

Economic Development Tools and Statutes Resource Summary

Currently Utilizing in Denton

Finance Tools

Tax Abatements allow local government to exempt all or a portion of the valuation increase of real and personal property taxes from a new or expanded business development for a period of up to 10 years. The statutes regulating tax abatements can be found in Chapter 212 of the Texas Property Tax Code [here](#).

Chapter 380 of the Texas Local Government Code (LGC) states that a municipality may establish and provide for the administration of one or more programs for making loans and grants of public money and providing personnel and services of the municipality, to promote state or local economic development and to stimulate business and commercial activity in the municipality [here](#).

Sales and Use Tax Rebate is accomplished through a Texas Direct Payment Permit. This incentive involves a rebate of all or a portion of the sales and use taxes for the purchase of construction materials that would generate additional local use taxes that the City of Denton would not otherwise receive. The permit allows for storage without the payment of taxes until the location is determined, so they are not taxed when holding the goods. This program is regulated by the Texas Administrative Code (TAC) Title 34, Chapter 3, Subchapter O, Rule 3.288 [here](#) and Tax Code Title 2, Subtitle E, Chapter 151 Limited Sales Excise and Use Taxes [here](#).

Cities may adopt a local Hotel Occupancy Tax (HOT) through an ordinance calling for the levy of the tax. The ordinance is required to be approved by a simple majority of the City Council in an open meeting. The adoption of a local hotel occupancy tax does not require voter approval. Chapter 351 of the Texas Tax Code regulates HOT [here](#).

A Freeport Exemption involves an exemption from property tax of goods that have been held in the state for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. The exemption applies throughout the entire taxing jurisdiction. We have a triple freeport exemption meaning that the City, County and school district all participate. This was accomplished through a self-enacting constitutional amendment where no action was necessary by taxing units interested in granting exempt Freeport property from taxation. Taxing units could take specific action to opt out of the exemption. Tax Code Sections [11.251](#), [11.437](#) and [11.253](#) and Tax and Article 8, Sec. 1-j of the Texas Constitution [here](#) regulate freeport exemptions.

Denton County is part of the DFW Foreign Trade Zone (FTZ) No. 39. FTZ is a Federal designation whereby businesses can get reduced custom duties and tariffs to promote trade. FTZs are the domestic equivalent of international "Free trade Zones." Business in Dallas, Tarrant, Collin, Denton, Grayson and Rockwall counties fall under FTZ No. 39. FTZ and are regulated under 15 Code of Federal Regulations (CFR) 400 [here](#).

Development Districts

A Tax Increment Reinvestment Zone (TIRZ) is a tool that local governments can use to publicly finance needed structural improvements and enhance infrastructure within a defined area in order to stimulate private development and redevelopment. An ad valorem valuation base is established in the first year, and the revenue from the increased valuation from subsequent years is allocated to TIRZ development. The statutes that regulate Tax Increment Financing are located in Chapter 311 of the Texas Tax Code, also known as the Tax Increment Financing Act [here](#).

A Public Improvement District (PID) is a defined area where public improvements may be financed through the use of special assessments. The funds from the assessment can be used to maintain those improvements. The regulations for PIDs can be found under Chapter 372 of the Local Government Code [here](#).

Municipal Utility Districts (MUD) functions as an independent, limited government, which can levy and collect taxes, issue bonds, charge for services, condemn property, enforce restrictive covenants, and make regulations to accomplish its purpose. The general statutes regulating MUDs are Chapter 54 of Water Code and TCEQ administrative code [here](#); Chapter 42 of Local Government Code [here](#); and special legislation codified into Texas Special Districts Local Laws Code [here](#).

Municipal Management Districts (MMD) are a separate political subdivision and government agency that can collect property taxes or an assessment from property owners. They are developed within an existing area to fund infrastructure improvements and services in addition to those already provided by property owners or the City. These improvements may be financed through special assessments, impact fees, or by other charges against property owners within the district. A district is designed to supplement, not supplant, the municipal services. The general statutes regulating municipal management districts are located in Chapter 375 of the Local Government Code [here](#).

Additional Tax Initiatives not Presently Used in Denton

Venue Project Tax projects are regulated by Chapters [334](#) and [335](#) of the Local Government Code and provides local governments the authority to finance economic development sports and community venue projects. An election approving the venue project and the revenue sources is required. Venue project revenue sources include: sales tax, hotel occupancy tax, motor vehicle rental tax, event parking tax, event admissions tax, and a venue facility use tax.

The Texas Economic Development Act falls under Chapter 313 of the Tax Code, which authorizes property tax incentives provided by school districts. School districts can provide tax credits and an eight-year limitation on appraised value of a property for the maintenance and operations portion of the school district property tax to eligible corporations [here](#).

Municipal Development Districts (MDD) are financed through a sales tax that is similar to the Economic Development Sales Tax as it needs to be approved by the city's voters. It can be for an area

rather than the entire city and can also be used in the extraterritorial jurisdiction of the city. MDDs are governed under Chapter 377 of the Local Government Code [here](#).

Neighborhood Empowerment Zones are created to promote some economic development activities. These zones are governed by Chapter 378 of the Local Government Code [here](#). They are designed to promote: the creation or rehabilitation of affordable housing, social services, education or public safety provided to citizens in the zone.

There are a number of statutes that provide for the issuance of bonds for economic development. Chapter 311 of the Tax Code, which ties back to Tax Increment Financing, allows for the issuance of tax increment bonds to finance economic development projects within the district [here](#). Chapter 1509 of the Government Code allows cities to finance certain manufacturing and commercial facilities [here](#). Chapters 501 through 507 of the Local Government Code [here](#), Development Corporation Act, allow development corporations to issue bonds for certain economic development projects.

Other Resource

Texas Municipal League's Economic Development Handbook is another excellent resource found [here](#).