

8/20/03

**Tax Abatement Incentive matrix**

	City Wide	Enterprise Zone	Downtown Development Area	Incentive
Added Value	\$500,000	\$250,000	\$25,000	20%
Target Industry	See below	See below	See below	20%
Jobs Created	50	25	15	20%
Wages Paid	In excess of region's average weekly income	In excess of region's average weekly income	In excess of region's average weekly income	20%
Residential Historic Structure			If on the Register of Historic Places	25%
Commercial Historic Structure			If on the Register of Historic Places	20%

### **Applicability**

These policies apply to new, relocating, renovated, and expanding businesses. It also applies to historic structures located in the Downtown Development Area.

### **Definitions**

**"Abatement"** means the full or partial exemption for ad valorem taxes of eligible properties in a reinvestment zone designated as such for economic development purposes.

**"Act of God"** means an act occasioned exclusively by violence of nature and in no sense attributable to human action.

**"Agreement"** means a contractual agreement between a property owner and a taxing authority for the purpose of tax abatement. In no event shall the duration of an agreement exceed ten (10) years, even if the abatement is not applied in the initial years of the agreement.

**"Base Year Value"** means the taxable value of the applicant's real and personal property located in a designated reinvestment zone on January 1 of the year of the execution of the agreement as determined by Williamson County Appraisal District.

**"Economic Life"** means the number of years a property qualifies for depreciation under the Internal Revenue Service Code (Section 168) Modified Accelerated Cost Recovery System.

**"Expansion"** means the addition of buildings, structures, fixed machinery, or equipment for the purpose of increasing production capacity or revenues.

**"Facility"** means property improvements completed or in the process of construction which together comprise an integral whole.

**"Job"** means a permanent, full-time employment position that has provided or will result in employment of at least 1,820 hours per position in a year. Part-time positions shall not be included in this definition.

**"Modernization"** means the replacement and upgrading of existing facilities which increase the productive input or output, updates the technology, or substantially lowers the unit cost of operation, and extends the economic life of the facility. Modernization may result from the construction, alteration, or installation of buildings, structures, fixed machinery, or equipment. It shall not be for the purpose of renovation, reconditioning, refurbishing, repairing, or completion of deferred maintenance, except in enterprise zones.

**"New facility"** means a property previously undeveloped which is placed into service by means other than expansion or modernization.

**"Redevelopment"** means replacement or reconstruction of a portion or all of a facility that has been damaged by Act of God when the damage from the Act of God has resulted in at least a 60% reduction in value of the facility as compared to the value immediately prior to the Act of God as determined by Williamson County Appraisal District. The facility owner shall have the burden to prove the required decrease in value to the satisfaction of the City Manager or his

designee prior to consideration by the City Council of a tax abatement application for a Redevelopment project.

**"Reinvestment Zone"** is an area designated as such for the purpose of tax abatement as authorized by Subchapter B, Municipal Tax Abatement, Title 3, Local Taxation, Vernon's Texas Codes Annotated.

**"Target Industry"** is an industry identified as an industry determined to be of greatest value to the city of Taylor.

**"Value,"** shall mean the value as determined by an appraisal prepared by Williamson County Appraisal District, unless otherwise specified. If a facility is damaged by an Act of God and an appraisal of the damaged facility is not available from Williamson County Appraisal District "decrease in value" may be determined by an independent appraiser agreed upon by the City and either the owner of a facility or applicant for a tax abatement. The term "value added" means increase in appraised value.

### **Basic Policies**

All tax abatement projects must be located in a reinvestment zone or enterprise zone.

#### **Tax abatement criteria for projects not located in downtown development area or the enterprise zone.**

Applicant may receive a real and business personal property tax abatement if:

1. Minimum added value is \$500,000 – eligible for the basic tax abatement (maximum 20%)
2. Target Industry – eligible for additional tax abatement (an additional 20% - maximum)
3. Create a minimum of 50 jobs – eligible for an additional tax abatement (an additional 20% - maximum)
4. Pay in excess of the region's average weekly income for the applicable jobs (benchmarked against the OES Wage Report or the ES 202 and verified by the company's payroll data) – eligible for an additional tax abatement (an additional 20% - maximum).

#### **Ineligible activities for tax abatements in areas not located in the Downtown Development Area or the Enterprise zone:**

Restaurants

Retail establishments

Automotive related uses

Other uses deemed inappropriate by the City Council

Tax abatement criteria for projects located in the downtown development area.

