is limited to 50 percent of the company's franchise tax liability. Credit implemented in **1999**.

In **1991**, a measure was passed extending the jobs tax credit to tourism facilities and agriculture, aquaculture and mariculture developments.

Lawmakers amended the Corporate Headquarters Tax Credit Act in **1992** to include research and development jobs in the total number required to meet the criteria to qualify for corporate income tax or license fee credits.

An amendment to the Corporate Headquarters Tax Credit Act in **1994** reduced to 40, the number of jobs necessary for a corporate headquarters to qualify for credit against the state corporate income tax.

Also in **1994**, legislators expanded the number of counties offering the maximum job tax credit.

New legislation passed in **1995** requires Aid to Families with Dependent Children recipients to either go to work or school within two years or lose their benefits. The law also provides a tax cut for employers hiring someone formerly on welfare.

South Carolina made several pro-business moves in **2000**. Among them was the passage of the new Technology Act. The act, effective July 1, 2001, expands the existing tax credit programs for technology-intensive industries.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

SOUTH CAROLINA

Sales & Use Tax

State sales and use tax rate increased from six percent to six and one-half percent in **1990**.

New legislation in **1991** authorizes cities to adopt, upon voter approval, an additional sales tax ranging from one-eighth to one-half of one percent for economic development purposes.

Texas Leverage Fund created in **1993** to allow eligible cities to leverage their economic development sales tax collections. (see Finance Programs)

In **1993**, Texas began phasing out the sales and use tax on manufacturing machinery and equipment. Manufacturers may claim 75 percent reduction on qualified purchases in 1994 and a full exemption takes effect in 1995.

The definition of "corporate headquarters" was amended in **2001** to clarify that "information technology" is a qualifying corporate headquarters function for the purposes of the state's existing Corporate Headquarters Income Tax Credit.

Legislation passed in **2001** states that a Limited Liability Corporation subject of the Federal Power Act is now eligible for the Corporate Headquarters Income Tax Credit regardless of whether it meets the general corporate headquarters test.

In **1991**, the legislature removed the sales tax cap for research and development facilities.

Also in **1991**, lawmakers approved maintenance of the one cent sales tax set aside for the Education Improvement Act (see Education)

The Local Government Fiscal Authority Act passed in **1997** authorizes the levy of a local one percent sales tax, by referendum, to pay for capital projects. (see Other Taxes)

In **2000**, lawmakers approved a measure exempting all research and development equipment from the state sales tax. (see Franchise Tax/Corporate Income/Personal Income)

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

Semiconductor fabrication clean rooms are made exempt from sales and use tax in **1995**.

Labor to rehabilitate buildings, and gas and electricity used in enterprise zones are exempted from sales and use tax in **1995**.

Exemption on the first \$25 a month in Internet access charges for businesses granted in **1999**.

Other Taxes

In **1991**, motor fuel taxes increased by more than 30 percent.

A constitutional amendment passed in November **1991** exempted goods in transit from property taxation if the property is brought into the state for assembling, storing, or processing and is transported out within 175 days. Taxing units were allowed the option of voting to continue to tax the property.

In **1997** the legislature passed SB 345 to implement a state tax refund for economic development. Qualified property owners are eligible to receive refunds on their net state sales and use taxes and franchise taxes, limited to the amount of school district property taxes paid. The total for all refunds collectively may not exceed \$10 million.

SOUTH CAROLINA

Lawmakers passed a measure in **2001** exempting electrical facilities transferred to a Limited Liability Corporation by the Federal Power Act, from the state sales tax and any applicable local option sales tax.

A bill passed in **1991** eliminated the sunset provision on property tax moratoriums.

Legislation approved in **1994** allows part-time jobs to count toward job totals for qualification for property tax abatement.

The General Assembly also made it easier in **1994** for companies to qualify for the fee-in-lieu-of-property tax option by reducing the minimum investment

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

SOUTH CAROLINA

The General Assembly enacted a one-year property tax cut on residential real estate in **1995**. Homeowners whose residences are valued at \$100,000 or less will not have to pay school taxes for one year.

Significant among the bills passed by the **1997** General Assembly was the Local Government Fiscal Authority Act. It's intended to protect state businesses from bearing a disproportionate share of the tax burden as a result of property tax relief for homeowners in recent years. The new law prohibits counties, municipalities and schools from raising property tax rates by more than the increase in the Consumer Price Index without approval of a majority of the members of a governing body. But it also includes exceptions and exemptions, such as the need to fund state education and judicial mandates. The measure authorizes the levy of a local one percent sales tax, by referendum, to pay for capital projects. But the tax must expire when the capital project is paid for.

The **2001** session addressed the Super Fee-in-Lieu-of Property Taxes with the following modifications: includes a new provision allowing a gas-fired combined cycle power facility that creates only 25 jobs to qualify for a Super Fee if it invests \$400 million and has capital in place already of \$500 million.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

SOUTH CAROLINA

Job Training

Smart Jobs Fund approved in **1993**. Program offers matching grants for new job training or on-the-job training. Funded by the diversion of one-tenth of one percent of the state's unemployment insurance tax, the fund is expected to provide some \$50 million a year for training.

Workforce development and training programs consolidated under the Texas Workforce Commission in **1995**, providing employers and workers with easier access to employment and training services.

Skills Development - (**1995**) Assists businesses by designing, financing, and implementing customized job training programs in partnership with public community and technical colleges for new or existing jobs in local businesses. The 77th Legislature has appropriated \$25 million for the 2002-2003 biennium. The average amount is \$1,000 per trainee.

Smart Jobs Fund Program modified in **1997** to assist small businesses and apply to a broader range of occupations.

Smart Jobs Program abolished effective December 31, **2001**.

A **1991** education measure passed allows more funding for the Target 2000 program (see Education)

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

SOUTH CAROLINA

Zones

A proposed constitutional amendment to be voted on in November **1991** would exempt goods in transit from property taxation if the property is brought into an enterprise zone for assembling, storing, or processing and is transported out within 175 days.

Foreign Trade Zone law amended in **1991**

Enterprise Zone law amended to allow for additional sales and use tax exemptions in **1995** (see Sales and Use Tax)

The **1995** Legislature created the enterprise zone program. The zones offer significant tax credits and other benefits to encourage economic development in rural and underdeveloped areas, as well as areas where significant job losses have recently occurred. Most of the state's larger cities aren't eligible for the program, but Charleston, which has been hit hard by defense downsizing, does qualify. Eligible business activities include manufacturing, processing, warehousing, distribution, research and development, corporate offices and certain tourism activities. Companies must create full-time jobs with benefits packages that include health care coverage.

