



**Autocase Economic Advisory**

Economic consulting stream of Autocase



# Brazoria County Tax Abatement Economic Analysis

Texas Chapter 312, 313 and Industrial District Agreements in Brazoria County

## CLIENT

Texas Campaign for the Environment (2023)



## LOCATION

Brazoria County, Texas

## OVERVIEW

Every year in the state of Texas, billions of dollars of tax revenues are forgone by various taxing jurisdictions through engaging in tax incentive agreements with corporations under the premise of economic development. This study focused on the tax incentive agreements being used in the cities within and including the county of Brazoria, by a selection of firms in the petrochemical, chemical, and plastic industries that receive substantial abatements.

Autocase Economic Advisory was engaged to provide an economic and financial study to determine the estimated value of lost forgone tax revenue through three of the most ubiquitous agreements:

- Texas Chapter 313 Value Limitation Agreement;
- Texas Chapter 312 Property Tax Abatement Program; and
- Industrial District Agreements (IDAs)

## CHALLENGE

Public access to these agreements is characterized by overlapping jurisdictions, secrecy, bureaucratic hurdles, delays, and legal obstacles. All of which contribute to a lack of transparency and public understanding regarding the cost of these incentive programs.

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### OBJECTIVE

There is a lack of transparency and understanding regarding how costly these tax incentives are to the communities.

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### SOLUTION

Autocase conducted an analysis to assess the value of forgone revenues experienced by the affected communities.

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### OUTCOME

Informs communities and tax jurisdictions most impacted by tax incentive agreements of their lost revenue potential.

## SOLUTION

To address these challenges this study seeks to determine and clearly convey the impacts of these economic incentive programs. Autocase conducted a financial analysis to assess the value of forgone revenues experienced by the affected communities in order to better inform the public in their decision-making regarding these agreements.

## ANALYTICAL APPROACH

All active agreements held by corporations in this study were gathered according to the three agreement types. Valuations were first calculated for each individual agreement. Subsequently, all results were then aggregated by three levels of interest: corporation, agreement type, and regions affected (State, County, City).

## RESULTS

- Total forgone tax revenues amount to roughly **\$2.2 billion**
- Average cost per job within the industry amounts to **\$2 million** within a range of **\$0.5 - \$6 million per job**

## OUTCOMES

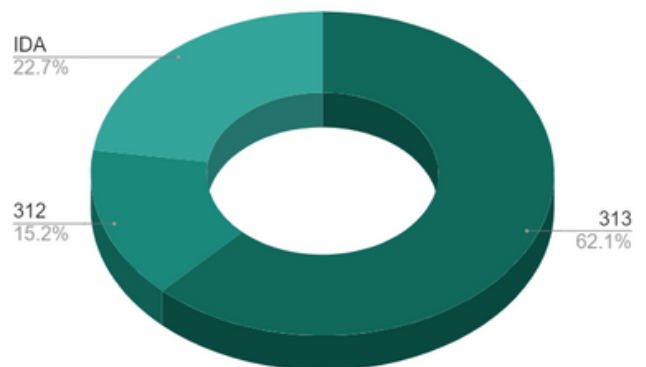
The analysis conducted provided the client with a transparent understanding of the nature of the agreements, the companies involved in each agreement, and the forgone revenues attributed to each agreement and each company, which greatly improved their understanding of the true cost of these programs.

The findings of this study were used in a press conference to engage the public, providing transparency and disclosure concerning the cost impacts attributed to these tax incentive agreements.

## KEY FINDINGS

- Freeport LNG experiences the largest tax break among corporations with **\$1.1 billion** and **52%** of all total tax revenues forgone.
- Chapter 313 agreements contribute to the largest forgone tax revenue among agreement types with **\$1.3 billion** and a share of **62.1%** of total tax revenues forgone.

Proportion Of Tax Savings By Agreement



- Within each jurisdiction, forgone revenues amount to **25%** of Brazoria County's, **137%** of Freeport's, **19%** of Clute's, **4%** of Lake Jackson's, and **110%** of Oyster Creek's annual budgets.