



Incentives

Business Assistance/Incentives

Dumas's superb business climate has evolved over the past century as the community grew to be a regional headquarters for the West Texas oil, chemical and natural gas industries, as well as a global leader in the agricultural industry. The result is that companies in all industries can benefit from the business climate and natural advantages the Dumas region offers.

Dumas has an array of local and state incentives available to qualified companies. These include tax abatements and refunds, job training grants, and several project financing options.

LOCAL INCENTIVES

One of the most exciting incentives is the **Community Investment Program**, which offers flexible options for qualified companies.

Community Investment

The Community Investment Program, made possible by Dumas voters, who approved a half-cent increase for economic development in the local sales tax rate. The city's sales tax (Type B) Economic Development Corporation Board was incorporated in 1999 to oversee the funds. The economic development sales tax will generate over \$600 thousand dollars annually for economic development investments and community assistance to existing and new eligible businesses/industries. Assistance can be in the form of:

Leasehold improvements, construction, real estate purchase, training, personal property or equipment, job creation cash assistance and infrastructure needs.

Eligible projects must create or retain primary jobs. "Primary job: is defined to mean a job that is (1) available at a company for which a majority of the products or services of that company are ultimately exported to regional, statewide, national, or international markets, infusing new dollars into the local economy; and (2) included in one of the following sectors of the **North American Industry Classification System** as defined in the Development Corporation Act of 1979:

NAICS CODE	DESCRIPTION
111	Crop Production
112	Animal Production
113	Forestry & Logging
11411	Commercial Fishing
115	Support Activities for Agriculture & Forestry
211-213	Mining

221	Utilities
311-339	Manufacturing
42	Wholesale Trade
48-49	Transportation & Warehousing
51	Information, excluding movie theaters & drive-in theaters
523-525	Securities, Commodity Contracts, & Other Financial Investments & Related Activities, Insurance Carriers, Related Activities, Funds, Trusts, & Other Financial Vehicles
5413, 5415, 5416	Scientific Research & Development Services
5417 & 5419551	Management of Companies & Enterprises
56142	Telephone Call Centers
922140	Correctional Institutions
928110	National Security

Criteria for Community Incentive

-type of industry (companies within targeted core industries have priority)

- § -number of new jobs created
- § -wage level
- § -annual payroll
- § -employee benefits
- § -financial analysis
- § -planned use of the investment

The Project Guidelines outline the documents required from applicants. They include: a company business plan, organizational documents, 3 years of audited financial statements, Dun & Bradstreet report, credit reference, certificate of good standing, and promotional materials. Amounts awarded through the Community Investment program depend on available funds, grant qualifications and final approved amounts.

Property Tax Abatement within the Reinvestment Zone

Qualified businesses located within the designated **Reinvestment Zone** are eligible to receive up to 100% abatement of the property tax for the value added to real property by construction, renovations, additions, or personal equipment as allowed by law and approved by participating taxing entities.

Annual abatements are allowed for 5 to 10-year terms and are based on the number of new jobs created and maintained, actual annual payroll, and actual capital investments. Following are current tax rates for Dumas's participating taxing entities:

2010 Tax Rate per \$100 of Assessed Value:

The Dumas Independent School District does not participate in this tax rebate.

Taxing Entity	Rate Per \$100 of Assessed Value
City of Dumas	.1608
Moore County	.3300
School District	1.1449
Amarillo College-Dumas	.0500
Hospital	.1015
County Road District	.0638
Palo Duro River Authority	.0767
North Plains Water District	.0235
Total	1.9512

Small Business Administration CDC/504 Loans

The **CDC/504** loan program is a long-term financing tool for economic development within a community. The 504 Program provides growing businesses with long-term, fixed-rate financing for major fixed assets, such as land and buildings. A Certified Development Company is a non-profit corporation set up to contribute to the economic development of its community. CDCs work with the SBA and private-sector lenders to provide financing to small businesses.

