

Chapter 312 Fact Sheet

Chapter 312 – Also Known As The Property Redevelopment And Tax Abatement Act – Is A Key Economic Development Tool For The State Of Texas.

The Act Allows Local Governments To Exempt “All Or Part Of The Taxable Value Of New Investments For A Period Not To Exceed 10 Years.” “Chapter 312 of the Tax Code, the Property Redevelopment and Tax Abatement Act, allows the governing bodies of cities, counties and other non-school special districts to exempt all or part of the taxable value of new investments for a period not to exceed 10 years.” (“Chapter 312: Local Property Tax Abatements,” [Texas Taxpayers And Research Association](#), 5/18)

- **NOTE: This Provision Of The Tax Code Does Not Apply To School Districts.** (“Property Tax Abatement Act, Tax Code Chapter 312 Overview,” [Texas Comptroller of Public Accounts](#), Accessed 10/11/18)

Projects “Must Be A New Facility Or An Expansion Or Modernization Of An Existing One.” “To be eligible for an abatement, a project must be a new facility or an expansion or modernization of an existing one. Only residential, commercial, or industrial projects are eligible; oil and gas development is not.” (“Chapter 312: Local Property Tax Abatements,” [Texas Taxpayers And Research Association](#), 5/18)

Chapter 312 Will Expire If The Legislature Does Not Reauthorize It In 2019. “The Legislature must reauthorize Chapter 312 in 2019 or it will expire, leaving Texas without one of its most important economic development tools and reducing its ability to compete with neighboring states for new investment.” (“Chapter 312: Local Property Tax Abatements,” [Texas Taxpayers And Research Association](#), 5/18)

Why Does Texas Need Chapter 312?

Texas Has Some Of The Highest Property Taxes In The Nation Hindering Texas’ Ability To Compete For Investment. “Texas ranks among the top 10 states paying the highest amount of property taxes, coming in at No. 6 on the list for 2018.” (Mary Claire Patton, “Property Taxes: See How Texas Compares To Other States,” [KSAT](#), 2/27/18)

Without Chapter 312 Texas Would Be “At A Significant Disadvantage” When Competing With Other States For Capital Investment Projects. “Without incentives such as the abatements allowed under Chapter 312, Texas would be at a significant disadvantage when competing for major capital investment projects.” (“Chapter 312: Local Property Tax Abatements,” [Texas Taxpayers And Research Association](#), 5/18)

Why Is Chapter 312 Good For Texas?

Chapter 312 Allows Local Cities, Counties, And Other Special Districts “To Attract New Industries” And To Retain And Expand Existing Businesses. “Tax abatements are an economic development tool available to cities, counties and special districts to attract new industries and to encourage the retention

and development of existing businesses through property tax exemptions or reductions.” (“Property Tax Abatement Act, Tax Code Chapter 312 Overview,” [Texas Comptroller of Public Accounts](#), Accessed 10/11/18)

While Tax Abatements Are Short-Lived, They Can Have A Significant Future Impact:

- **They Reduce Unemployment.** “A new business creates jobs. People employed by the business may use their income to build homes and buy goods and services, cars and other personal necessities.”
- **They Strengthen Other Businesses.** “Established businesses benefit when a new business opens. The increase in patrons allows other businesses to grow by investing in capital improvements and hiring new employees.”
- **They Increase Tax Revenue.** “When an abatement is offered, a city still benefits from increased tax revenues. Employees of a new business spend their money at local stores (which boosts sales tax receipts) and often build new homes (which increases property tax receipts). These things occur without the need to increase tax rates.”
- **Tax Receipts Continue To Grow Long Term After The Abatement Expires.** “Once a business is well-established within a community, the improvements and facilities that are added can be taxed. The tax rate and revenue from developed property is higher than on undeveloped property. This creates a long-term source of revenue for the city.”
- **They Provide A Flexible Economic Development Tool.** “Abatements can be viewed as a flexible option compared to other economic development tools since infrastructure improvements or risky building ventures could become fixed costs. Without the abatement, it may be financially unfeasible for retailers to build on a certain area, due to features like underground pipelines, stormwater storage or floodplain.” (“Chapter 312 ” Texas Comptroller of Public Accounts, Accessed 10/11/18)

