



HB 1977

Assessing and Increasing Transparency on the Cost to Taxpayers of Chapter 312 Tax Abatement Agreements

by Carine Martinez
Policy Analyst

Purpose

HB 1977 would require that, before entering a tax abatement under Chapter 312, a taxing unit assess the direct economic impact the abatement agreement would have, notably on schools, transportation, and public safety in the county and municipality of the reinvestment zone created for the tax abatement agreement. The bill would also require that the statement be made available to taxpayers within a reasonable amount of time for members of the general public to review it before the vote on the agreement.

Background

The Property Redevelopment and Tax Abatement Act, commonly known as Chapter 312 of the Texas Tax Code, allows counties, municipalities, and special purpose districts to reduce the amount of property taxes paid by certain businesses that decide to locate or expand within the taxing unit's boundaries. A Chapter 312 tax abatement can last up to 10 years.

Tax abatements can only be granted within the boundaries of a tax reinvestment zone, which is often created at the same meeting at which the tax agreement is accepted by the governing body of the local taxing unit.

There is currently little visibility of the fiscal cost such tax abatement agreements may impose on the local governments that grant them—and hence on taxpayers. In fact, in 2015 the Governmental Accounting Standards Board issued [Statement 77 on Tax Abatement Disclosures](#), recognizing the need “[to improve financial reporting by giving users of financial statements access to useful information about government tax abatements that is generally not publicly reported.](#)”

In Texas, there is little transparency for taxpayers throughout the entire Chapter 312 process. Exemptions from Texas’

Open Meetings Act and Public Information Act and a condensed approval timeline already mean that negotiations over property tax reductions between the taxing units and private businesses usually take place behind closed doors, hidden from public view.

Taxpayers usually receive only a 72-hour notice for the city council, commissioners court, or governing board meeting where a 312 tax abatement agreement and the related tax reinvestment zone creation are presented. Public hearings are required, but the short notice makes it difficult for citizens to have meaningful input. The governing board can approve the abatement and, if needed, the reinvestment zone, at this initial—and only—public meeting.

Analysis

HB 1977 would give taxpayers more transparency regarding the impact such tax abatements will have on their communities by requiring that taxing units prepare a fiscal impact statement detailing how such agreements will directly impact important functions of their local governments such as schools, transportation, and public safety.

More importantly, HB 1977 can give taxpayers more time to participate in the Chapter 312 process and share their input with their local government. The bill would require the Comptroller to establish and adopt rules regarding the minimum requirements for this fiscal impact statement. One such requirement would be to make the statement available in a reasonable amount of time for the general public to review it before the taxing unit enters into the applicable tax agreement.

Recommendations

HB 1977 would give taxpayers both more transparency and more ability to share their input in the Chapter 312 local tax abatement process.

Under Chapter 313, local taxpayers benefit from at least 150 days during the Comptroller application certification process to be able to learn more about the 313 limitation agreement and share their opinion on the agreement. On the other hand, under Chapter 312, local taxpayers have only 72 hours to learn about a tax abatement agreement and to offer their opinion.

HB 1977 requires that the statement be made available “within a reasonable amount of time before the taxing unit enters into the applicable tax agreement.” We recommend that time to be at least 90 days to ensure that members of the general public have enough time to review the statement. ★

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