

SUMMARY OF PROPOSAL #8
for consideration by the
ARKANSAS TAX REFORM AND RELIEF LEGISLATIVE TASK FORCE

TOPIC: Abatement of Ad Valorem Property Tax

Summary of Proposal for Consideration

To amend Arkansas law regarding the payment in lieu of taxes (PILOT) program, under Arkansas Code §§ 14-164-703 and 14-164-704, or to create new provisions under Arkansas law to allow the Arkansas Economic Development Commission (AEDC) to enter into agreements with new businesses that are recruited to Arkansas to provide an abatement of up to one hundred percent (100%) of ad valorem property tax, effective for assessment years beginning January 1, 2019.

Fiscal Analysis

The Assessment Coordination Department, the Department of Finance and Administration, and AEDC are unable to provide a fiscal analysis for this proposal.

Legal Analysis

Background

Arkansas currently does not have a general abatement provision as proposed by this proposal, but there are some specific provisions that provide for a property tax abatement. Arkansas Constitution, Amendment 12, provides a tax abatement for all capital invested in a textile mill for the manufacture of cotton and fiber goods for a period of seven (7) years. Arkansas Constitution, Amendment 27, allows the Governor and the agency created to assist in industrial development to provide owners of a new manufacturing or processing establishment located in Arkansas an exemption from state ad valorem property taxation for a period not to exceed ten (10) years. However, Arkansas Constitution, Amendment 47 repealed the state ad valorem property tax in 1958.

Arkansas Constitution, Article 12, § 5, provides that a municipality, county, or municipal corporation may obtain or appropriate money for an entity or individual to finance economic development projects or provide economic development services. Municipalities and counties may also negotiate contracts for the sale or lease of industrial parks or other such properties. The General Assembly may only amend the provisions relating to the types of economic development projects and economic development services enumerated with a three-fourths (3/4) vote of each house.

Arkansas uses a PILOT program that allows certain industrial facilities to contract with municipalities, counties, or the Arkansas Development Finance Authority (ADFA) to agree to payments in lieu of the ad valorem property tax that would have been paid on the facility. Ark. Code Ann. § 14-164-701 et seq. The PILOT program is limited to existing and new industrial facilities owned by a municipality, county, or ADFA and financed with bonds issued under the Arkansas Municipalities and Counties Industrial Development Bond Law or the Arkansas

Development Finance Authority Bond Guaranty Act. Ark. Code Ann. § 14-164-201. Under the PILOT program, the property of the facility is owned by either the county, municipality, or ADFA and then leased back to the private entity. Because the property is publically owned, the property is exempt from ad valorem property tax under Arkansas Constitution, Article 16, § 5. Under the PIOLT program, the private entity is then required to make certain payments in lieu of the taxes that would have been paid by the private entity absent the PILOT agreement. Ark. Code Ann. § 14-164-201.

If a PILOT agreement is reached, the payments made under the PILOT are distributed to the political subdivisions that would have received ad valorem tax payments in the proportion of the millage levied by each affected local political subdivision, unless otherwise agreed. Ark. Code Ann. § 14-164-703. The negotiated PILOT may not be less than thirty-five percent (35%) of the ad valorem property tax that would have been paid if the property were on the tax rolls, unless the Executive Director of AEDC and the Chief Fiscal Officer of the State approve a lesser amount. Ark. Code Ann. § 14-164-704(a)(1)(A). This means that unless otherwise approved by the Executive Director of AEDC and the Chief Fiscal Officer, property subject to a PILOT agreement may receive a property tax exemption of up to sixty-five percent (65%). Under the PILOT program, the interest of a lessee or a purchaser under contract of sale of industrial property financed through bond financing under the PILOT program is considered intangible property and exempt from ad valorem property tax. Ark. Code Ann. § 14-164-702(a).

ACT 497 of 1981 created the PILOT program codified under Arkansas Code § 14-164-701 et seq.

ACT 713 of 1991 amended Arkansas Code § 14-164-703 to allow affected school districts and other public bodies to agree on the distribution of payments in lieu of ad valorem tax under the PILOT program.

