

Administrative Rule

Subject: Guidelines and Criteria for Tax Abatement

TASB Policy: CAIB

Effective Date: April 10, 2023



I. Purpose and Scope

The Kilgore College District (KC) is committed to the promotion of high-quality education and development within its boundaries, and to an ongoing improvement in the quality of life for its residents. Insofar as these objectives are generally served by the enhancement of the tax base and expansion and diversification of the local economy, KC will, on a case-by case basis, to give consideration to providing tax abatement, pursuant to the Property Redevelopment and Tax Abatement Act, TEXAS TAX CODE ANN. Sections 312.001 et seq., as from time to time amended (the "Act"), as a stimulation for economic growth and diversification in KC district. Consideration will be given to both new facilities and structures and for the expansion or modernization of existing facilities and structures. Proposed tax abatement agreements will be considered in accordance with the guidelines, criteria and procedures outlined in this document. Nothing herein shall imply or suggest that KC is under any obligation to provide tax abatement to any applicant.

According to the Act, a municipality¹ may grant tax abatement on the incremental value of real property (measured against the property's value for the year in which the abatement agreement is entered into) that is improved pursuant to a specific development proposal which meets the economic goals and objectives of the municipality. Pursuant to the Act, a tax abatement may also apply to certain tangible personal property located on the real property subject to the tax abatement agreement after the period covered by the tax abatement agreement.

Based on the general purpose and objectives and in compliance with the intent and tenets of the Act, the municipality may establish reinvestment zones for economic development purposes. The municipality may enter into tax abatement agreements with one or more owners of taxable real property that is located in a designated reinvestment zone.

Pursuant to Section 312.206 of the TEXAS TAX CODE ANN. (the "Code"), KC is authorized to execute a written agreement with the owner of property that KC has jurisdiction over not later than the ninetieth day after the date a tax abatement agreement between the owner of the property and a municipality is executed.

These Guidelines and Criteria are effective for two years from the date adopted. During that period, the Guidelines and Criteria may be amended or repealed only by a vote of three-fourths of the members of the Board of Trustees of the Kilgore Junior College District.

II. Criteria

Any proposed project must conform to the general guidelines specified below:

- Any request for tax abatement must involve a development project with either (i) a minimum incremental increase in value of \$100,000 or (ii) a minimum cost of \$100,000.
- Tax abatements are available for both new facilities and structures and for the expansion or modernization of existing facilities and structures.
- Additionally, a proposed project must satisfy the criteria set forth in the applicable guidelines of the appropriate municipality.

Taxpayers desiring to enter into an abatement agreement with KC must file with KC a copy of the application for tax abatement filed with the municipality. This application should set forth the proposed improvements, employment impact, fiscal impact, community impact and any other information required by the municipality. The information presented in the application filed with the municipality will be used by KC to determine whether it is in the best interest of KC that tax abatement be offered to a particular applicant. Specific considerations will include the degree to which the proposed project furthers the goals and objectives of KC, as well as the relative impact of the project on the KC District.

III. Guidelines

After complying with all statutory and other requirements and if a determination is made that a tax abatement agreement should be entered into with the applicant, the value and term of the abatement will be determined by the following guidelines:

1. The rate of tax abatement with respect to any tax abatement agreement shall not exceed 100% of the incremental increase in value of real property and shall not exceed 100% of the value of tangible personal property other than inventory and supplies (but including inventory and supplies of certificate air carriers) eligible for tax abatement under the Act.
2. Except with respect to property located in an enterprise zone, the agreement must contain terms identical to those contained in the agreement with the municipality providing for the portion of the property that is to be exempt from taxation under the agreement, the duration of the agreement, and the provisions included in the agreement under Section 312.205 of the Code.
3. Pursuant to Section 312.206(e) of the Code, if property taxes on property located in an enterprise zone are to be abated, the agreement may, but is not required to, contain terms that are identical to those contained in the agreement with the municipality, county, or both, and the only terms of the agreement that may vary are the portion of the property that is to be exempt from taxation under the agreement and the duration of the agreement.
4. The tax abatement period shall not exceed 6 years for investments less than \$10 million. The tax abatement period shall not exceed 10 years for investments greater than or equal to \$10 million. Under certain cases the Board of Trustees will consider

abatements for up to 10 years for investments less than \$10 million, if the abatement terms have been previously granted by a municipality.

5. Any tax abatement granted a project will become effective on January 1 of the year following the issuance of a Certificate of Occupancy for the new facilities unless otherwise specified in the tax abatement agreement.
6. In the event that Company (a) allows its ad valorem taxes owed the College to become delinquent, or (b) violates any of the terms and conditions of the Agreement, the Agreement then may be terminated by the College, and all taxes otherwise abated by virtue of the Agreement will be recaptured and paid to the College. As an alternative, the College may, in its discretion, not declare the Agreement terminated, but it must certify to the Gregg or Rusk Appraisal District that Company has failed to qualify for an abatement for the tax year.
7. At any time before its expiration, a tax abatement agreement may be modified by the parties to the agreement pursuant to Section 312.208 of the Code.

IV. Procedures

Any person, partnership, organization, corporation or other entity desiring that KC consider providing tax abatement to it shall be required to comply with the following procedural guidelines. Nothing within these guidelines shall imply or suggest that KC is under any obligation to provide tax abatement in any amount or value to any applicant.

Preliminary Application Steps

1. Applicant shall submit a copy of the application for tax abatement filed with the appropriate municipality or county. In addition, the applicant shall provide KC a copy of the Tax Abatement Agreement entered into between the applicant and the municipality and/or county, or a copy of the proposed agreement if such is not executed at the time of submission to KC.

Application Review Steps

2. All information submitted will be reviewed for completeness and accuracy and additional information may be requested as needed.
3. The application may be distributed to the appropriate individuals, committees or departments for internal review and comments. Additional information may be requested as needed.
4. Copies of the complete documentation submitted and staff comments will be provided to the Board of Trustees.

Consideration of the Application

5. The Board of Trustees will consider the application.

6. The Board of Trustees may consider action authorizing KC to enter into a tax abatement agreement between KC and the applicant (and, if desired by KC, any lessee).
 7. A tax abatement agreement between KC and the applicant must be affirmed of a vote of a majority of the Board of Trustees at a regularly scheduled meeting of the Board. Prior to affirming such agreement, the Board of Trustees must determine that the terms of the agreement and the property subject to the agreement meet the guidelines and criteria as set forth herein.
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