In a bold development incentives move in **1996**, the South Carolina General Assembly approved the Rural Development Act. Under the new law, the entire state is designated an enterprise zone. Jobs tax credits are increased for almost every county, and they're greatly increased for the poorest counties. Cities may now approve 4 percent assessment ratios (down from 6 percent) for fee-in-lieu agreements for most large new facility projects.

A **1998** measure passed by lawmakers amends the Enterprise Zone Act to allow a moratorium on corporate income taxes for qualifying businesses that invest in a county in which the average unemployment rate is at least twice the state average, but not less than 10 percent. The moratorium applies to that part of the income tax that represents the ratio of the business's new investment to its total investment in the state.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

Enterprise Zone program modified in **1997** to reauthorize the Texas Department of Commerce to designate enterprise projects.

Reinvestment Zone and Tax Abatement Agreement central registry transferred from the Texas Department of Commerce to the Comptroller of Public Accounts in **1997**.

Tax abatement bill passed in **2001** allowing municipalities to enter into tax abatement agreements with lessees located in reinvestment zones.

In **2001**, the 77th Texas Legislature enacted House Bill 1200 creating Tax Code Chapter 313, Texas Economic Development Act. This Act allows school districts to attract new taxable property by offering a tax credit and an eight-year limitation on the appraised value of a property for the maintenance and operations portion of the school district property tax. In exchange for the appraised value limitation and tax credit, the property owner must enter into an agreement with the school district to create a specific number of jobs and build or install specified types of real and personal property worth a certain amount. To qualify, the property must be in a reinvestment zone and must be devoted to manufacturing, research and development, or renewable energy generation.

SOUTH CAROLINA

Another measure passed in **1998** redefines qualifying businesses under the Jobs Tax Credit and Enterprise Zone Act. "Corporate office facility" now means the same as "corporate headquarters." And "qualifying service related facility" now includes a business other than a business engaged in legal, accounting or investment services or retail sales, which has a net increase of at least: 250 new jobs at a single location; 125 new jobs that pay an average of 1.5 times the per capita income of the county where the jobs are located; 75 new jobs that pay an average of two times the per capita income of the county where the jobs are located.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

SOUTH CAROLINA

Education

A revenue package designed to generate funds to finance a court-ordered revision of the state school finance system was approved in **1990**.

Legislation enacted an education reform bill in **1991** intended to equalize school districts' access to funding for education.

In **1990**, the General Assembly increased the funding for elementary and secondary education by 4.8 percent over the previous fiscal year, and boosted the appropriation for higher education by 5.9 percent.

South Carolina lawmakers in their **1991** session approved several measures to enhance education, including \$18 million in new funding for the Education Finance Act, maintenance of the one cent sales tax set aside for the Education Improvement Act (which will result in a \$6 million increase for school improvements and incentive pay for teachers) and more than \$4.1 million in funding for Target 2000 programs to improve the skills of the future work force.

To improve education, lawmakers approved a measure in **1993** dedicating tax proceeds on mail-order sales to education and passed a bill to provide early childhood instruction programs.

In **1994**, lawmakers eliminated general diplomas for high school students and enacted a two-track (either college preparatory or technical preparatory) system. A new curriculum program is designed to focus instruction on key topics while ensuring teacher flexibility.

The **1999** legislative session resulted in the approval of \$216.7 million for public education and special schools, agencies and programs. Also the state agreed to provide \$750 million (\$250 million in 1999-2000) in state bonds that may be issued with proceeds to be allocated to school districts and permanent school facilities, and it authorized the issuance of \$250 million in state capital improvement bonds to fund projects and equipment at state universities and other state educational institutions.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

SOUTH CAROLINA

An executive order was issued in **2000** calling for the establishment of the Work-Force Education Task Force.

Environmental

Bill passed in **1990** to increase fees assessed to commercial hazardous waste storage facilities and generators of hazardous waste. Fees are to used for cleanup at state Superfund sites.

Legislature approved a major recycling bill in **1991**. The law sets in motion a variety of initiatives designed to help reach a goal of recycling some 40 percent of the state's solid waste material by **1994**.

Bill passed in **2001** provides for the cleanup of certain brownfields by authorizing the state to encourage cleanup using sales and use tax proceeds, property tax breaks and other incentives.

The Texas Emissions Reduction Program approved in **2001** is a new \$133 million fund that incentives industry and individuals to purchase vehicles and equipment powered by alternative fuel.

In **1991**, the General Assembly approved the Solid Waste Policy and Management Act, which establishes a 30 percent reduction goal in the amount of solid waste being received by municipal solid waste landfills and incinerators by 1997. Fees and penalties for compliance with the law were established. Additionally, the new law also established the Office of Solid Waste Reduction and Recycling to promote and assist in the development of source separation, recovery and recycling programs for local governments.

In environmental matters in **1996**, a new law passed provides that businesses conducting voluntary environmental compliance audits will be shielded from civil and administrative fines.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

SOUTH CAROLINA

Finance Programs

The Texas Economic Development Corporation was authorized in **1991** to issue revenue bonds in an unlimited amount for any eligible project. The Texas Department of Commerce was also authorized at the same time to make loan guarantees for a number of projects.

Texas Leverage Fund created in **1993** to allow eligible cities to leverage their economic development sales tax collections by providing access to an alternative source of capital through local industrial development corporations (IDCs). IDCs can lend as much as \$4,000,000 to companies for eligible projects.

The Rural Loan fund was established in **1995** to attract manufacturing jobs to rural areas. Loans may be used for land, buildings, equipment, facilities, improvements and working capital.

The Texas Capital Access Fund Program was established in **1997**. It is a loan loss reserve program intended to leverage private sector capital and encourage bank lending to small and medium sized businesses.

The Texas Linked Deposit Program was amended in **1997** by opening the business loan program to child care providers and non-profit corporations and doubling the maximum loan amount to \$200,000.

An interagency committee was created in **1997** to develop a loan application for state loan and loan guaranty programs.

Legislation passed in **1992** amended an existing law to allow corporations with more than one facility in a county to combine the capital investment value of the facilities toward meeting criteria to pay a fee in lieu of property taxes. Further amendment allows the county to use the fee payments to float revenue bonds for infrastructure improvement.

New legislation passed in **2000** creates tax-exempt community development corporations (CDCs) that are designed to provide rural and underdeveloped communities with access to capital and affordable housing and to enhance economic opportunities in low-income communities. The new law provides tax credits to lenders who invest in the CDCs.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

SOUTH CAROLINA

Small Business

New program established in **1991** to provide funding for small and minority businesses.

A bill passed in **1993** was designed to help small businesses obtain affordable health insurance.

Legislation passed in **1993** to assist small businesses establish preferences for state businesses in state agency purchasing.

