

# **BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**

## **Regular Meeting of the Board of Trustees**

September 21, 2020



---

BOARD:	Action
SUBJECT:	Resolution Determining Eligibility of Freeport LNG Development, L.P for Tax Credit
BOARD POLICY:	CCG (Local)
DISTRICT GOAL:	Brazosport ISD will exercise fiscal responsibility to ensure financial strength and provide the resources to equip and maintain quality facilities and educational programming
FISCAL NOTE:	If approved, the District will file an application with TEA for reimbursement from the state for the tax credit. Should TEA not reimburse the District, the agreement with Freeport LNG requires the company to refund the tax credit back to the District.

### Background Information:

- The 77th Session of the Texas Legislature passed legislation amending the Texas Property Tax Code to include Chapter 313, the Texas Economic Development Act (HB 1200). The stated purpose of the Act is to encourage large-scale capital investments, create new jobs, enable local government officials to authorize economic development incentives, strengthen and improve the overall economy, expand the property tax base, and provide local school districts with an effective local economic development option. In passing the legislation, the Legislature expressed its belief that economic decisions should occur at the local level and encouraged school districts to utilize the provisions of the Act to enhance local communities and improve local public education systems.
- On February 19, 2013, the Board of Trustees approved an agreement with Freeport LNG for a Limitation on Appraised Value of Property for the District's maintenance & operations (M&O) taxes. An additional benefit to the company of the value limitation agreement is the statutorily authorized property tax credit. The tax credit is the difference between the amount of M&O levy during the first two complete tax years of the qualifying time period that exceeds the limitation amount.
- The tax credit process begins when the company submits a completed Application for Tax Credit on Qualified Property. This application is filed only one time by the company. The Board of trustees must by official action determine whether the company is eligible for a tax credit. The attached resolution sets forth the criteria and calculations for issuing the credit to the company. This occurs only one time.

### Administrative Considerations:

- Under the provisions of Chapter 313 of the Tax Code, Freeport LNG is eligible for a tax credit for maintenance & operations (M&O) taxes paid on taxable values in excess of \$30 million in each of the first two years following the adoption of the agreement. The District is eligible for

***Our Vision: Brazosport ISD ... Setting the Standard for Educational Excellence***

reimbursement by the State for any such tax credits. The taxable value of the new facility was approximately \$608.7 million and \$983.8 million for 2017 and 2018 tax year, respectively. Based on these values, Freeport LNG is eligible for a tax credit from the 2017 and 2018 tax years. Subtracting the \$30 million value limitation from each year, the residual taxable value (\$1.53 billion) times the District's then applicable M&O tax rate of \$1.0400 per \$100 results in a tax credit of approximately \$15.9 million. The company is eligible for the credit for the first time for taxes paid for the 2020 tax year. The annual credit is the lesser of 1/7 of the total tax credit earned or 50% of the total taxes paid by the company. The credit will then continue for at least the next six years and is fully reimbursed by TEA.

- The attached resolution to effect the tax credits has been prepared by Moak, Casey & Associates, LLP in cooperation with their counsel and is now available for the Board's review and consideration.
- The administration recommends that the Board of Trustees approve the attached Resolution Determining Eligibility of Freeport LNG Development, L.P. for Tax Credit Pursuant to Texas Tax Code §313.104, and that the Board President and Board Secretary be authorized to execute the final form of the Resolution and all associated documents.

Communication Deployment:

- Board Meeting minutes

+++++

Respectfully submitted,

Rebecca Kelley  
Chief Financial Officer