

Tax deal benefits district company

By ALAN NIESCHWIETZ | Posted: Friday, May 13, 2011 2:00 am

CLUTE - Last week's Brazosport ISD school board vote to designate the Freeport LNG expansion site as a reinvestment zone was the district's fifth such agreement, and with the district standing to gain about \$2.5 million, one of its most profitable.

Brazosport ISD was the first district in the state to make use of such agreements, said Dan Schaefer, the district's chief financial officer.

"In 2003, Dow and BISD issued the first 313 agreement - named for its place in the Texas Tax Code - in the state," he said, and after that, another agreement with Dow Chemical Co., one with Air Liquide, BASF and now Freeport LNG have followed.

Tax Code Chapter 313 was created by the 77th Legislature in 2001 with the idea behind it being to attract more taxable property to the district and the jobs that come with it. A 313 agreement designates the value of new taxable property at a level below its actual value for an eight-year period that usually goes into effect between two and four years after the agreement is signed.

In the case of Freeport LNG, its upcoming liquefaction facility will be taxed at a designated value of \$30 million from 2016 to 2024. During that time, it will be taxed at its full assessed value for the small portion of property taxes that go toward debt service. After 2024, the facility will be taxed at its full value of roughly \$300 million for the maintenance and operations portion of the tax.

Since their inception, 313 agreements have become progressively more profitable for school districts, which in turn has drawn more attention from the state, Schaefer said.

"As it's become more beneficial for school districts, the Legislature has looked at them more heavily," he said.

In the meantime, though, the deal is a win-win for everyone involved, Schaefer said.

"We were happy to work with them because of our tax situation," he said. "We're Chapter 41."

That means because Brazosport ISD is considered by the state to be a wealthy district, it must send a large portion of the taxes it collects - \$1.5 million last year - to other school districts. Had the district not gone ahead with the agreement to give the company a \$20 million-plus tax break, he said that money would have gone elsewhere, and the district wouldn't be getting a 10 percent share of Freeport LNG's tax savings.

This district gets to keep that money because it's not coming from its normal revenue stream and isn't counted as income for Chapter 41 purposes, Schaefer said. Because of the agreement, everybody in the area comes out ahead, he said.

"The company benefits, the district benefits, the citizens benefit and the economy benefits," Schaefer said. "We're welcoming any and all investment activity in the area."

This agreement will go into effect in 2016, and will run until 2024. At that point the full estimated \$300 million value of the new facility will be taxed, he said.

For Freeport LNG executives, the agreement between them and the school district amounted to "another show of confidence in our plan to build a liquefaction facility," said Vice President of Operations Mark Mallett,

Commercial Department Vice President Nathan Will said the company will seek tax-saving agreements - though not the exact same as this particular one - with its other taxing entities, including Brazoria County, Quintana, Port Freeport, Brazosport College and the Velasco Drainage District.

"Once we get our (site) design set we'll apply for an abatement with the county," he said. "After that, other jurisdictions generally follow suit."

That's still a little way off, though, Will said.

"It'll be next year before we can get anything finalized with the other taxing entities," he said.