

March 13, 2017

TO THE ADMINISTRATOR ADDRESSED:

Subject: Tax Collections for Districts with Chapter 313 Projects (2nd Notice)

This letter is a reminder about a change in practice for the 2016–2017 school year regarding tax credits issued under Texas Education Code (TEC), §42.2515. In response to a State Auditor’s Office report, beginning with tax year 2016, school districts that have active agreements under Chapter 313 of the Texas Property Tax Code and that have companies subject to tax credits must net those credits against taxes due (rather than the company paying the full amount of taxes due and the district then issuing a reimbursement to the company for the amount of the tax credit). **This change in practice will ensure that additional state aid for ad valorem tax credits under the TEC, §42.2515 are issued in compliance with current law.** The first notice, sent in January 2016 so that affected districts could work with their tax assessor-collectors to prepare for this change, can be found at

http://tea.texas.gov/About_TEA/News_and_Multimedia/Correspondence/TAA_Letters/Tax_Collections_for_Districts_with_Chapter_313_Projects/

State Funding

- Beginning with the 2016–2017 school year, the Texas Education Agency (TEA) will no longer accept copies of reimbursement checks from the district to the company as documentation of the tax credit.
- Instead, districts must submit a copy of the company’s tax statement clearly demonstrating that the tax credit was netted against current taxes due in order to receive a reimbursement from the TEA.
- Accordingly, the criteria for acceptable documentation as set forth in 19 Texas Administrative Code (TAC) §61.1019 will be updated to align with statute.
- **This change in practice will impact Chapter 42 state aid and Chapter 41 recapture for affected districts as the tax collections used in state funding calculations will now be net of the tax credit.**
- The definition of tax collections in 19 TAC §105.1 will also be updated to align with the change in practice.
- You can find program information, documentation requirements, and the application for Additional State Aid for Ad Valorem Tax Credits under TEC, §42.2515, at

http://tea.texas.gov/index2.aspx?id=25769817589&ekfxmen_noscript=1&ekfxmense1=e9ede8df825769804222_25769804224

- Direct questions related to required documentation for ad valorem tax credits to Nancy Kuhn at (512) 463-6313 or at nancy.kuhn@tea.texas.gov.

Financial Reporting

- Beginning with the 2016–2017 school year, tax collections reported on the tax information survey (through the Foundation School Program system in the TEASE) should be net of these tax credits.
- Beginning with the 2016–2017 school year, tax collections reported on the *Schedule of Delinquent Taxes Receivable (Exhibit J-1)* as part of the annual financial report (AFR) should be net of these tax credits.
- The AFR format template for Exhibit J-1 in the *Financial Accountability System Resource Guide* will be updated accordingly to exclude the Chapter 313 tax credits from the district's reported tax collections.
- Direct questions related to tax collection reporting in the AFR to Paul Moreno at (512) 475-2228 or at paul.moreno@tea.texas.gov.

Regards,

Leo Lopez, RTSBA
Associate Commissioner for School Finance