

Compliance and Reporting for Texas Property Tax Value Limitation Agreements

28 January 2020



1

Agenda

1. Brief Overview of Chapter 313 Agreements
2. Compliance & Reporting
3. Disputes Involving Chapter 313 Agreements

Key takeaways

This presentation will review the compliance and reporting requirements for Chapter 313 value limitation agreements, discuss filing strategies during the application stage, highlight potential pitfalls to avoid, and review the Comptroller's audit process for these agreements.



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2

1

Brief Overview of Chapter 313 Agreements



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3

Chapter 313 Agreement Summary

- Property Tax Value Limitation
 - Caps value limitation at a statutorily prescribed value
 - Non-Rural Districts: from \$20 million to \$100 million
 - Rural Districts: from \$1 million to \$30 million
 - Value limitation lasts for 10 years
- Requires a minimum amount of investment
- Requires creation of an agreed number of new jobs
 - Non-Rural Districts: 25 new jobs required
 - Rural Districts: 10 new jobs required
 - Requirement may be waived (or reduced) by the District



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4

Chapter 313 Vocabulary – Three time periods

- **Qualifying Time Period:**
 - The 2+ year period during which the Applicant must complete its Qualified Investment. For most renewable projects, this is the “construction period.”
- **Tax Limitation Period:**
 - The 10-year period to which the value limitation applies. There are three choices for commencing the TLP:
 - January 1 of the first tax year that begins after the application date
 - January 1 of the first tax year that begins after the qualifying time period ends
 - January 1 of the first tax year that begins after commercial operations begins at the project site
 - The qualifying time period and the tax limitation period may overlap. It is also possible for there to be one or more tax years in between the end of the QTP and the first year of the TLP.
- **Maintain Viable Presence Period:**
 - The 5-year period following the expiration of the Tax Limitation Period



Chapter 313 Vocabulary

- **Qualified Investment**
 - New tangible personal property and buildings installed or constructed during the QTP. The Applicant must achieve the required minimum amount of Qualified Investment during the QTP.
- **Qualified Property:**
 - All of the property to which the value limitation will apply. It includes all new tangible personal property and buildings installed or constructed by the Applicant after the application start date. It may include tangible personal property and buildings installed or constructed after the end of the QTP, but it may not include tangible personal property and buildings present in the District prior to the application start date.
- **Qualifying Job:**
 - A job that is full-time (1,600 hours), not transferred from another area of the state, not created to replace a previous employee, covered by a group health plan for which the applicant pays at least 80% of the premiums or other charges, and pays at least 110% of the county’s average weekly wage for manufacturing jobs.



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