ACT 1629 of 2001 required any city or county that contracts or leases city or county property to a private for-profit entity under the PILOT program between July 1, 2001, and June 30, 2003, to require that the lessee make payments in lieu of property taxes of at least thirty-five percent (35%) of the taxes that would have been paid, unless the Director of AEDC and the Chief Fiscal Officer of the State approve a lesser amount of payment.

ACT 1289 of 2003 applied the requirements of ACT 1629 of 2001 to all PILOT agreements and provided guidelines detailing how the percentage of payments in lieu of tax may be determined. These provisions have not been amended since.

Potential Legal Issues

There are several constitutional issues that may need to be considered depending on the exact nature of the proposal to create an abatement program allowing AEDC to contract with newly recruited businesses to provide a one hundred percent (100%) abatement of ad valorem property tax.

First, Arkansas Constitution, Article 16, § 7, provides that the power to tax corporations and corporate property may not be surrendered or suspended by any contract or grant to which the State may be a party. If the proposed abatement program allowed the state to directly contract with corporate entities through AEDC to abate ad valorem property tax, such a contract may violate the provisions of Arkansas Constitution, Article 16, § 7. In order to create an abatement program, a constitutional amendment would be required to allow the state to enter into contracts to abate the ad valorem property tax that would be paid by a corporate entity.

Second, under Arkansas Constitution, Article 16, § 5, all real and tangible property subject to taxation must be taxed according to its value and taxed in an equal and uniform manner throughout the state. Additionally, a type of property may not be taxed at a higher amount than other property of the same type. Ark. Const. art. 16, § 5. If the abatement program created under this proposal allowed for State to tax similar corporate property at differing ad valorem property tax rates, such a proposal may require a constitutional amendment to overcome constitutional concerns regarding Article 16, § 5.

Finally, under Arkansas Constitution 16, § 6, property may not be exempt from ad valorem property tax unless the property tax exemption is provided by the Arkansas Constitution. If the scope of the abatement program under this proposal created ad valorem tax exemptions for certain types of property that went beyond the scope of the exemptions found in the constitution, such property tax exemptions would require a constitutional amendment.

Other States

- Iowa: Iowa has a constitutional provision that states that all property of corporations for pecuniary profit is subject to taxation in the same way as the property of individuals. (IA Const. art. 8, § 2). However, Iowa does not have a constitutional provision that explicitly prohibits property tax abatements or exemptions. Iowa does not have a state-based abatement program. Instead, Iowa has the following programs to provide an abatement of ad valorem property taxes for businesses at the municipal or county level:
 - Industrial real estate abatement program: A city council or a county board of supervisors may provide for an abatement of ad valorem property tax on the actual value added by new construction to industrial real estate, research-service facilities, warehouses, distribution centers, and the acquisition of or improvement to machinery and equipment assessed as real estate. (IA St. § 427B.1). Additionally, a cattle facility may also be eligible for the abatement. (IA St. § 427B.1). Unless the city council or county board adopts an alternative abatement schedule, the amount of the abatement is limited to a maximum of five (5) years and is reduced each year as follows:
 - First year: seventy five percent (75%) abatement;
 - Second year: sixty percent (60%) abatement;
 - Third year: forty percent (40%) abatement;
 - Fourth year: thirty percent (30%) abatement; and

- Fifth year: fifteen percent (15%) abatement. (IA St. § 427B.3).

- Urban revitalization property tax exemption program: Under the Iowa urban revitalization property tax exemption program, the governing body of a city or county may designate an area of a city or county as a revitalization area for rehabilitation, conservation, redevelopment, or economic development in the interest of the public health, safety, or welfare of the residents of the city or county. (IA St. §§ 404.1 and 404.2). All qualified real estate assessed as residential property is eligible to receive an exemption from ad valorem property tax on the actual value added by the improvements made to the property for a period up to ten (10) years. (IA St. § 404.3). A city or county may adopt a different tax exemption schedule; however, the schedule adopted may not allow for a greater exemption. (IA St. § 404.3). The standard exemption will apply to only the increased value of the qualified real estate that is located in the revitalization zone as follows:

- Year one: eighty percent (80%) exemption;
- Year two: seventy percent (70%) exemption;
- Year three: sixty percent (60%) exemption;
- Year four: fifty percent (50%) exemption;
- Year five: forty percent (40%) exemption;
- Year six: forty percent (40%) exemption;
- Year seven: thirty percent (30%) exemption;
- Year eight: thirty percent (30%) exemption;
- Year nine: twenty percent (20%) exemption; and
- Year ten: twenty percent (20%) exemption.

