

2002 Annual Survey

**Tax Incentive and Economic
Development Laws
Enacted by
Other States Since 1990**

**to the Texas Governor, the Lieutenant
Governor, and the Speaker of the
House of Representatives**



Prepared by

Office of the Attorney General
Comptroller of Public Accounts
Texas Economic Development
Council on Workforce and Economic Competitiveness

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Attorney General of Texas

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Texas Council on Workforce and
Economic Competitiveness

December 30, 2002

The Honorable Rick Perry
The Honorable William Ratliff
The Honorable James E. "Pete" Laney

Dear Governor Perry, Lt. Governor Ratliff and Speaker Laney:

We are pleased to submit this joint survey of tax incentive and economic development laws enacted by other states since 1990. This report was prepared pursuant to section 481.168 of the Texas Government Code, as added by Texas House Bill 1200, section 10, 77th Legislature, Regular Session, 2001. That legislation required the Attorney General, the Comptroller, the Texas Department of Economic Development and the Council on Workforce and Economic Competitiveness to participate in the survey. A copy of Texas Government Code section 481.168 is attached.

This report represents our first comprehensive effort to identify what other states are doing to remain economically competitive, and to pinpoint legislation in other states that have given them an edge over Texas. It is the intent of this group to encourage state government and economic development practitioners throughout the state to use this report as a resource for recommending legislation that will keep Texas competitive in the economic development arena, and to ensure our economic vitality in the years to come.

We hope you find the information in this survey helpful in assessing the effectiveness of tax incentive and economic development laws. Further, we hope this report serves you well in your deliberations to improve the economic development climate of our state.

Sincerely,

Greg Abbott
Attorney General of Texas

Jeff Moseley, Executive Director
Texas Economic Development

Billy Hamilton
Deputy Comptroller

Ann Hodge, Chair
Texas Council on Workforce and
Economic Competitiveness

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Acknowledgements

Thanks to *Site Selection Magazine* for allowing us to use information from their “State Legislative Climate” issue in this report.

Introduction

Mandate

House Bill 1200, passed by the 77th Texas Legislature, mandated that the Office of the Attorney General, the Comptroller of Public Accounts, the Council on Workforce and Economic Competitiveness and Texas Economic Development conduct a survey of states to review and compare tax incentive and economic development laws enacted since 1990. The Legislature further mandated that this initial report and each annual update include recommendations for legislative action.

Purpose

The purpose of this initial report is to provide both a resource for Legislators and economic developers as well as a comparison of Texas incentives and economic development laws with those of other states. The entities involved in compiling this resource encourage all involved in state government and economic development to use this research as a resource for the further refinement of current Texas incentives and the development of new legislation that is focused on keeping Texas competitive in the economic development arena. Used in association with analytical reports, such as the recently published "Texas, Our Texas: An Assessment of Economic Development Programs and Prospects in the Lone Star State," and a report due in January 2003 from the Governor's Task Force for Economic Growth, the information contained in this survey will assist decision makers in formulating public policy for the benefit of all Texans.

Data Gathering

To compile this report, Texas Economic Development relied on surveys that are conducted and published annually by economic development trade journals. The surveys used for Section IV of this report are the Legislative Reviews prepared annually for each state by *Site Selection* magazine. This report compares the most important tax incentive and economic development laws of Texas' primary competitor states.

Structure

There are six sections in this report. Sections I and II contain this introduction and the text of section 481.168 of the Texas Government Code, which mandates this report. In Section III, the Office of the Attorney General summarizes 445 legislative programs implemented by 32 states since 1990. This portion reviews Texas border states, states with similar population, and states recognized for their economic development activities by *Site Selection* magazine in its 2001 Governor's Cup survey, which was compiled in March 2002. For each state, the lead economic development agency is listed as a point of contact. Beginning with the most recently enacted legislation, tax incentive and economic development laws are listed in descending order. The summaries contain the year the legislation was initially passed, a statutory reference, a summary of the program, an Internet website link and or a contact to obtain more information about the legislation.

In Section IV, Texas Economic Development (TxED) prepared a side-by-side summary focusing on states that are considered Texas' primary economic development competitors. For this report, the Corporate Expansion and Recruitment Division (CER) of the Texas Economic Development agency identified those states as Alabama, California, Georgia, Louisiana, North Carolina, Oklahoma, South Carolina, Tennessee and Virginia. Several criteria were used to select competitor states: reports generated from CER's database of prospects locating somewhere other than Texas; aggressive marketing efforts and increased marketing dollars; and the "Governor's Cup" rankings in

Site Selection magazine. Subsequent annual reports will include other states that have accelerated their economic development activities since the issuance of the initial report.

Each year in their November issue, *Site Selection* magazine publishes a guide to legislative activity in the 50 states. Section V is an overall summary of current economic development incentives directly from the pages of the publication, presented in chart format with the publishers explanatory notes. The chart identifies in general, the state and local tax and economic incentives offered by each state.

Texas Economic Development is most grateful to *Site Selection* magazine for the permission to include this copyrighted material in this report to state leadership.

Recommendations

Section VI contains the legislative recommendations prepared by Texas Economic Development and the Council on Workforce and Economic Competitiveness. No recommendations are made by the Office of the Attorney General because its policy is to remain neutral in legislative matters. The Texas Comptroller is currently considering economic development information gathered in regional economic summits, and may publish recommendations at a later date. External recommendations were solicited by Texas Economic Development from the Texas Association of Business and the Texas Economic Development Council. A summary of the recommendations made by the Perryman Group in a report prepared for Texas Economic Development are also included.

Texas Government Code § 481.168 as added by Tex. H.B. 1200, 77th Leg. (2001) provides:

(a) The attorney general, the comptroller, the Texas Department of Economic Development, and the Council on Workforce and Economic Competitiveness shall:

- (1) conduct a survey of tax incentive laws and economic development laws enacted in other states since 1990; and
- (2) deliver to the governor, the lieutenant governor, and the speaker of the house of representatives a joint report of the results of the survey.

(b) The initial joint report required by this section shall be delivered before December 31, 2002. An update of the joint report shall be delivered before December 31 of each subsequent year.

(c) Any interested person, including a trade association, may provide information the person considers useful or relevant to the survey or the joint report.

(d) Any agency of this state, on request, shall assist in conducting the survey or in preparing the initial joint report or an update of the joint report.

(e) The initial and each update of the joint report shall include recommendations for legislative action.