

## **Tax Abatement FAQ's**

### **Who made the decision to allow these projects into our County?**

1. The state of Texas.
2. The landowners. They decide whether they want to sell/lease their land to these companies. (i.e. This doesn't apply to all, but many farmers and ranchers have had to struggle to keep their operations afloat for many years. Often taking out bank notes that are most of the time impossible to get paid back due to prices for commodities. When they are offered exponentially higher dollar amounts for their land than they would ever get trying to sell to another rancher/farmer, it becomes very hard to say no. Which leads to families making decisions that might be hard for another to understand but can save their family from financial hardship or bankruptcy.)

### **What part does the County play in the projects coming in?**

Sometimes, the county can choose to agree to a tax abatement with the company. The only other part the county plays is communication. They can connect companies to entities for possible donations etc. Although, this seems to only be at the forefront of a company's agenda when there IS an abatement intact. This is a huge benefit to the county and its citizens in a very direct way. Some companies have continued commitment to community engagement for many years. (See Positive Impact page for more details)

### **Why would the County sign a tax abatement agreement?**

1. In a tax abatement agreement, the terms can be negotiated to benefit the county through the construction process.
  - a. The county can require the company to maintain roads, drainage routes, etc. that might get damaged during construction, or improve pre-existing infrastructure for future use.
  - b. The county can also hold the company to a strict timeline.
  - c. The agreement can have PILOT payments that start at completion of each phase. A PILOT payment is "payment in lieu of taxes" for an agreed upon amount of time between the parties. Usually, it is 10 years.
2. Many agreements have financial benefits which are guaranteed in the beginning: Such as maintaining roads and equipment, staffing inadequacies, and allowing projects the county may not have financially been able to afford.

3. The county must also consider whether the location and details of a project would allow for the company to “jump counties” and said county still carry the burden with no benefit, because the initial county denied an abatement. For instance, if a project is projected to be built close to the county line with no abatement, they just acquire land across the county line, then your county still must maintain roads with heavy construction traffic and no recourse. Your county will still have to handle the heavier workload in that precinct with no ability to negotiate terms, because your county declines abatement and the neighboring county accepted.
4. In short, tax abatements do benefit the company but also allow for the county to have some terms and conditions that must be upheld during the process. Not to mention, the county still receives great financial gain that they may otherwise not have acquired.
5. Abatements are most always for 10-year periods.

### **What happens if a County says no to Tax Abatement Agreements?**

1. As mentioned above, companies can easily go to a neighboring county that will make an abatement agreement. And if so, Haskell County could still be impacted and carry a burden with no financial gain to help.
2. The project could go ahead and be built. If this happens, the county has no grounds to ask the company to fix damaged roadways or anything else. The county will be fully responsible for maintaining and fixing any damage with no financial support until the project is completed and can be fully taxed.
3. There are no bounds on adhering to a timeline. For example, even 1-2 years of road maintenance for the heavy traffic needed to complete a project would be an astronomical financial burden on the county, while they await the project becoming fully taxable.

### **What will the values of the Data Centers be in 10 years at the end of an abatement?**

1. These are multi-billion-dollar projects, it would be in the company’s best interest to make sure they remain operational for far longer than 10 years.
2. We have no way of knowing what the value of a data center will be if it becomes un-operational because they are still new, but research suggests the centers will retain value because of their multi-purpose space layout.

## **What is the process for a company to receive a Tax Abatement Agreement?**

1. They must apply first. These applications ask for specifics and what their proposal is related to the abatement.
2. Negotiations begin. Outside counsel representing the county will begin drafting our counter to the company terms.
3. A Re-Investment Zone must be approved first. (Notices are posted on the website and board at the courthouse in the required time frames) A re-investment zone is a designated geographic area created by cities, counties, or special districts to make specific properties eligible for property tax abatements.
4. Once terms have been established, the abatement is voted on in Commissioners' Court. (Notices for this hearing are posted on the website and board at the courthouse in the required time frames)

Your county representatives do their very best to assess each project as presented, work with an attorney to serve the most favorable outcome for Haskell County citizens and then seek to make the best decision for the entire County. Despite the project inconveniences, the Haskell County community feedback has been mostly positive. We know change can cause fear and uncertainty. We share that burden, live here with our families, and are committed to protecting our small hometown values.

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