(IA St. § 404.3).

Additionally, all qualified real estate is eligible to receive a one hundred percent (100%) tax exemption of ad valorem property tax that is limited to the value added for improvements for a period not to exceed three (3) years. (IA St. § 404.3(3)). Finally, qualified real estate that is residential property or commercial or multi-residential property that has at least three (3) or more separate living quarters with at least seventy-five percent (75%) of the space used for residential purposes are eligible to receive a one hundred percent (100%) tax exemption from ad valorem property tax on the actual value added by improvements for a period up to ten (10) years. (IA St. § 404.3).

- Louisiana: Louisiana does not have a constitutional provision that prevents the creation of a state-based abatement program; however, the Louisiana Constitution states that all property is subject to taxation unless provided an exemption under the constitution. (LA Const. art. 7, § 21) Accordingly, Louisiana provides abatement programs at both the state and local level to provide an abatement of ad valorem property taxes for businesses as allowed by its constitution:

- Industrial tax abatement program: The Louisiana State Board of Commerce and Industry, with the approval of the Governor, may enter into contracts to exempt ad valorem property tax on a new manufacturing establishment or an addition to an existing manufacturing establishment for up to five (5) years. The exemption may be renewed for an additional five (5) years. However, land underlying the facility and other property pertaining to the facility on which ad valorem property taxes have previously been paid, inventories, consumables, and property eligible for the manufacturing exemption are not exempt from ad valorem property taxes. (LA Const. art. 7, § 21(F) and (L)).
- Restoration tax abatement program: The Louisiana State Board of Commerce and Industry, with the approval of the Governor and the local governing authority, may enter into contracts granting to a property owner who proposes to expand, restore, improve, or develop an existing structure or structures in a downtown, historic, or economic development district the right of a tax abatement for an initial term of five (5) years after completion of the work. Under this provision, the owner is required to pay ad valorem property tax based only on the assessed value of the property in the year before the commencement of the expansion, restoration, improvement, or development. Eligible contracts may be renewed for an additional period up to five (5) years. (LA Const. art. 7, § 21(H) and LA St. § 47:4313).
- Distribution centers: The authority or district charged with economic development may enter into contracts to exempt parish, municipal, and special ad valorem taxes of goods held in inventory by distribution centers from ad valorem property tax. However, all tax recipient bodies in the parish must concur in order to exempt goods held in inventory by a distribution center from ad valorem property tax. (LA Const. art. 7, § 21(I)).
- Mississippi: Mississippi has a constitutional provision stating that the power to tax corporations and their property may never be surrendered or abridged by any contract or grant to which the state or any political subdivision may be a party, except that the legislature may grant abatements of ad valorem property tax for up to ten (10) years to encourage manufacturers and other new enterprises of public utility. (MS Const. art. 7, § 182). Additionally, an ad valorem property tax abatement for up to ten (10) years may be granted for additions and expansions of existing manufacturers and other enterprises of public utility. (MS Const. art. 7, § 182). Under these constitutional provisions, Mississippi has created several programs at the state and local level that provide an abatement of ad valorem property taxes for businesses:
 - New factories and enterprises abatement program: County boards of supervisors and municipal authorities are authorized to grant an abatement of ad valorem property tax on certain new factories and enterprises,

including warehouse and distribution centers, manufacturing facilities, processors and refineries, research facilities, health care industry facilities, corporate regional and national headquarters, movie industry studios, air transportation and maintenance facilities, recreational facilities that impact tourism, data and information processing enterprises, technology intensive enterprises or facilities, and telecommunication enterprises. (MS St. § 27-31-101). However, the abatement does not apply to property tax for school district purposes, property tax assessed on products, automobiles or trucks, and ad valorem property taxes levied on the products of manufacturers or other new enterprises. (MS St. §§ 27-31-101 and 27-31-117). The ad valorem property tax abatement may be granted for up to ten (10) years and begins on the date the new factory or enterprise is completed. (MS St. § 27-31-101). An additional abatement up to ten (10) years also applies to additions to or expansions of the facilities or properties or replacements of equipment used in connection with the operation of the enterprise. (MS St. § 27-31-105). However, the abatement does not apply to property tax for school districts, property tax assessed on products, automobiles, or trucks, and ad valorem property taxes levied on the products of manufacturers or other new enterprises. (MS St. §§ 27-31-101 and 27-31-117).