Typically, a 504 project includes a loan secured with a senior lien from a private-sector lender covering up to 50 percent of the project cost, a loan secured with a junior lien from the CDC (backed by a 100 percent SBA-guaranteed debenture) covering up to 40 percent of the cost, and a contribution of at least 10 percent equity from the small business being helped. The SBA office in Amarillo serves Dumas.

STATE PROGRAMS

www.governor.state.tx.us

Product Development and Small Business Incubator Fund

The Product Development and Small Business Incubator Funds have been established as revolving loan programs through a \$45 million bond issuance in 2005. The programs support the development of small businesses or eligible products with a statutory preference given in the areas of semiconductor, nanotechnology, biotechnology and biomedicine.

For additional information on the Product Development and Small Business Incubator Funds, please contact the Governor's Economic Development Division at (512) 936-0100.

Texas Leverage Fund

The Texas Leverage Fund offers an added source of financing to communities, including Midland, that have passed the economic development sales tax. The Office of the Governor, Economic Development and Tourism may loan funds directly to a local Development Corporation to finance eligible projects.

The Texas Industry Development (TID) Loan Program provides capital to Texas communities at favorable market rates. The main objective of TID is to support projects that will stimulate the creation of jobs and corporate expansion and relocation. TID loans can be used for a variety of purposes, including the purchase of land, buildings, construction, machinery and equipment. TID

financing is available for loans above \$5,000,000. TID loans are generally requested by a community's economic development corporation, or EDC.

The Emerging Technology Fund

This is a state of Texas \$200 million fund for research and development activities in emerging technology industries. The Texas Emerging Technology Fund shall be used to: Expedite innovation and commercialization; Attract, retain, or expand private sector entities that will drive a substantial increase in high quality jobs; Increase higher education applied technology research capabilities.

Bond Financing Options

Bonds may be issued by non-profit development corporations or authorities for eligible projects in order to promote new and existing businesses, encourage employment in the state, and increase the tax base of the community where the project is located. Several types of bonds are available.

Tax-Exempt Industrial Revenue Bonds for Manufacturing Projects are issued to finance land and depreciable property for industrial and manufacturing facilities.

Taxable Industrial Revenue Bonds typically have higher interest rates than tax-exempt issues, but these issues do not have restrictions on the use or amount.

Sales Tax Bonds are available only for those cities that have passed the economic development sales tax. These taxable or tax-exempt bonds, depending on the type of project and business, are primarily for manufacturing or industrial projects, but can also be issued for commercial, recreational, infrastructure, and other types of projects.

The Governor's Office Economic Development Division has more information on bond financing options.

Workforce Training

www.twc.state.tx.us

Skills Development Fund

The Skills Development Fund is a state job training program through which businesses design and implement customized job training in partnership with public community and technical colleges. The State finances the training through grants directly to the educational institutions. Per trainee benefits vary depending on the proposal. The Texas Workforce Commission administers the program. <http://www.twc.state.tx.us/svcs/funds/sdfintro.html>

Self-Sufficiency Fund Program

The Self-Sufficiency Fund Program, administered by the Texas Workforce Commission (TWC), assists businesses by designing, financing and implementing customized job training programs in partnership with public community and technical colleges, a higher education extension service, & community-based organizations for the creation of new jobs and/or the retraining of existing workforce. The goal of the Self-Sufficiency Fund is to assist recipients of Temporary Assistance for Needy Families (TANF), Food Stamps, and Needy Parents to obtain training, get jobs, and become independent of government financial assistance.

<http://www.twc.state.tx.us/svcs/funds/ssfintro.html>

On-the-Job Training

On-the-Job Training (OJT) and Customized Training provide unique opportunities for participants who already possess some job-related skills and the knowledge to "learn as they earn". By participating in training as an employee, the participant not only acquires new skills and knowledge, but also receives the same wages and benefits as current employees in same or similar positions. The employer benefits by being reimbursed for part of the participant's wages during the training period, while having the services of a full-time employee.

<http://www.twc.state.tx.us/svcs/ojtcust.html>

Tax Credits

Worker Opportunity Tax Credit

A federal tax credit given to companies that hire employees from select target groups and is used to reduce a company's federal tax payment in the current tax year. The credit can be used retroactively for three years or carried forward for fifteen years and provides a tax credit of up to 40% to employers who hire certified tax credit eligible employees. The maximum tax credit is \$2,400.