Applicant may receive a real and business personal property tax abatement if:

1. Minimum added value is \$25,000– eligible for the basic tax abatement (maximum of 20%)
1. Target Industry – eligible for additional tax abatement (an additional 20% - maximum)
2. Create a minimum of 15 jobs – eligible for an additional tax abatement (an additional 20% - maximum)
3. Pay in excess of the region’s average weekly income for the applicable jobs (benchmarked against the OES Wage Report or the ES 202 and verified by the company’s payroll data) – eligible for an additional tax abatement (an additional 20% - maximum).

Also for the Downtown Development Area:

The City may consider a tax abatement for up to 25% for a maximum of 5 years for a residential structure that is either located in a district that is contained on the National Register of Historic Places or is itself located on the Register of Historic Places without any added value (strictly intended to preserve the building and encourage preservation and renovation of historically relevant structures). **Cannot** be combined with any other tax abatement structure.

The City may consider a tax abatement for up to 20% for a maximum of 5 years for a commercial structure that is either located in a district that is contained on the National Register of Historic Places or is itself located on the Register of Historic Places without any added value (strictly intended to preserve the building and encourage preservation and renovation of historically relevant structures). **Can** be combined with another tax abatement option if the project qualifies.

Ineligible activities for tax abatements in the Downtown Development Area

Manufacturing

Industrial uses

Automotive related uses

Other uses deemed inappropriate by the City Council

Tax abatement criteria for projects located in the enterprise zone.

Applicant may receive a real and business personal property tax abatement if:

1. Minimum added value is \$250,000– eligible for the basic tax abatement (maximum of 20%)
2. Target Industry – eligible for additional tax abatement (an additional 20% - maximum)
3. Create a minimum of 25 jobs – eligible for an additional tax abatement (an additional 20% - maximum)
4. Pay in excess of the region’s average weekly income for the applicable jobs (benchmarked against the OES Wage Report or the ES 202 and verified by the company’s payroll data) – eligible for an additional tax abatement (an additional 20% - maximum).

Ineligible activities for tax abatements in the Enterprise zone:

Restaurants  
Retail establishments  
Automotive related uses  
Other uses deemed inappropriate by the City Council

Maximum term of the tax abatement may be negotiated on a case by case basis

The maximum tax abatement percentage is 80%

Projects that estimate an additional \$12,000,000 in real and business personal property value to the city's tax rolls ~~exceed a capital investment of twelve million dollars (\$12,000,000)~~ or (and?) create more than two hundred (200) jobs will be individually negotiated.

Target Industries for areas outside of the downtown development area and in the enterprise zone:

Manufacturing (NAICS 31)  
Warehousing (NAICS 493)  
Information (NAICS 51)  
Finance and Insurance (NAICS 52)  
Professional, scientific and technical services (NAICS 54)  
Educational services (NAICS 61)  
Health Care (NAICS 622 - hospitals)  
Performing Arts and Entertainment (NAICS 7111 – performing arts, 7112 – spectator sports)  
Accommodation (NAICS 7211 – Hotels)

Target Industries for the Downtown Development Area:

Retail (NAICS 44 – 45)  
Information (NAICS 51)  
Finance and Insurance (NAICS 52)  
Professional, scientific and technical services (NAICS 54)  
Educational services (NAICS 61)  
Health Care (NAICS 622 - hospitals)  
Performing Arts and Entertainment (NAICS 7111 – performing arts, 7112 – spectator sports)  
Accommodation (NAICS 7211 – Hotels)

Other Policy Considerations

Relocating within Taylor - Tax abatements shall be ~~limited to~~ based on the increase in the taxable value of real property and personal property and then only to the extent that the increase exceeds any reduction in the fair market value of other real property and personal property of the owner located within the jurisdiction of the City.

Must apply for a tax abatement before submitting an application for a zoning change, plat approval or building permit, whichever ever comes first. Conversely, A building permit must be applied for and issued within 270 days (9 months) and construction shall begin within 365 days (1 year) from the date the tax abatement is granted. If these conditions are not complied with the tax abatement agreement shall terminate.