Additionally, local governing authorities may enter into an agreement to grant a payment in lieu of ad valorem taxes for any new enterprise project with a minimum capital investment over sixty million dollars (\$60,000,000) or qualified business projects with a capital investment over one hundred million dollars (\$100,000,000). (MS St. § 27-31-104). However, the payment in lieu of tax agreements must be approved by the Mississippi Development Authority. (MS St. § 27-31-104). The minimum payment in lieu of tax cannot be less than one-third (1/3) of the property tax levy, including ad valorem taxes for school districts. (MS St. § 27-31-104). The payment in lieu of tax agreement will continue for a period up to thirty (30) years from the date of the agreement; however, no particular parcel of land, real property improvement, or item of tangible personal property may be subject to the payment in lieu of tax agreement for more than ten (10) years. (MS St. § 27-31-104). Under this program, the tax abatement also applies to gasworks, waterworks, and cooperative electrification associations but does not apply to railroads or expansions or replacements of railroads. (MS St. § 27-31-115).

Mississippi also has an abatement program for enhanced oil recovery project equipment. Under this program, pipelines, dehydrators, compressors and other appurtenant equipment that are used to facilitate the transportation of carbon dioxide (CO₂) in connection with an enhanced oil recovery project in the State of Mississippi will receive an abatement on all ad valorem property tax, except for ad valorem property tax for school district purposes, for a period not to exceed ten (10) years from the date such pipelines and equipment are first placed into service. (MS St. § 27-31-102).

County boards of supervisors and municipal authorities in counties bordering on the Gulf of Mexico may also grant an abatement from ad valorem taxation, except taxes for school districts, on all tangible property used in the operation of hotels and motels, other than motor vehicles. The exemption may be granted by a county for up to five (5) years and may be granted by a municipality for up to ten (10) years. (MS St. § 27-31-103).

- Ad valorem tax exemption for growth and prosperity (GAP) areas: Mississippi allows counties and municipalities to provide an abatement on ad valorem property tax to encourage businesses to locate facilities and hire individuals in areas that have at least thirty percent (30%) of the population below the federal poverty level or have an unemployment rate that is two hundred percent (200%) of the state's average unemployment rate. An eligible business that constructs a new facility or expands an existing facility located in a GAP area can apply for an exemption from local ad valorem property tax for up to ten (10) years or until December 31, 2029, whichever occurs first. Local ad valorem property tax means any county or municipal ad valorem property tax, except taxes for school, fire, and police. The exemption from local ad valorem property tax is based on the business's real and personal property located in the GAP area. The abatement must be approved by the Mississippi Development Authority. (MS St. §§ 57-80-5, 57-80-7 and 57-80-9).
- Small business financing program: Mississippi also has a small business financing program for certain small businesses financed through bonds by the Mississippi Business Finance Corporation. (MS St. § 57-10-201 et seq.). However, the ad valorem tax abatement under the small business finance program is limited to a period up to ten (10) years, beginning on the day the project is completed. (MS St. § 57-10-255).
- Agricultural and industrial development program: Municipalities and counties may acquire certain agricultural and industrial development projects and lease the property back to the business entities involved in the agricultural and industrial development project by way of bond financing. The income, mortgages, leases, or purchase agreements and all purchases that are required to establish the business entity and financed by the bond proceeds authorized under the program are exempt from all ad valorem property tax except taxes for school districts. The tax exemption is limited to ten (10) years, beginning on the day the project is completed. (MS St. § 57-3-33).
- Major economic impact projects: A municipality or county may enter into an agreement to exempt certain ad valorem property taxes, except taxes for school districts, for a project that has a capital investment of at least seven hundred fifty million dollars (\$750,000,000) that will create at least three

thousand (3,000) jobs, an eligible automobile plant where construction begins between March 11, 2007, and December 1, 2007, and an eligible enterprise operating a major powertrain component manufacturing and assembly plant where construction begins between March 11, 2007, and December 1, 2007. (MS St. §§ 57-75-5 and 57-75-35). Requests by the enterprise to the governing authorities for an exemption for ad valorem property tax may be approved, in advance, for ten (10) years; however, agreements made by the governing authorities may provide an ad valorem property tax exemption for the enterprise for up to twenty (20) years. (MS St. § 57-75-35).

