Tomlinson: Texas comptroller proposes covering up corporate welfare program

Chris Tomlinson , Staff writer Updated: Dec. 17, 2021 6:23 a.m. Comments

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Steve Tallent, photographed outside of the icehouse he opened last year in Liberty County, has watched property taxes in Mont Belvieu where he owns property rise and rise. He recently fell behind on his property taxes. Photographed, Thursday, April 15, 2021, in Mont Belvieu.

Mark Mulligan, Houston Chronicle / Staff photographer

Lawmakers have ordered Comptroller Glenn Hegar to wrap up Texas's biggest corporate tax break program, but he wants to give companies one last gift: an end to public accountability.

Activists, corporate relocation specialists and lawmakers are scrambling to comment on Hegar’s proposal that companies no longer report key data about their progress toward meeting the terms of their property tax abatement agreements.

If the comptroller adopts the rule, the public will find it much more difficult to monitor whether companies really create the jobs or make the investments they promised in return for $1 billion a year in school property tax breaks.

TOMLINSON’S TAKE: Texas property tax breaks for businesses are only the tip of a troubling iceberg

Hegar’s plan is the latest twist in the Texas GOP’s surprise closure of the Chapter 313 program, named for its place in the tax code. School boards don’t mind granting the abatements because school funding formulas guarantee they don’t lose per-student revenue when they slash taxes by millions of dollars. So the pain is spread across all districts.

The Legislature created Chapter 313 two decades ago to better compete with states offering tax incentives for corporate relocations. Typically, a school board gives a company 10 years or more of tax reductions. They also usually negotiate side deals for cash payments in return for the abatement.

School boards have no incentive to scrutinize Chapter 313 deals, and the comptroller typically approves them automatically. About 600 existing deals worth $11 billion in tax cuts stretch into 2049.

Supporters argue that the jobs created and the money invested in the community generates other revenues that far exceed the lost property taxes. School boards don't really lose out, they argue, because they get some property tax from projects that wouldn't exist without an incentive.

In a rare act of good governance, the Legislature and the comptroller required beneficiaries of Chapter 313 to file updates every two years on their hiring and investments. After all, business plans and economic conditions change, and companies frequently change strategies.

Fulfilling their watchdog function, the Chronicle and the Texas Observer dug into those reports. They found that not all companies fulfill their promises, and state officials rarely claw back the abated taxes when companies default.

The Chronicle, using a formula put forward by Gov. Greg Abbott, calculated the state is giving up $1.1 million in taxes for every job created through Chapter 313. While some reject that characterization, it rallied conservatives and progressives to kill Chapter 313 earlier this year.

Now Hegar wants to radically change the biennial corporate reports. We will no longer know what a company is doing in return for the tax breaks, nor will we know how much money the state has given away to some of the nation's biggest corporations.

He also wants to change the annual reports filed to school boards on how many jobs a company creates and how much they pay workers, two vital elements of any Chapter 313 deal. Hegar would no longer require school boards to report the information to his office, making it more challenging to compile statewide data.

Interfaith groups that fought the corporate giveaway that hurts Texas children demanded Hegar roll back his plan on Wednesday.

Why would Hegar do this? "The new proposals would benefit the public by improving the administration of local property valuation and taxation," the Texas Register filing cites as justification. His deputies have also said collecting detailed data is no longer necessary since the Legislature is allowing Chapter 313 to expire on Dec. 31, 2022.

Let's be honest, though, the 110 corporations rushing to apply for tax breaks before the program ends do not want to face public scrutiny going forward. They don't want any more bad press.

TOMLINSON'S TAKE: Attracting business to relocate to your community is not that hard

"What is the benefit of less accountability and less transparency?" San Antonio state Senator José Menéndez asked at a Texas Metropolitan Organization press conference. "The taxpayer should know how their money is going to be used and what they are getting in exchange."

Lastly, there is another twist to this tale of corporate welfare. Rumors are swirling in Austin that Texas Republicans will resurrect the property tax break, if not in a special legislative session next year, then definitely in 2023. But they are unlikely to restore the reporting requirements Hegar is eliminating.

If the business lobby gets a new tax break program with less transparency, they will turn a significant loss into a huge win. Hegar should be protecting taxpayers by demanding more accountability, not giving Texas businesses a huge Christmas present.

The public can comment on Hegar's proposed rule change through Monday. E-mails opposing or supporting the move should be sent to John.Villarreal@cpa.texas.gov.

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