The Small Employer Health Care Availability Act was amended in **1995**. The amendments eliminate the requirement that small business pay at least 75 percent of the premium for employees' coverage; lower the minimum level of employee participation from 90 percent to 75 percent; and abolish three mandated benefit plans.

The Office of Small Business was created in **1997** within the Texas Department of Economic Development.

Tort Reform

The Rural Health Care Act was passed in **1989**. It contains three major provisions. The new law requires that juries be instructed that a negative medical outcome does not necessarily justify a finding of negligence, and requires that expert witnesses be practicing physicians. The measure also indemnifies physicians whose case load is more than 10 percent charity cases.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

SOUTH CAROLINA

Product Liability Reform legislation was passed in **1993**, reversing a **1990** court order that allowed foreigners to sue over products made by companies with Texas connections. Additionally, laws were passed to shield wholesalers, retailers and distributors from exposure over an unsafe product, and to protect manufacturers of inherently unsafe products such as tobacco. Suits are no longer allowed against machine manufacturers after the equipment is more than 15 years old.

The **1995** Legislature passed five major tort reform liability laws. Several other new tort reform measures deal with specific liability issues in medicine, government and tourism.

Workers' Compensation

In special session in **1989**, the Legislature approved an extensive workers' compensation bill. The bill reduces the cost of workers' comp premiums, amends existing workers' comp laws in numerous respects including income and medical benefits, procedures, and adjudication of disputes.

A new workers' comp bill was passed in **1991** to help insure that legal proceedings under the state's unemployment compensation laws are not encumbered with excessive litigation. The legislature enacted the law that provides that findings and conclusions made in connection with claims for unemployment benefits cannot be used in other legal proceedings or actions.

A new measure passed in **1993** harshens the penalties for fraud in health insurance cases involving self-insured employers. Similar legislation is pending for workers' compensation cases. Regulations were expanded to extend the role of physician assistants, helping ease medical care shortages in parts of the state.

Lawmakers passed legislation in **1994** that creates a stringent program to detect fraud in the workers' compensation system.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

SOUTH CAROLINA

Lawmakers cut taxes by some \$19 million in **1996** and revamped several aspects of the state's workers' compensation system, moves that are expected to create significant savings for businesses.

Telecommunications/Utilities

The Telecommunications Infrastructure Fund was approved by the Legislature in **1995**. The fund is designed to provide \$150 million annually in grants and loans for projects in distance education, information sharing and telemedicine.

In **1999**, the Legislature enacted the state's electric deregulation bill. Different provisions of the bill will be phased in beginning in September 1999, when utilities will be required to freeze their basic electric rates at current prices until January 1, 2002. On January 1, 2002, new electric providers must discount rates by six percent for all residential customers and small commercial customers.

Transportation

In **1995**, the state Legislature enacted a bill that conforms Texas trucking statutes with federal legislation. The end of state regulation is expected to help shippers by generating more competition and greater service options.

In legislation passed in **1991**, the South Carolina Council for Economic Development is charged with the management of a \$10 million annual highway set-aside fund for economic development projects.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

SOUTH CAROLINA

Other

The Legislature passed a bill in **1991** that amends the existing Rural Economic Development Act. The amendments delete the requirement that only industrial and manufacturing enterprises may receive assistance. Any other eligible enterprises may also receive assistance under the law.

In **1991**, a bill was approved that created the Texas Partnership for Economic Development, an advisory body charged with developing policies and recommendations regarding a wide range of economic development issues. The new body is required to propose new legislation to the Legislature every two years.

The state Legislature abolished the Texas Department of Commerce in **1997**, transferring its powers to the Texas Department of Economic Development.

In **1992**, the South Carolina Council for Economic Development received increased funding for road construction for economic development.

A new measure approved in **1995** gives counties the authority to have referendums on funding local highway improvements. Voters may approve either a one-cent increase in sales tax or the use of tolls.

In **1990**, lawmakers passed the Drug-Free Workplace Act. This law stipulates that companies doing business with state agencies must work to provide a drug-free workplace and must take corrective action in cases of violation by their employees. The law also specifies that the use of tobacco products outside the workplace may not be the basis of employee disciplinary actions.

Also in **1991**, lawmakers reauthorized the existence of the South Carolina Council for Economic Development until 1997. The Council is now responsible for strategic planning.

The General Assembly approved a measure in **1992** requiring all state agencies to conduct a cost-benefit analysis before promulgating any regulations that would have a substantial effect on business, industry, taxpayers or consumers. For the purposes of the new law, "substantial effect" was defined as a cost of \$100,000 or more.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

In **1997**, the same bill that created the Texas Department of Economic Development also created the Texas Business and Community Economic Development Clearinghouse and a research and data services area to collect, research and distribute economic development information.

A bill was enacted in **1997** that created an international trade task force for the promotion and development of international trade.

The Texas E-Government Task Force was formed in **1999**. The task force is charged with creating a single Internet portal that will enhance the ability of the state government to interact and exchange information online with its businesses and citizens.

A bill passed in **2001** created the Technology Workforce Fund, comprised of matching funds from the state and industry to bolster the output of engineering and computer science graduates from Texas universities.

SOUTH CAROLINA

A highlight of the **1993** session was the passage of a government reorganization bill, capping three years of effort by state business interests. This comprehensive legislation streamlines South Carolina government, reducing the number of state agencies from 130 to 39, and makes it more accountable and cost effective through such elements as one-stop environmental permitting.

A bill passed in **1996** provides immunity to employers from civil lawsuits for giving factual job performance evaluations about former or current employees to a prospective employers.

Other legislation passed in **1996** provides that the General Assembly must be informed of the cost of any new state business regulations. Additionally, state agencies must review their regulations every five years to determine their continued feasibility.

Under the leadership of former Governor David Beasley, South Carolina focused its economic momentum toward the needs of high-technology companies. In **1998**, former Governor Beasley announced the formation of the South Carolina Technology Alliance. The alliance is a 13-member board comprised of the presidents of the state's major universities, major high tech industries, and other business leaders. As part of this high tech focus, the state has also developed a Special Schools programs, a technical training program linking the state's technical college system and businesses in need of skilled workers.

In **2000**, South Carolina took steps in increasing foreign investment in the state. The state opened an Asian Trade Office in Hong Kong to promote the state and its products to the Asian market. The state's European office also reopened in its new location in Munich, Germany this year.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

TENNESSEE

Franchise Tax/ Corporate Income/Personal Income

Franchise tax rate is 0.25 percent of net taxable capital. Earned surplus component of 4.5 percent added in **1991**. Corporations calculate taxes on both and pay the greater of the two amounts.