- Buildings in central business districts: A municipality may grant an abatement from ad valorem property tax on new structures, improvements, or renovations to existing structures located in a designated central business district for up to ten (10) years. The tax exemption does not apply to taxes for school districts. (MS St. § 27-31-31).
- Furniture marketing businesses: A county or municipality may either fully or partially exempt furniture facilities of a certain size that are primarily engaged in marketing or exhibiting furniture from ad valorem property taxes, except for taxes for school districts. The abatement is limited to a maximum of ten (10) years. (MS. St. § 27-31-47).
- Ad valorem tax exemption for broadband technology equipment: Mississippi allows for an ad valorem tax abatement for telecommunications businesses on the equipment used in the deployment of broadband technology. However, this abatement does not apply to companies organized to do business as commercial broadcast radio stations, television stations, and news organizations primarily serving in-state markets. The exemption applies only to equipment placed in service after June 30, 2003, and before July 1, 2020, and the exemption is for a period of ten (10) years after the date the equipment is placed in service. (MS St. § 57-87-7).
- Personal property in transit: Mississippi allows the governing bodies to exempt from ad valorem property taxes personal property that is moving in interstate commerce through or over the territory of Mississippi; consigned or transferred to a licensed free port warehouse within Mississippi for storage and transit to a final destination outside of Mississippi; manufactured in Mississippi and temporarily stored in separate facilities licensed as a free port warehouse pending transit to a final destination outside of Mississippi; or consigned or transferred to a licensed free port warehouse for storage pending transit to a location in the state for production or processing into a component or part that is then transported to a final destination outside of Mississippi. The exemption is effective the first calendar day of the taxable year, and the duration of the exemption is decided by the governing body. (MS St. § 27-31-53).

- Finally, to encourage manufacturers and other new enterprises of public utility to establish new facilities in Mississippi or expand existing facilities, the governing authority of a county or municipality may exempt all or any portion of the value of products, including finished goods, owned by a manufacturer or any distributor or wholesale merchant located in the county or municipality. (MS Const. art. 7, § 182 and MS St. § 27-31-7). However, this business inventory exemption may not exceed ten (10) years and does not apply to property taxes for school districts.
- Missouri: Missouri has a provision that prevents the state or any political subdivision from surrendering, suspending, or contracting away the power to tax, unless provided by the constitution. (MO Const. art. 10, § 2). However, the Missouri Constitution does allow the legislature to provide tax relief for the reconstruction, redevelopment, and rehabilitation of obsolete, decadent, or blighted areas, for periods not to exceed twenty-five years (25) years. (MO Const. art. 10, § 7). Although Missouri does not have a state-based abatement program, Missouri does have the following municipal and county based programs to provide an abatement of ad valorem property tax on businesses:
 - Enhanced enterprise zone program: The enhanced enterprise zone program encourages job creation and investment by providing state tax credits and local property tax abatement to new or expanding businesses that locate in an enhanced enterprise zone. Projects that qualify for the enhanced enterprise zone tax abatement may receive a standard abatement on ad valorem property tax of up to one hundred percent (100%) for improvements made to real property for a period of time determined by the agreement. Additionally, subsequent improvements to real property located in an enhanced enterprise zone or an enhanced business enterprise or warehouse will be exempt from at least one-half (1/2) of the ad valorem property taxes levied by the political subdivision for up to ten (10) years. Improvements to a speculative industrial enterprise will be exempt from at least one-half (1/2) of the ad valorem property taxes for up to two (2) years. (MO St. § 135.963).
 - Industrial development bonds: This program allows cities or counties to purchase or construct certain types of projects with bond proceeds and to lease or sell the project to a company. Eligible projects include the purchase, construction, extension, and improvement of warehouses, distribution facilities, and industrial plants, including buildings, fixtures, and machinery. Upon the approval of the city or county issuer, it may be possible to abate most of the real or personal property tax on new real estate improvements and new machinery financed by a qualified bond. To enact this procedure, the city or county must own the assets financed by the bonds, and an eligible company would lease the assets from the city or county for the term of the bonds. In effect, property tax is exempt by virtue of public ownership of the

property; however, the city or county may require that a portion of the payments otherwise due will be paid in the form of a payment in lieu of tax. The amount and term of abatement depends on the terms provided by the city or county issuer, as they have the discretion to abate any portion of ad valorem property tax. (MO St. §§ 100.010 - 100.200).¹

