

SUBJECT: Allowing tax abatements for voluntary cleanup projects

COMMITTEE: Ways and Means — favorable, without amendment

VOTE: 6 ayes — Craddick, Ramsay, Heflin, Holzheuser, Horn, Thompson
0 nays
5 absent — Grusendorf, Oliveira, Stiles, Telford, Williamson

SENATE VOTE: On final passage, May 16 — 30-0

WITNESSES: For — None
Against — None
On — Jay Carsten, Texas Natural Resource Conservation Commission

BACKGROUND : Municipalities may designate certain areas with high unemployment or other economic problems as enterprise or reinvestment zones and offer tax abatements to businesses that locate or expand there. Under the Tax Code, tax abatement agreements must conform to municipal guidelines that make such abatements available for both new and expanded facilities and structures.

The voluntary cleanup program of the Texas Natural Resource Conservation Commission (TNRCC), created by the 74th Legislature, provides technical, legal, and administrative incentives to encourage cleanup of contaminated sites. When the site has been remediated to a level the TNRCC deems appropriate, the site owner is provided with a certificate of completion granting future landowners and lenders protection from liability for the previous contamination.

DIGEST: SB 1596 would allow municipalities to grant tax abatements for properties participating in the TNRCC's voluntary cleanup program (VCP). An abatement could be offered if the VCP property was located in a reinvestment zone and had suffered loss of property value because of the environmental contamination. The property could not be part of an

improvement project financed by tax increment bonds. The tax abatement agreements would also apply to tangible personal property located on the real property.

An abatement agreements could exempt from taxation 100 percent of the value of the property in the first year of the agreement, decreasing by 25 percent each year until the fourth year of the agreement, after which the abatement would expire.

The governing body of the municipality could cancel the agreement if the land use was changed from the original use specified and the governing body determined that the new use could result in an increased risk to human health or the environment.

Tax abatements granted to VCP properties would be exempt from the availability requirements, but other statutory provisions relating to abatements in reinvestment zones would apply.

School districts could not offer the abatements, nor could a party receive a VCP abatement concurrently with a municipal tax abatement granted under another section of the Tax Code.

SB 1596 would take effect September 1, 1997, and would apply to property taxes imposed on or after January 1, 1998.

**SUPPORTERS
SAY:**

SB 1596 would provide an additional incentive for cleanup of contaminated property throughout the state. The voluntary cleanup program enhances public health while revitalizing neighborhoods and local economies. It also saves considerable amounts of tax revenues that must be used to remediate sites that have been abandoned.

The program has allowed many unused or under-used contaminated properties to be restored to uses that are economically productive or beneficial to the community. It has been of immense help to small businesses and property owners who operate on a tight margin and could not afford a cleanup without the possibility of selling the land afterwards.

The Legislature has already deemed worthy the goals of the voluntary cleanup program, and SB 1596 would simply provide an additional tool for encouraging individuals to participate in the program. Allowing property tax abatements for voluntary cleanup sites would encourage greater participation in the program, extending its benefits to more locations throughout the state. The abatements would be short-term, expiring after a maximum of four years. By this time, properties would once again be productive, returning the small investment to the community in the form of increased property value and other spin-off economic effects.

SB1596 would permit, not mandate, that municipalities offer tax abatements to VCP participants. This would be one more tool in a comprehensive kit of strategies cities could use to fit their special needs.

**OPPONENTS
SAY:**

Although it is laudable to encourage the voluntary cleanup of contaminated sites, property tax exemptions skew the equality of the tax system, shifting the burden on to other taxpayers who may be equally deserving of tax relief as those receiving the exemption.

There is no lack of interest in the voluntary cleanup program; the TNRCC reports a steady growth in the number of participants. There is no need to use tax incentives to encourage participation.