

CHAPTER 312: 6-STEP ABATEMENT PROCESS

Tax Code Chapter 312 governs reinvestment zones and tax abatements. This chapter enables property taxing entities, excluding school districts, to curb the property taxes assessed on tangible personal property or real property due to the improvements or repairs to the property. Only the property located within a reinvestment zone qualifies for a tax abatement agreement. Hence, a tax abatement agreement is an agreement limiting the increase in the value of the property taxes due to improvements or repairs to real property. Such agreements are limited to ten (10) years.

A city or county designates a reinvestment zone in six steps.

1. **Guidelines and Criteria:** Each taxing unit that wants to consider tax abatement proposals must adopt guidelines and criteria for the creation of a reinvestment zone and must hold a public hearing.
2. **Resolution:** 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
3. **Public 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.
4. **Designate a Reinvestment Zone:** After the hearing has taken place and the guidelines and criteria have been adopted, the taxing unit may, by official action, designate a reinvestment zone. Designation of an area as an enterprise zone under Chapter 2303 of the Government Code constitutes designation of an area as a reinvestment zone without further hearing or other procedural requirements by the local taxing unit.
5. **Tax Abatement Agreement:** After the designation of the reinvestment zone, the governing body of a taxing unit may enter into a tax abatement agreement under this chapter if it finds that the terms of the agreement and the property subject to the agreement meet the applicable guidelines and criteria adopted by the governing body under this section.
6. **Written notice:** A taxing unit's intent to enter into a tax abatement agreement must be delivered to the presiding officer of each of the other taxing units in which the property is located at least seven days before the abatement is granted. The other taxing units may enter into an abatement agreement or choose not to provide an abatement. There is no penalty for choosing not to provide an abatement.