The State Of Texas Wins Through Additional Revenue From Franchise, Sales, And Other State Taxes That Are Not Included In The Abatement. “Abated projects may enjoy temporary local tax relief, but they pay 100% of their franchise, sales, and other state taxes.” (“Chapter 312: Local Property Tax Abatements,” [Texas Taxpayers And Research Association](#), 5/18)

“The Choice For The Community Is Typically Between A Vacant Field Or A Permanent New Facility That Will Pay A Substantial Amount Of State And Local Taxes Over Its Lifespan.” “Critics erroneously equate the ‘cost’ of an abatement to the amount of benefit a project receives, rather than the benefit it brings to the community. In fact, the choice for the community is typically between a vacant field or a permanent new facility that will pay a substantial amount of state and local taxes over its lifespan.” (“Chapter 312: Local Property Tax Abatements,” [Texas Taxpayers And Research Association](#), 5/18)

- **NOTE: Tax Abatements DO NOT Reduce Existing Local Property Taxes Or Cause Loss Of Current Revenue; They Offer A Temporary Limit On Future Taxes For A Facility Not Yet Built.** “Tax abatements do not reduce existing local property taxes and do not cause a loss of revenue. Instead, they offer a temporary limit on future taxes for a facility not yet built. Even so, projects typically add to the tax rolls even during the time of the abatement. For example, the abatement may not exempt the entire investment. Further, project inventories, which can be substantial, may not be subject to an abatement. Plus, major projects typically spark construction or business activity with support companies near the project.” (“Chapter 312: Local Property Tax Abatements,” [Texas Taxpayers And Research Association](#), 5/18)

How Transparent Are Chapter 312 Projects?

Chapter 312 Requires:

- Public Hearings,

- **Formal Legal Agreements,**
- **“Clawback” Provisions For Non-Performance,**
- **State Reporting Requirements,**
- **An Annual Application To Ensure Eligibility.** (“Chapter 312: Local Property Tax Abatements,” [Texas Taxpayers And Research Association](#), 5/18)

The Local Taxing District Must Adopt A Resolution With Its Intent To Participate In An Abatement; The Resolution Must Be Adopted At A Meeting Open To The Public. “Each taxing unit that wants to consider tax abatements must also adopt a resolution indicating its intent to participate in tax abatement. The resolution must be adopted at an open meeting by a majority vote of the taxing unit's governing body.” (“Property Tax Abatement Act, Tax Code Chapter 312 Overview,” [Texas Comptroller of Public Accounts](#), Accessed 10/11/18)

- **Written Notice Of The Public Meeting Must Be Published Seven Days Before The Hearing.** “Seven days' written notice of the public hearing must be given to the presiding officer of each of the other taxing units that have taxing jurisdiction over real property within the zone. Notice of the hearing must also be published at least seven days before the hearing in a newspaper of general circulation in the city. At the public hearing on the reinvestment zone, the governing body must find that the improvements sought are feasible and would benefit the zone after the expiration of the agreement, and the zone meets one of the applicable criteria for reinvestment zones.” (“Property Tax Abatement Act, Tax Code Chapter 312 Overview,” [Texas Comptroller of Public Accounts](#), Accessed 10/11/18)

Chapter 312 and Wind Energy

The Wind Energy Sector Is Fueling Growth And Investment Across Texas.

Texas Is The Nation’s Wind Energy Leader. The state is home to more than 24,000 wind energy jobs, 45 wind energy manufacturing facilities, 23 gigawatts of installed wind energy capacity, and \$42 billion in statewide investment through 2017. (“Wind Energy In Texas,” [American Wind Energy Association](#), Accessed 10/10/18)

- Chapter 312 helps Texas compete against wind-rich neighbors like Oklahoma, Kansas and New Mexico for new wind projects, with in turn create Texas jobs, economic development and increased local revenue.