

## Testimony to the Texas Senate Finance Committee

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### Glenn Hamer, CEO, Texas Association of Business

Chairwoman Huffman and members of the Senate Finance Committee, my name is Glenn Hamer, CEO of the Texas Association of Business. As we celebrate our Centennial anniversary this year, today TAB represents 1,500 members and over 150 chambers of commerce across Texas. TAB's core purpose is to "champion the best business climate in the world, unleashing the power of free enterprise to enhance lives for generations".

Thank you for the opportunity to discuss tax incentives with the Committee. TAB and much of the business community look forward to working with you in the interim to keep Texas leading in job creation and economic development. Our priority is to maintain a tax structure that is friendly to large capital-intensive investment projects. How we get there – we remain flexible.

One of the biggest challenges to business development in Texas is the unsustainable rise in property taxes creating a barrier to entry and expansion for Texas employers.

**Texas businesses pay the margins tax, property taxes, sales taxes and property tax on the inventories and the machinery and equipment needed to produce.**

Near double-digit national inflation, along with international supply chain disruptions in everything from microchips to fertilizer, are dramatically increasing costs for Texas employers.

As you know, Texas businesses do not enjoy homestead or senior citizen tax exemptions or freezes on their property taxes. Only owner-occupied housing benefits from the 10% appraisal cap.

For business property, the appraised market value less any exemptions (*like Freeport or goods in transit*) are the assessed value they finally pay taxes on.

In 2022, single year property tax appraisal increases are sometimes exceeding 50 percent. Business property taxes are increasingly difficult to predict from one year to the next.

This makes planning difficult for businesses, and creates an unpredictable and additional disincentive for large capital investments in Texas.

At the same time that property appraisals are skyrocketing, critically important Texas business economic growth programs are phasing out.

In the wake of the pandemic and Russia's violent invasion of Ukraine, businesses across the globe are considering onshoring critical manufacturing and production to North America to avoid increasing political, economic, and even personal risks in parts of Asia, Europe, and South America.

We should be doing all we can to attract more microchip production to Texas, providing us control over the very item that is central to an endless number of goods vital to our way of life. This reduces the risks posed by an increasingly aggressive China.

More than 90 percent of the world's high-end chips are made in Taiwan, supplying everyone from the Pentagon to General Motors. A new Taiwan Semiconductor fabrication plant is currently being built in Arizona at an estimated cost of \$12 billion.

At a normal Texas county property tax rate of 2%, the annual property tax on a new \$12 billion chip fabrication plant, *without tax incentives*, would be at least \$240 million each year. Not including the margins tax, sales taxes and the like.

The world also needs more Texas energy production from all sources, especially exportable and clean Texas natural gas, to reduce over-reliance on Russian, Iranian and Venezuelan oil, and gas.

A new Gulf Coast Liquefied Natural Gas (LNG) liquefaction project can cost \$10 billion. The impact to communities of an investment this size in Texas changes lives. Yet Louisiana abatements are right next door.

Texas is in an excellent position to be *the* epicenter of energy, technology, manufacturing, national defense, agriculture production and innovation.

But fast-rising business property taxes and the expiration of important business tax incentives threaten to undermine those opportunities.

TAB looks forward to working with you all to consider business tax incentives and business property tax relief critical to Texas' future success, especially in a time of high national inflation and rising business property tax appraisals.

Thank you.