Franchise tax credit for businesses that subsidize day care implemented in **1999**.

Franchise tax exemption for small businesses with gross receipts of less than \$150,000 offered in **1999**.

Franchise tax credit equal to five percent of qualified research and development expenses and payments for tax reports due in 2002 and after. Tax credit limited to 50 percent of company's franchise tax liability. Credit implemented in **1999**.

The new Jobs Tax Credit Bill passed in **1990** provides incentives of up to \$3,000 for a variety of companies that create new employment. The new measure allows \$2,000 for each new full-time employee if the company creates at least 25 new jobs during the fiscal year and increases its capital investment by at least \$500,000. The credit is applied against the increase in a company's franchise tax liability caused by its expansion in Tennessee. The credit increases in an economically distressed area.

A pollution-control tax exemption bill was passed in **1991** which expands pollution-control exemptions for the state's sales, franchise and property taxes. (see Environmental)

The **1994** Legislature revised law expands the types of businesses that qualify; permits the credit to be taken sooner; deletes the requirement that 25 new jobs must be added every year that credit is taken; and extends the credit carryover to 15 years.

To attract distribution facilities, the **1995** Legislature passed a tax exemption bill. The bill exempts certain finished goods from the franchise tax minimum measure and apportionment formula. The exemption applies to finished goods in inventory in excess of \$50 million until July 15, 1996. That figure drops to \$40 million in 1997 and \$30 million in 1998.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

TENNESSEE

Franchise tax credits for job creation equal to five percent over 5 years of wages paid to workers in those qualifying jobs. Company must create 10 new full-time jobs within a Strategic Investment Area. Credit is limited to 50 percent of company's franchise tax liability. Credit implemented in **1999**.

Franchise tax credit for capital investment is equal to 7.5 percent if a company invests at least \$500,000 in qualified investments in a Strategic Investment Area. Credit is limited to 50 percent of the company's franchise tax liability. Credit implemented in **1999**.

Sales & Use Tax

State sales and use tax rate increased from six percent to six and one-half percent in **1990**.

New legislation in **1991** authorizes cities to adopt, upon voter approval, an additional sales tax ranging from one-eighth to one-half of one percent for economic development purposes.

Texas Leverage Fund created in **1993** to allow eligible cities to leverage their economic development sales tax collections. (see Finance Programs)

In **1993**, Texas began phasing out the sales and use tax on manufacturing machinery and equipment. Manufacturers may claim 75 percent reduction on qualified purchases in 1994 and a full exemption takes effect in 1995.

A **1996** law phases in double weighting of sales in the state's corporate tax apportionment formula. The move benefits firms that locate plants in Tennessee, but sell most of their products and services elsewhere..

A warehouse and distribution facility tax measure was passed in **1996** that places a cap on the franchise (inventory) tax and authorizes a 1 percent credit on qualified equipment.

A pollution-control tax exemption bill was passed in **1991** which expands pollution-control exemptions for the state's sales, franchise and property taxes. (see Environmental)

Legislators passed the Services Tax Act in **1992** and repealed the sales tax on services and amusements. (see Other Taxes)

Fuel and petroleum products used by airlines for flights destined for or continuing from a location outside the United States now are exempt from sales tax. Law was passed in **1994**.

Lawmakers made a permanent sales tax credit on pollution-control equipment in **1995**.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

Semiconductor fabrication clean rooms are made exempt from sales and use tax in **1995**.

Labor to rehabilitate buildings, and gas and electricity used in enterprise zones are exempted from sales and use tax in **1995**.

Exemption on the first \$25 a month in Internet access charges for businesses granted in **1999**.

Other Taxes

In **1991**, motor fuel taxes increased by more than 30 percent.

A constitutional amendment passed in November **1991** exempted goods in transit from property taxation if the property is brought into the state for assembling, storing, or processing and is transported out within 175 days. Taxing units were allowed the option of voting to continue to tax the property.

In **1997** the legislature passed SB 345 to implement a state tax refund for economic development. Qualified property owners are eligible to receive refunds on their net state sales and use taxes and franchise taxes, limited to the amount of school district property taxes paid. The total for all refunds collectively may not exceed \$10 million.

TENNESSEE

The **1997** Legislature provides a sales and use tax credit for building materials, machinery and equipment associated with new or expanding corporate headquarters facilities in Tennessee.

The **1998** Legislature modified the Warehouse and Distribution Industry Incentive Package passed in **1995**. This package allows for a sales tax exemption in material handling and racking equipment.

A pollution-control tax exemption bill was passed in **1991** which expands pollution-control exemptions for the state's sales, franchise and property taxes. (see Environmental)

A **1999** bill allowed job tax credits for both franchise and excise taxes instead of just franchise tax. The Franchise Tax Credit was also improved so that taxpayers can now offset one-third of their franchise and excise tax liability per year.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

TENNESSEE

Job Training

Smart Jobs Fund approved in **1993**. Program offers matching grants for new job training or on-the-job training. Funded by the diversion of one-tenth of one percent of the state's unemployment insurance tax, the fund is expected to provide some \$50 million a year for training.

Workforce development and training programs consolidated under the Texas Workforce Commission in **1995**, providing employers and workers with easier access to employment and training services.

Skills Development - (**1995**) Assists businesses by designing, financing, and implementing customized job training programs in partnership with public community and technical colleges for new or existing jobs in local businesses. The 77th Legislature has appropriated \$25 million for the 2002-2003 biennium. The average amount is \$1,000 per trainee.

Smart Jobs Fund Program modified in **1997** to assist small businesses and apply to a broader range of occupations.

Smart Jobs Program abolished effective December 31, **2001**.

In **1998**, the Tennessee Department of Economic and Community Development invested \$18 million from the state's unemployment trust fund to help train workers. Seventy percent of the allocated funds must be used by existing industry.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

TENNESSEE

Zones

A proposed constitutional amendment to be voted on in November **1991** would exempt goods in transit from property taxation if the property is brought into an enterprise zone for assembling, storing, or processing and is transported out within 175 days.

Foreign Trade Zone law amended in **1991**

Enterprise Zone law amended to allow for additional sales and use tax exemptions in **1995** (see Sales and Use Tax)

Enterprise Zone program modified in **1997** to reauthorize the Texas Department of Commerce to designate enterprise projects.

Reinvestment Zone and Tax Abatement Agreement central registry transferred from the Texas Department of Commerce to the Comptroller of Public Accounts in **1997**.