Applicants are only eligible to receive abatements for each year the new added value exceeds the base year value of the tax abatement agreement by the amount represented by the applicant and approved by the City. An agreement must require owners to submit annually to the City of Taylor written verification of Williamson County Appraisal District's ad valorem tax valuations of all real property ~~or~~ and tangible personal property subject to tax abatement. The annual Williamson County Appraisal District's ad valorem tax valuations must reflect values consistent with the representations and agreements of values offered by owners to the City of Taylor allowing the tax abatement agreement. In the event any annual Williamson County ad valorem tax valuations do not reflect the valuations offered by the owners as a basis for the tax abatement given by the City of Taylor, the tax abatement agreement shall terminate ~~and all tax abatements shall be recaptured from the owners.~~

An agreement for exemption of tangible personal property located on real property shall not include tangible personal property that was located on the real property prior to the time of the agreement and all agreements shall exclude inventory and supplies.

~~A portion of the lost tax revenue shall be recaptured~~ The company shall not receive the percentage of the tax abatement for the year that the owner fails to create the specified number of jobs, or fails to provide the wages levels represented in the agreement during the time period specified. The amount of revenue recaptured will be defined in the individual tax abatement contract. Jobs created and wage levels provided shall be ~~will~~ available for a period equal to or greater than the term of the abatement agreement.

9. An agreement must include ~~but is not limited to~~ the following:
  - a. list the kind, number, and location of all proposed improvements of the property;
  - b. provide access to and authorize inspection of the property by authorized Taylor municipal employees to ensure that the improvements or repairs are made according to the specifications and conditions of the agreement;
  - c. limit the uses of the property consistent with the general purpose of encouraging development or redevelopment of the zone during the period that property tax exemptions are in effect;

- ~~d. provide for recapturing property tax revenue lost as a result of the agreement if the owner of the property fails to make the improvements or repairs as provided by the agreement;~~
  - e. contain each term agreed to by the owner of the property;
  - f. require the owner of the property to certify annually to the governing body of each taxing unit that the owner is in compliance with each applicable term of the agreement; and
  - g. provide that the City Council of the City of Taylor may cancel or modify the agreement if the property owner fails to comply with the agreement.
10. All individuals/corporations seeking tax abatement shall submit an application to the City of Taylor. The application will include but not be limited to the number of jobs created, proposed capital investment, schedule of improvements, time frame for improvements and site description. For each commercial tax abatement application submitted to the City, the City shall cause a fiscal and economic impact analysis to be performed to evaluate the overall impact of the costs and benefits the company will have on the local and regional economy.
  11. In accordance with state law, these guidelines are effective for two (2) years from the date adopted by the Taylor City Council. The guidelines may be amended or repealed by a vote of three-fourths of the members of the Taylor City Council.
  12. If the individual taxing entities offer tax abatement to an owner, then in accordance with state law, a contract will be executed between the various individual taxing units governing the reinvestment zone and the owner, The contract shall specify terms and conditions of the tax abatement.
  13. The granting of the tax abatement and other development incentives shall be coordinated between the taxing units, the Taylor Economic Development Corporation, and other organizations that may be designated by the City.
- ~~3. The owner of real property and personal property requesting tax abatement within a reinvestment zone shall, prior to the inception of the project(s) subject to an abatement contract, agree to expend a designated sum of money or provide a certain number of jobs as follows:~~

<del>Capital Investment in Thousands of Dollars(\$)</del>	<del>No. of New Full time Permanent Jobs</del>	<del>First 5 years Abatement (%)</del>	<del>Second 5 Years Abatement (%)</del>
<del>150</del>	<del>999</del>	<del>15</del>	<del>25</del>
<del>1,000</del>	<del>2,499</del>	<del>26</del>	<del>50</del>
<del>2,500</del>	<del>7,499</del>	<del>51</del>	<del>75</del>
<del>7,500</del>	<del>9,999</del>	<del>76</del>	<del>100</del>
<del>10,000</del>	<del>Over</del>	<del>100</del>	<del>Over</del>

~~Percent of abatement is based on the greater of the two factors either capital investment or jobs~~

~~EXAMPLE: Capital investment or personal property added to the tax rolls of one hundred fifty thousand dollars (\$150,000) with a net job creation of sixty (60) would be eligible for a fifty (50%) percent abatement. Primary consideration for abatement in this instance is job creation.~~

~~EXAMPLE: Capital investment or personal property added to the tax rolls of eight million dollars (\$8,000,000) with a net job creation of twenty (20) would be eligible for a seventy five (75 %) percent abatement. Primary consideration for abatement in this instance is capital investment.~~

- ~~4. The abatement contract shall be for a term of ten (10) years or one half of the projects useful life, whichever is less.~~
- ~~5. All tax revenues lost as a result of this agreement shall be recaptured if the property owner fails to make improvements as provided by the agreement.~~