



Tesla eyeing significant tax breaks as it considers Texas plant

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Tesla CEO Elon Musk could receive some pretty significant tax incentives should he choose to expand in the Lone Star State.

Tesla is in talks for a potential manufacturing project in Travis County, Texas, where it is seeking a “strong working relationship” with the greater Austin community, according to documents made public on Thursday.

Travis County’s largest city is Austin, the state capital.

Part of that strong working relationship could include saving about \$68 million on property taxes during the course of a decade – pending approval from a local school board, according to The Austin American-Statesman. The property value that would be used by the city to collect taxes would be capped at \$80 million, which would lead to a savings of more than \$68 million.

A Tesla spokesperson did not return FOX Business’ request for comment.

Tesla is expected to create more than 5,000 jobs in the area, and construction at the 2,100-acre site could begin as early as the later half of the year. Tesla is also considering other locations for its manufacturing facility, according to the papers.

The automaker had entered talks with officials in Travis County regarding additional incentives and terms for a potential assembly plant. Details about what those may entail are not yet known.

Musk had been feuding with authorities on California over coronavirus-related restrictions that left him unable to reopen one of his factories, although Alameda County officials ultimately let some operations resume last month.

In response, Musk threatened to relocate the company’s headquarters.

Texas Gov. Greg Abbott sent out a tweet last month saying Tesla was a perfect fit for the state.

Austin is gaining momentum as an emerging technology hub. The city has even been dubbed by some as the new Silicon Valley. Companies that have already set up shop in Austin include Apple, Amazon, Google and Facebook.

Part of the allure is the attractive tax incentive programs, including for hiring and relocating. Both of those options offer up to 50 percent property tax reimbursement and up to 3 percent wage reimbursement per job/ per year.

In terms of its overall business climate, Texas has some pros and cons.

While California's corporate income tax is a flat rate of 8.84 percent, Texas does not have a corporate income tax. However, the Lone Star State does have a margin tax that affects businesses, which Chris Edwards, director of tax policy at the Cato Institute and editor of www.DownsizingGovernment.org, called "punishing."

The tax puts a .75 percent levy on 70 percent of revenue, 100 percent of revenue minus the cost of goods sold, 100 percent of revenue minus compensation or total revenue minus \$1 million.

However, Texas is well known for having no personal income taxes. That could be a major benefit for attracting a qualified workforce or even relocating employees from California, Edwards noted. And California has some of the highest individual income tax rates in the country.