Tax abatement bill passed in **2001** allowing municipalities to enter into tax abatement agreements with lessees located in reinvestment zones.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

TENNESSEE

In **2001**, the 77th Texas Legislature enacted House Bill 1200 creating Tax Code Chapter 313, Texas Economic Development Act. This Act allows school districts to attract new taxable property by offering a tax credit and an eight-year limitation on the appraised value of a property for the maintenance and operations portion of the school district property tax. In exchange for the appraised value limitation and tax credit, the property owner must enter into an agreement with the school district to create a specific number of jobs and build or install specified types of real and personal property worth a certain amount. To qualify, the property must be in a reinvestment zone and must be devoted to manufacturing, research and development, or renewable energy generation.

Education

A revenue package designed to generate funds to finance a court-ordered revision of the state school finance system was approved in **1990**.

Legislation enacted an education reform bill in **1991** intended to equalize school districts' access to funding for education.

The **1990** Legislature approved legislation sharply restricting the hours that 16 and 17-year-olds may be employed.

Tennessee adopted the 21st Century Schools program in **1992**. The new system eliminates thousands of regulations and returns control to local systems.

The **1994** Legislature approved a \$45 million bond issue for capital improvements at technical schools.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

TENNESSEE

Environmental

Bill passed in **1990** to increase fees assessed to commercial hazardous waste storage facilities and generators of hazardous waste. Fees are to be used for cleanup at state Superfund sites.

Legislature approved a major recycling bill in **1991**. The law sets in motion a variety of initiatives designed to help reach a goal of recycling some 40 percent of the state's solid waste material by **1994**.

Bill passed in **2001** provides for the cleanup of certain brownfields by authorizing the state to encourage cleanup using sales and use tax proceeds, property tax breaks and other incentives.

The Texas Emissions Reduction Program approved in **2001** is a new \$133 million fund that incentivizes industry and individuals to purchase vehicles and equipment powered by alternative fuel.

The **1997** General Assembly fully funded the Better Education Plan; extended TennCare coverage to children who lack health insurance; and provided additional dollars to the Family First welfare reform program.

The state allocated \$96.5 million in **2000** for additional funding for K-12, and increase of 3.2 percent, and an additional \$82.5 million in funding for higher education.

The **1990** Legislature passed several hazardous-waste bills. There were bills to increase penalties for violations of disposal requirements, and for generators of hazardous-waste to come up with a reduction plan.

The Solid-Waste Management Act was passed in **1991**. This act aims to reduce solid-waste volume by 25 percent by 1995.

A pollution control tax exemption bill was approved in **1991** which will expand the pollution-control exemptions for the state's sales, franchise and property taxes.

1995 legislation allows the Commissioner of Environment and Conservation to consider the compliance history of an applicant before granting a solid or hazardous waste permit. The Assembly also increased the financial responsibility of underground storage tank owners for cleaning up contaminated sites.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

TENNESSEE

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The Texas Linked Deposit Program was amended in **1997** by opening the business loan program to child care providers and non-profit corporations and doubling the maximum loan amount to \$200,000.

An interagency committee was created in **1997** to develop a loan application for state loan and loan guaranty programs.

The **1996** Legislature created the Small and Minority-Owned Business Telecommunications Assistance Program, which provides loan guarantees to help businesses break into the telecommunication industry.

The Tennessee Infrastructure Improvement Program was funded in **1998**. This \$17 million fund will support communities' efforts to improve local infrastructure for industry.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

TENNESSEE

Small Business

New program established in **1991** to provide funding for small and minority businesses.

A bill passed in **1993** was designed to help small businesses obtain affordable health insurance.

Legislation passed in **1993** to assist small businesses establish preferences for state businesses in state agency purchasing.

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CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

TENNESSEE

Tort Reform

The Rural Health Care Act was passed in **1989**. It contains three major provisions. The new law requires that juries be instructed that a negative medical outcome does not necessarily justify a finding of negligence, and requires that expert witnesses be practicing physicians. The measure also indemnifies physicians whose case load is more than 10 percent charity cases.

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CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

TENNESSEE

Workers' Compensation

In special session in **1989**, the Legislature approved an extensive workers' compensation bill. The bill reduces the cost of workers' comp premiums, amends existing workers' comp laws in numerous respects including income and medical benefits, procedures, and adjudication of disputes.

A new workers' comp bill was passed in **1991** to help insure that legal proceedings under the state's unemployment compensation laws are not encumbered with excessive litigation. The legislature enacted the law that provides that findings and conclusions made in connection with claims for unemployment benefits cannot be used in other legal proceedings or actions.

In **1990**, worker's compensation was amended to allow an employee to petition the court when an employer has stopped or changed benefits other than for final settlement. Employers must show cause of why benefits should not be resumed or increased. The maximum weekly benefit was raised by \$21 each year for two years, to \$273 on July 1, 1990, and \$294 on June 30, 1991.

Worker's compensation laws were enacted in **1992** to reduce costs such as a review system to cut the number of cases going to full review. Additionally, benefit limits were set by statute in accord with an injured employee's realistic chance of finding suitable employment.

The **1993** session made more reforms in worker's compensation.

\$5 million was appropriated in **1994** to a special fund that allows the state to begin writing workers compensation insurance.

The **1996** session provided that large fraud cases be prosecuted as a felony instead of a misdemeanor. Additionally, rates were changed to provide a break for smaller businesses.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

TENNESSEE

Telecommunications/Utilities

The Telecommunications Infrastructure Fund was approved by the Legislature in **1995**. The fund is designed to provide \$150 million annually in grants and loans for projects in distance education, information sharing and telemedicine.

In **1999**, the Legislature enacted the state's electric deregulation bill. Different provisions of the bill will be phased in beginning in September 1999, when utilities will be required to freeze their basic electric rates at current prices until January 1, 2002. On January 1, 2002, new electric providers must discount rates by six percent for all residential customers and small commercial customers.

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Transportation

In **1995**, the state Legislature enacted a bill that conforms Texas trucking statutes with federal legislation. The end of state regulation is expected to help shippers by generating more competition and greater service options.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

TENNESSEE

Other

The Legislature passed a bill in **1991** that amends the existing Rural Economic Development Act. The amendments delete the requirement that only industrial and manufacturing enterprises may receive assistance. Any other eligible enterprises may also receive assistance under the law.

In **1991**, a bill was approved that created the Texas Partnership for Economic Development, an advisory body charged with developing policies and recommendations regarding a wide range of economic development issues. The new body is required to propose new legislation to the Legislature every two years.

The state Legislature abolished the Texas Department of Commerce in **1997**, transferring its powers to the Texas Department of Economic Development.

In **1997**, the same bill that created the Texas Department of Economic Development also created the Texas Business and Community Economic Development Clearinghouse and a research and data services area to collect, research and distribute economic development information.

A bill was enacted in **1997** that created an international trade task force for the promotion and development of international trade.

