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Work From Home Cost Texas Companies \$20 Million in Tax Breaks. The State Wants to Fix That

Companies passed up \$20 million in state payouts by letting employees work from home. Now Texas is revising its program to reflect the new hybrid work reality.



Texas's Enterprise Zone Program gives tax refunds to businesses that create jobs in economically distressed areas of the state, including Harris County, where Houston is located. Photographer: Duy Do/Moment via Getty Images

By Sarah Holder - June 1, 2023

Texas businesses have forgone more than \$20 million in state incentives over the past few years by allowing employees to work remotely the majority of the time, according to state leaders who are revising Texas's economic development strategy for a post-Covid era. The figure

comes from a fiscal analysis of proposed legislation HB 1515. The bill would transform Texas's multibillion-dollar Enterprise Zone Program, which gives tax refunds to certain businesses that locate in economically distressed areas of the state. In the incentive program's current form, the size of the payout depends in part on the number of employees hired or retained who come to an office or project site more than 50% of the time.



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But a state comptroller's estimate shows that across the 400 companies the office is monitoring, 11,000 employees couldn't meet that in-person work threshold.

Faced with the reality that remote work is here to stay, Texas is poised to loosen the program's requirements to accommodate hybrid schedules.

The bill, which has passed the state House and Senate, would allow companies to receive state incentives for employees who work from home more than half of the time — as long as the workers live in Texas, within 25 miles of the office. That radius will ensure people are still paying state property taxes and stimulating the regional economy, even if they're not showing up at the office every day, according to Drew Springer, a state

senator who sponsored the bill.

"This is an example of a state economic development incentive working to keep pace with changing workplace dynamics," said John Boyd, a corporate site selection consultant and principal at the Boyd Company. "It's going to create new, clearer rules of the road for employers and help Texas be competitive for what projects look like today."

Texas cities have among the highest rates of in-office attendance in the US, according to data from Kastle Systems, a building security company. And several companies in the Enterprise Zone program are in the manufacturing and health-care industry, where remote work is less viable.

But Springer says the revision comes as a direct response to frustrations from participating companies that said they had used the incentives as part of their calculus to move to Texas and were now saying, "Look, it's not our fault that the world changed. Can you help us with this?"

"Now that we're sort of in this new world with quite a bit of remote working, it made sense," said Springer. "It says, well, we still need that level of incentives to be able to attract the companies we're looking to be able to attract here. We don't see the downside of them not being in the office every single day."

The bill is expected to be signed by the governor. The state's Legislative Budget Board estimates that if the legislation is enacted, Texas will have to pay \$20.7 million in incentives in fiscal year

2024, to refund companies that are currently ineligible for certain payments because of remote work but who employ people that meet the legislation's new threshold. Every subsequent year it will cost an estimated \$4.7 million to cover the employees who will be newly eligible.

Despite the price tag, Texas lawmakers have concluded that in the long term, refusing to embrace a more fluid workplace could be costly, too.

"It's a drop in the bucket," said Boyd, referring to the payments the state will have to return. "And it's the cost of doing business."