

ECONOMIC DEVELOPMENT REFUND



Policy Description:

Described in Chapter 111 of the Texas Tax Code, www.statutes.legis.state.tx.us/Docs/TX/pdf/TX.111.pdf, the Economic Development Refund provides for state tax refunds to qualified property owners who entered into property tax abatement agreements after January 1, 1996 with a City or county, but not a school district. Property owners with tax abatement agreements entered into on or before January 1, 1996 are not eligible for these state refunds.

Eligibility Criteria:

- To be eligible for a refund, a property owner must have paid in full ad valorem taxes to a school district and established a new business in a reinvestment zone or expanded or modernized an existing business located in the zone.
- Since entering into a City or county abatement agreement, the property owner must have increased the business's payroll by at least \$3 million, specific to its property in Texas. Or, the owner must have increased the abated property's appraised value by at least \$4 million from the initial base year of the tax abatement agreement.
- The amount of the refund that can be paid by the comptroller in a calendar year is limited to the amount of taxes paid and postmarked by the person after any applicable tax credit. The refund period is limited to the lesser of five years or the duration of the tax abatement agreement.
- A property owner's potential refund equals the school property taxes paid by the owner in that tax year.
- The maximum refund is the lesser of the school taxes paid or the amount of net sales and use tax and net franchise tax paid for the tax year.
- The total for all refunds collectively may not exceed \$10 million. If the eligible refunds claimed exceed \$10 million, the comptroller shall proportionally reduce the amount of each refund.

How to Apply:

- Application for the refund is submitted to the comptroller at <http://www.window.state.tx.us/>. The application must:

1. Be made on the form prescribed by the comptroller;
 2. Have attached a tax receipt from the assessor and collector of taxes for the school district showing full payment of school district ad valorem taxes on the property for the tax year for which the refund is sought; and
 3. Include sufficient information for the comptroller to determine the portion of the ad valorem taxes paid to a school district by the person for the applicable tax year on the property that the person would not have been required to pay if the school district had entered into a tax abatement agreement concerning the property that included the same terms, including terms governing the portion of the property that is to be exempt from taxation under the agreement, as specified by the municipal or county tax abatement agreement on which the refund amount is to be based.
- A person applying for a refund must certify to the comptroller that the person is in compliance with each term of the tax abatement agreement entered into with the City or county.
 - If the relevant tax abatement agreement has not been filed with the comptroller and the Texas Department of Commerce, the comptroller may not act on the application until the agreement is on file.
 - If, after a review or audit, the comptroller determines that the person applying for the refund is not in compliance with each term of the appropriate tax abatement agreement, the comptroller may not act on the refund application until the person comes into compliance and shall notify the City or county of the person 's noncompliance.
 - Applications for refund must be filed before August 1 of the year following the tax year for which the person applying has paid ad valorem taxes described by Section 111.301(a). Within 90 days thereafter, the comptroller shall compute the total amount eligible for refund.

Property owners must submit a refund application to the Comptroller's office before August 1 of the year following the property tax year.

Additional Resources:

Economic Development
www.cctexas.com/economicdevelopment