New **1990** legislation prohibits the termination at will of employees refusing to participate in or failing to remain silent about illegal activities, and prohibits the firing of employees for smoking tobacco off the job.

Legislators approved respective boards to assess fees for most environmental services, including water permits, air permits and solid-waste permits. This law was passed **1991**.

In order to fund a state Medicaid program for the medically indigent, legislators passed the Services Tax Act in **1992** and repealed the sales tax on services and amusements. The 6.75 percent tax covers all services previously taxable under the sales except for interstate telecommunications services.

In **1992**, a \$200 privilege tax was levied on licensed professionals.

A **1995** bill allows public hospitals in large cities to become more competitive. It gives them the power to acquire or establish subsidiaries, borrow money, establish for profit arms and develop marketing strategies.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

The Texas E-Government Task Force was formed in **1999**. The task force is charged with creating a single Internet portal that will enhance the ability of the state government to interact and exchange information online with its businesses and citizens.

A bill passed in **2001** created the Technology Workforce Fund, comprised of matching funds from the state and industry to bolster the output of engineering and computer science graduates from Texas universities.

TENNESSEE

In **1996**, a \$55 million bond issue to pay for infrastructure and other construction costs to build a new National League Football stadium was passed.

The Tennessee Technology Development Corp. was launched in **1997**.

To streamline and integrate economic development efforts the **1999** Legislature consolidated several agencies and created the Tennessee Department of Labor and Workforce Development.

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

TEXAS

VIRGINIA

Franchise Tax/ Corporate Income/Personal Income

Franchise tax rate is 0.25 percent of net taxable capital. Earned surplus component of 4.5 percent added in **1991**. Corporations calculate taxes on both and pay the greater of the two amounts.

Franchise tax credit for businesses that subsidize day care implemented in **1999**.

Franchise tax exemption for small businesses with gross receipts of less than \$150,000 offered in **1999**.

Franchise tax credit equal to five percent of qualified research and development expenses and payments for tax reports due in 2002 and after. Tax credit limited to 50 percent of company's franchise tax liability. Credit implemented in **1999**.

Franchise tax credits for job creation equal to five percent over 5 years of wages paid to workers in those qualifying jobs. Company must create 10 new full-time jobs within a Strategic Investment Area. Credit is limited to 50 percent of company's franchise tax liability. Credit implemented in **1999**.

Solons created in **1990** and individual and corporate tax credit equal to 10 percent of the purchase price paid during a taxable year for machinery and equipment used to produce recycled items for sale.

A **1994** law provides a one-time income tax credit of \$1,000 per new job (in excess of 100 jobs) created by new and expanding businesses in Virginia. The credit is spread equally over three years. If the facility is in an enterprise zone or distressed area the number of new jobs to earn the credit is reduced to 50. Credits are for taxable years on and after January 1, 1995, but before January 1, 2005.

The Clean Fuel Vehicle Job Creation Tax Credit of **1995** provides an annual \$700 tax credit per job for three years to clean-fuel vehicle manufacturers, vehicle converters and major component manufacturers. Credits are for taxable years between January 1, 1996 and December 31, 2006.

The **1996** session extended the five-year carryover of the income tax credit for the purchase of machinery and equipment for processing recyclable materials to 10 years. They also eliminated the requirement that equipment be purchased by July 1, 1996 and extended the sunset date to January 1, 2001.

Lawmakers amended the Major Business Facility Job Tax Credit program in **1997**, extending a \$1,000 tax credit per new full-time employee to a broader range of business Facilities.

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Franchise tax credit for capital investment is equal to 7.5 percent if a company invests at least \$500,000 in qualified investments in a Strategic Investment Area. Credit is limited to 50 percent of the company's franchise tax liability. Credit implemented in **1999**.

Sales & Use Tax

State sales and use tax rate increased from six percent to six and one-half percent in **1990**.

New legislation in **1991** authorizes cities to adopt, upon voter approval, an additional sales tax ranging from one-eighth to one-half of one percent for economic development purposes.

Texas Leverage Fund created in **1993** to allow eligible cities to leverage their economic development sales tax collections. (see Finance Programs)

VIRGINIA

The formula for tax apportionment was changed in **1998** from traditional equal weighting of sales, payroll and investment factors to double weighting of the sales factor.

Entrepreneurs and venture capitalists benefit from a bill passed in **1998** that will establish a tax credit for so-called angel investors.

In the **2000** session, a bill created tax credits and/or grants for capital, debt, cash and stock investments in certain technology companies locating or qualified research taking place in tobacco-dependent communities.

The Virginia Investment Partnership grants were expanded in **2000** to include major nonmanufacturing employers that create 1,000 new jobs and invest more than \$100 million.

The **2001** Legislature extended the sunset date for existing sales and use tax exemption for personal property used in spaceport activity.

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In **1993**, Texas began phasing out the sales and use tax on manufacturing machinery and equipment. Manufacturers may claim 75 percent reduction on qualified purchases in 1994 and a full exemption takes effect in 1995.

Semiconductor fabrication clean rooms are made exempt from sales and use tax in **1995**.

Labor to rehabilitate buildings, and gas and electricity used in enterprise zones are exempted from sales and use tax in **1995**.

Exemption on the first \$25 a month in Internet access charges for businesses granted in **1999**.

Other Taxes

In **1991**, motor fuel taxes increased by more than 30 percent.

A constitutional amendment passed in November **1991** exempted goods in transit from property taxation if the property is brought into the state for assembling, storing, or processing and is transported out within 175 days. Taxing units were allowed the option of voting to continue to tax the property.

In **1997** the legislature passed SB 345 to implement a state tax refund for economic development. Qualified property owners are eligible to receive refunds on their net state sales and use taxes and franchise taxes, limited to the amount of school district property taxes paid. The total for all refunds collectively may not exceed \$10 million.

The **1992** Assembly voted to allow personal property tax breaks for cogeneration firms and to exempt them from local license taxes.

A key measure in the **2000** session was to allow local governments to lower the personal property tax rate on equipment used to provide Internet services.

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VIRGINIA

Job Training

Smart Jobs Fund approved in **1993**. Program offers matching grants for new job training or on-the-job training. Funded by the diversion of one-tenth of one percent of the state's unemployment insurance tax, the fund is expected to provide some \$50 million a year for training.

Workforce development and training programs consolidated under the Texas Workforce Commission in **1995**, providing employers and workers with easier access to employment and training services.

Skills Development - (**1995**) Assists businesses by designing, financing, and implementing customized job training programs in partnership with public community and technical colleges for new or existing jobs in local businesses. The 77th Legislature has appropriated \$25 million for the 2002-2003 biennium. The average amount is \$1,000 per trainee.

