

Name of Funding: Tax Abatement

Focus of Funding: Economic Development

Eligibility Requirements:

For local government: Cities, county, or special district can exempt the increased value of real estate, personal property, and inventory through abatement and taxes. City is only required to pass an ordinance for each abatement that spells out requirements to get abatement.

For recipients: Developer must submit application for abatement every year in order to receive the abatement. Generally require that the project meets economic development goals.

Funding Mechanism: Abatement of general tax revenue.

Maximum amount: Up to 100% of the increased value of the property over a maximum of 10 years.

Other rules of the program: If requirements are broken, abatement ends. Most requirements are set by the local government. Property included in abatement forms a tax abatement zone (TAZ).

Advantages of the program: It is simple to start, no new tax entities created, few requirements by state, and little risk to city.

Drawbacks of the program: Subsidy limited to the increased value of the property and is paid over the life of the agreement, instead of up front, which limits incentive to develop. Revenue is diverted from general fund.

Case Study Example: Used in the City of Arlington-
<http://www.ci.arlington.tx.us/business/taxabatementshistory.html>

Sources: http://www.tml.org/legal_pdf/TaxAbatementAgreements.pdf
http://www.window.state.tx.us/taxinfo/proptax/tc00/tc00_3b312.html