State of Texas Tax Refund provides a state tax credit of up to 20% of \$10,000 per employee in wages paid during the first year. Employers may qualify for a state tax refund if they pay certain state taxes, pay wages during the first year of employment to employees who are Texas residents and received AFCD/TANF benefits during the month of hire, and provide and pay part of the cost of qualifying major medical insurance for the employee. www.twc.state.tx.us

Economic Development Refund

State tax refunds to qualified property owners who entered into property tax abatement agreements after January 1, 1996 with a city or county, but not a school district. Property owners with tax abatement agreements entered into on or before January 1, 1996 are not eligible for these state refunds. They are also not eligible if their property is subject to an appraised value limitation, as discussed above.

To be eligible for a refund, a property owner must have established a new business in a reinvestment zone or expanded or modernized an existing business located in the zone. Since entering into a city or county abatement agreement, the property owner must have increased the business's payroll by at least \$3 million, specific to its property in Texas. Or, the owner must have increased the abated property's appraised value by at least \$4 million.

For additional information contact the Comptroller's Property Tax Division:

<http://www.window.state.tx.us/specialrpt/stateloc05/>

State Franchise Tax Reductions

While Texas does not have a corporate income tax as such, the corporate franchise tax has a component based on earned surplus. Earned surplus is essentially federal net taxable income plus compensation paid to corporate officers and directors if the corporation has more than 35 shareholders.

The franchise tax is imposed upon all corporations and limited liability companies that do business in Texas or that are chartered or authorized to do business in the state. The tax is based on taxable capital or earned surplus. Both components are apportioned to Texas companies using a single gross receipts factor. Taxable capital is a corporation's stated capital

plus surplus. The tax rate on taxable capital is 0.25% per year. Earned surplus includes federal net taxable income with certain modifications. The tax rate on earned surplus is 4.5%. Corporations pay the higher of the tax on taxable capital or the tax on earned surplus. Those that owe less than \$100 or have less than \$150,000 of gross receipts do not pay any tax, but must file a report.

Texas has amended its state statutes, which affect franchise tax reports due on or after January 1, 2008. The new franchise tax is now effectively a gross margins tax. A calculator provided by the State Comptroller's office is available to assist you in estimating the impact, if any, on your business.

For more information about the Texas Corporate Franchise Tax, visit the Texas Comptroller of Public Accounts website,
<http://www.window.state.tx.us/taxinfo/franchise/index.html>

Enterprise Zone

Enterprise Zones allow local communities and the State of Texas to work together to encourage job creation and capital investment in areas of economic distress. Changes to the State Enterprise Zone program have increased the benefits companies can receive.

Dumas has a designated Enterprise Zone, but new regulations no longer require that enterprise projects be located within the boundaries of the zone. Businesses located outside zone boundaries must hire at least 35% of their new employees from a pool of either economically disadvantaged persons or enterprise zone residents, compared to 25% for businesses located within the zone.

Tax Increment Financing Chapter 311, Tax Code

Tax increment financing (TIF) is a tool that local governments can use to publicly finance needed structural improvements and enhanced infrastructure within a reinvestment zone.

A reinvestment zone can be initiated by petition of the affected property owners, or a city council can initiate a reinvestment zone without the need for a petition. Restrictions on the creation of a reinvestment zone include:

No more than 10 percent of the property may be used for residential purposes (does not apply if the district is created by a petition of the landowners).

- May not contain property that cumulatively would exceed 15 percent of the total appraised property value within the city and its industrial districts.
- May not create or change the boundaries of an existing zone if the zone would contain more than 15 percent of the total appraised value of real property taxable by a county or school district.

For additional information, contact the Comptroller's Property Tax Division toll free at 1-800-252-9121, or in Austin at (512) 305-9999. More information is available at:
<http://www.window.state.tx.us/taxinfo/proptax/registry04/zone.html>.

www.dumasedge.com / www.dumasedc.org