Smart Jobs Fund Program modified in **1997** to assist small businesses and apply to a broader range of occupations.

Smart Jobs Program abolished effective December 31, **2001**.

Business modernization grants and loans available to plants that require retraining and training of workers. Passed in **1993**. (see Finance Programs)

The Statewide Workforce Training Council was created in **1998** to address the training and retraining requirements of business and industry operating in Virginia.

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Zones

A proposed constitutional amendment to be voted on in November **1991** would exempt goods in transit from property taxation if the property is brought into an enterprise zone for assembling, storing, or processing and is transported out within 175 days.

Foreign Trade Zone law amended in **1991**

Enterprise Zone law amended to allow for additional sales and use tax exemptions in **1995** (see Sales and Use Tax)

Enterprise Zone program modified in **1997** to reauthorize the Texas Department of Commerce to designate enterprise projects.

Reinvestment Zone and Tax Abatement Agreement central registry transferred from the Texas Department of Commerce to the Comptroller of Public Accounts in **1997**.

Tax abatement bill passed in **2001** allowing municipalities to enter into tax abatement agreements with lessees located in reinvestment zones.

1990 Lawmakers expanded the state's enterprise zone program into Prince George County and the cities of Staunton and Suffolk, making a total of 18 enterprise zones.

The **1993** session resulted in an increase in the number of enterprise zones to 25.

A **1994** law provides a one-time income tax credit of \$1,000 per new job (in excess of 100 jobs) created by new and expanding businesses in Virginia. (see Franchise Tax/Corporate Income/Personal Income)

Lawmakers doubled the number of state enterprise zones to 50 in the **1995** session and added new tax incentives for investments in the zones.

The **1996** Legislature authorized the creation of local technology zones in the cities, towns or counties with a population of at least 25,000 but no more than 30,000. Tax incentives available to companies operating in the zones include lower permit fees, reduced user fees and reduced gross receipts taxes.

The **1997** session broadened the definition of qualified businesses, reducing to 25 percent from 40 percent the percentage of workers employed at the facility who must either have incomes below 80 percent of median income prior to employment or be residents of an enterprise zone.

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In **2001**, the 77th Texas Legislature enacted House Bill 1200 creating Tax Code Chapter 313, Texas Economic Development Act. This Act allows school districts to attract new taxable property by offering a tax credit and an eight-year limitation on the appraised value of a property for the maintenance and operations portion of the school district property tax. In exchange for the appraised value limitation and tax credit, the property owner must enter into an agreement with the school district to create a specific number of jobs and build or install specified types of real and personal property worth a certain amount. To qualify, the property must be in a reinvestment zone and must be devoted to manufacturing, research and development, or renewable energy generation.

Education

A revenue package designed to generate funds to finance a court-ordered revision of the state school finance system was approved in **1990**.

VIRGINIA

A bill passed in **1997** raised the annual cap on state business income tax credits and real property investment tax credits available to qualifying firms in enterprise zones.

Senate Bill 281 authorized the establishment of one noncontiguous zone area for each jurisdiction participating in a joint enterprise zone area. Will allow the formation of joint enterprise zones to facilitate regional industrial parks. The bill was passed in **2000**.

The **2000** Legislature increased the maximum number of enterprise zone designations from 55 to 60. These five zones must be in localities within unemployment rates that are 50 percent or higher than the statewide average.

In **1993**, a grants and recognition program was enacted to expand business involvement in public education. (see Finance Programs)

CHRONOLOGY OF TAX INCENTIVES AND ECONOMIC DEVELOPMENT LAWS

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Legislation enacted an education reform bill in **1991** intended to equalize school districts' access to funding for education.

Environmental

Bill passed in **1990** to increase fees assessed to commercial hazardous waste storage facilities and generators of hazardous waste. Fees are to be used for cleanup at state Superfund sites.

Legislature approved a major recycling bill in **1991**. The law sets in motion a variety of initiatives designed to help reach a goal of recycling some 40 percent of the state's solid waste material by **1994**.

Bill passed in **2001** provides for the cleanup of certain brownfields by authorizing the state to encourage cleanup using sales and use tax proceeds, property tax breaks and other incentives.

The Texas Emissions Reduction Program approved in **2001** is a new \$133 million fund that incentivizes industry and individuals to purchase vehicles and equipment powered by alternative fuel.

VIRGINIA

The Advancement via Individual Determination programs were established in **1994**. The programs are designed to increase the number of at-risk students who attend college by providing special programs to prepare them for college.

A law passed in **1995** authorizes school boards to establish school-to-work programs for public school students in grades five through twelve.

State lawmakers passed a law in **1991** requiring closure plans and a demonstration of the financial capability to implement such plans for solid or hazardous waste facilities.

In **1992**, four different governmental divisions were consolidated into a single Department of Environmental Quality.

A bill passed in **1993** will provide \$4.5 million in grants annually for companies manufacturing solar photovoltaic panels. (see Finance Programs)

An environmental law passed **1994** stipulates that if a manufacturer has a valid permit from the Virginia State Air Pollution Control Board, local governments cannot further regulate air emissions at the site.

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A **1995** law directs the Department of Environmental Quality to allow voluntary remediation of contaminated property. When the clean-up is completed, the agency can provide a certificate granting immunity from environmental enforcement actions.

1996 legislation extended income tax credit for the purchase of machinery and equipment for processing recyclable materials. (see Franchise Tax/Corporate Income/Personal Income)

A law approved **1997** grants immunity from enforcement and remediation actions to individuals acquiring an interest in federal Superfund National Priorities List properties that have undergone an EPA-approved remediation.

Finance Programs

The Texas Economic Development Corporation was authorized in **1991** to issue revenue bonds in an unlimited amount for any eligible project. The Texas Department of Commerce was also authorized at the same time to make loan guarantees for a number of projects.

Texas Leverage Fund created in **1993** to allow eligible cities to leverage their economic development sales tax collections by providing access to an alternative source of capital through local industrial development corporations (IDCs). IDCs can lend as much as \$4,000,000 to companies for eligible projects.

The Rural Economic Development Planning Grant Fund was created in **1990**. This fund is to assist local governments in rural areas in identifying and evaluating public industrial sites.

A manufacturing grant program was approved in **1993** to promote the development of the high-tech, renewable energy industry in Virginia. The program will provide up to \$4.5 million in grants yearly for a company manufacturing or selling solar photovoltaic panels. The actual amount of each grant is tied to the total wattage of panels sold.

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The Rural Loan fund was established in **1995** to attract manufacturing jobs to rural areas. Loans may be used for land, buildings, equipment, facilities, improvements and working capital.

The Texas Capital Access Fund Program was established in **1997**. It is a loan loss reserve program intended to leverage private sector capital and encourage bank lending to small and medium sized businesses.

The Texas Linked Deposit Program was amended in **1997** by opening the business loan program to child care providers and non-profit corporations and doubling the maximum loan amount to \$200,000.

An interagency committee was created in **1997** to develop a loan application for state loan and loan guaranty programs.

Small Business

New program established in **1991** to provide funding for small and minority businesses.

A bill passed in **1993** was designed to help small businesses obtain affordable health insurance.

Legislation passed in **1993** to assist small businesses establish preferences for state businesses in state agency purchasing.

VIRGINIA

The **1993** session provided business modernization grants and loans to companies to modernize plans and equipment, change management procedures that require retraining and to train workers for new equipment or manufacturing processes.

A grants and recognition program was enacted in **1993** to expand business involvement in public education, and money was appropriated to develop export trade assistance.

The **1996** General Assembly approved the new IBM/Toshiba Performance Grant, which established a fund by which Virginia can provide grants to the new \$1.2 billion semiconductor manufacturing venture in Manassas. The grants, which don't start until five years after production begins, will be based in the number of new jobs created, the amount of capital investment and other factors.

Additional funding was allocated in **1998** for the Regional Competitiveness Act and new funds to start a grant program to assist localities or regions in developing more sites with infrastructure.

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The Small Employer Health Care Availability Act was amended in **1995**. The amendments eliminate the requirement that small business pay at least 75 percent of the premium for employees' coverage; lower the minimum level of employee participation from 90 percent to 75 percent; and abolish three mandated benefit plans.

The Office of Small Business was created in **1997** within the Texas Department of Economic Development.

Tort Reform

The Rural Health Care Act was passed in **1989**. It contains three major provisions. The new law requires that juries be instructed that a negative medical outcome does not necessarily justify a finding of negligence, and requires that expert witnesses be practicing physicians. The measure also indemnifies physicians whose case load is more than 10 percent charity cases.

Product Liability Reform legislation was passed in **1993**, reversing a **1990** court order that allowed foreigners to sue over products made by companies with Texas connections. Additionally, laws were passed to shield wholesalers, retailers and distributors from exposure over an unsafe product, and to protect manufacturers of inherently unsafe products such as tobacco. Suits are no longer allowed against machine manufacturers after the equipment is more than 15 years old.

The **1995** Legislature passed five major tort reform liability laws. Several other new tort reform measures deal with specific liability issues in medicine, government and tourism.

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Workers' Compensation

In special session in **1989**, the Legislature approved an extensive workers' compensation bill. The bill reduces the cost of workers' comp premiums, amends existing workers' comp laws in numerous respects including income and medical benefits, procedures, and adjudication of disputes.

A new workers' comp bill was passed in **1991** to help insure that legal proceedings under the state's unemployment compensation laws are not encumbered with excessive litigation. The legislature enacted the law that provides that findings and conclusions made in connection with claims for unemployment benefits cannot be used in other legal proceedings or actions.

1991 worker's compensation legislation enlarges the scope of employer-paid vocational rehabilitation for injured employees beyond training to now include rehabilitation services such as vocational evaluation, counseling and job coaching, development, placement, training, education and retraining. Also, a minor change to disqualify any employee from receiving benefits if the injury or death was the result of using nonprescription controlled substance.

Lawmakers partially deregulated rate-making and changed some rules to cut costs in the **1993** legislation.

Telecommunications/Utilities

The Telecommunications Infrastructure Fund was approved by the Legislature in **1995**. The fund is designed to provide \$150 million annually in grants and loans for projects in distance education, information sharing and telemedicine.

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In **1999**, the Legislature enacted the state's electric deregulation bill. Different provisions of the bill will be phased in beginning in September 1999, when utilities will be required to freeze their basic electric rates at current prices until January 1, 2002. On January 1, 2002, new electric providers must discount rates by six percent for all residential customers and small commercial customers.

Transportation

In **1995**, the state Legislature enacted a bill that conforms Texas trucking statutes with federal legislation. The end of state regulation is expected to help shippers by generating more competition and greater service options.

The Rail Transportation Efficiency and Safety Act of **1996** eliminates 43 sections of state law dealing with rail operations.

Other

The Legislature passed a bill in **1991** that amends the existing Rural Economic Development Act. The amendments delete the requirement that only industrial and manufacturing enterprises may receive assistance. Any other eligible enterprises may also receive assistance under the law.

Lawmakers voted in **1990** to allow a bare bones health insurance plans, under which insurers and health service plans may issue accident and sickness insurance policies or subscription contracts that provide coverage for less than the normally mandated benefits and coverage.

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In **1991**, a bill was approved that created the Texas Partnership for Economic Development, an advisory body charged with developing policies and recommendations regarding a wide range of economic development issues. The new body is required to propose new legislation to the Legislature every two years.

The state Legislature abolished the Texas Department of Commerce in **1997**, transferring its powers to the Texas Department of Economic Development.

In **1997**, the same bill that created the Texas Department of Economic Development also created the Texas Business and Community Economic Development Clearinghouse and a research and data services area to collect, research and distribute economic development information.

A bill was enacted in **1997** that created an international trade task force for the promotion and development of international trade.

The Texas E-Government Task Force was formed in **1999**. The task force is charged with creating a single Internet portal that will enhance the ability of the state government to interact and exchange information online with its businesses and citizens.

A bill passed in **2001** created the Technology Workforce Fund, comprised of matching funds from the state and industry to bolster the output of engineering and computer science graduates from Texas universities.

VIRGINIA

A **1991** unemployment compensation law provides that an employer shall not be assessed benefit charges when an employee voluntarily leaves his employment with good cause for a medical reason caused by a non-job-related injury or medical condition.

The Department of Economic Development was given the authority to establish a nonstock corporation to promote economic development and raise matching funds for state and local activities. This was passed **1992**.

The Governor's Economic Development Contingency Fund was created in **1992**. The \$4.5 million fund is to be used at the discretion of the Governor to attract industrial prospects and secure expansions.

The **1994** General Assembly established the Virginia Technology Council.

Legislation created the Economic Development Partnership and the Department of Business Assistance. The Economic Development Partnership is charged with bringing more private-sector involvement in the state's economic development effort, and the Department of Business Assistance will function as a liaison between the state and existing Virginia businesses. These initiatives were created **1996**.

In **1998**, the Governor established an advisory committee to update the state's economic development policy. And strategic plan.

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In **2001**, the Legislature requested an annual marketing plan for high unemployment localities and broadened VEDP's Shell Building Initiative to permit projects that are renovations of existing buildings.