Additionally, a real property abatement is also possible through enterprise zones, tax increment financing, the Brownfield Redevelopment Program, and Urban Redevelopment Corporations; however, these programs do not provide an abatement on personal property. Missouri Development Finance Board revenue bonds may provide an abatement from property taxes; however, the board will provide the abatement only if the affected local government requests it. (MO St. §§ 100.010 - 100.200).

- Urban redevelopment corporation program: The real property of an urban redevelopment corporation acquired by a political subdivision is exempt from the ad valorem property tax imposed by the state or any political subdivision for up to ten (10) years after the date the corporation became owner of the real property. Under this program, the amounts of tax assessments will not be increased during the exemption period so long as the real property is owned by an urban redevelopment corporation and used in accordance with a development plan authorized by the legislative authority of the city. A city or urban redevelopment corporation may agree by contract to impose payments in lieu of taxes and the political subdivisions will receive the revenue from the payments on a pro rata basis. (MO St. § 353.110).
- Real property improvements in enterprise zones: The governing body of a municipality may agree to an exemption for ad valorem property taxes, in whole or in part, on real property in an enterprise zone for a period up to twenty-five (25) years from the date the original enterprise zone was created. The authorizing resolution will specify the percentage of the exemption and the duration of the exemption. A city designated as a “home rule city” may provide an exemption for a period of up to twenty-five (25) years from the date the exemption is provided. If a new or expanded facility creates at least fifty (50) new jobs with an average of thirty (30) hours of employment per week, subsequent improvements to the facility may receive an exemption of one-half (1/2) on the ad valorem property taxes owed for a period of not less than ten (10) years following the date the improvements were assessed, provided that the improved properties are used for assembling, fabricating, processing, manufacturing, mining, warehousing, or distributing properties; however, the exemption may not be granted for more than twenty-five (25) years following the state the enterprise zone was

¹ The Department of Economic Development has explicitly stated that it does not represent the validity of this procedure as it is not specified in the statutes. However, multiple cities have used the procedure. (Missouri Department of Economic Development – Industrial Development Bonds).

designated, unless the enterprise zone is within a home rule city. The abatement or exemption will cease if there is a business closure, work stoppage for a period of thirty (30) days, major reduction in force, or a significant change in the type of business conducted. (MO St. § 135.215).

- Oklahoma: Oklahoma does not permit the power to tax to be surrendered, suspended, or contracted away, unless provided by the constitution. (OK Const. art. 10, § 5). Oklahoma does not have a state-based abatement program. However, Oklahoma has the following municipal and county programs that provide an abatement of ad valorem property taxes for businesses as provided under its constitution:

- Manufacturing facilities tax abatement: Qualifying manufacturing concerns may receive an ad valorem property tax exemption for new, expanded, or acquired manufacturing facilities, including facilities engaged in research and development for up to five (5) years. (OK Const. art. 10, § 6B, and 68 OK St. § 2902). After the exemption has ended, the county may retain up to twenty-five percent (25%) of the ad valorem property taxes levied on the previously exempt property for use as an economic incentive to attract additional investment, if approved by the county voters. (OK Const. art. 10, § 6B(G)). Under Oklahoma Constitution, Article 10, §6B, an existing facility is required to have been unoccupied for a period of twelve (12) months prior to acquisition to receive the tax exemption. The tax exemption applies to new and expanding manufacturers, research and development companies, computer services and data processing companies with significant out-of-state sales, aircraft repair companies, and oil refineries. (68 OK St. § 2902). Additionally, manufacturing facilities may delay the tax exemption for up to five (5) years following the expiration or termination of the previously agreed upon ad valorem tax exemption. (68 OK St. § 2902.5). All initial applications for a tax exemption for a new, acquired, or expanded manufacturing facility will be granted only if the facility increases the base payroll and offers a basic health benefits plan to the full-time-equivalent employees of the facility. A tax exemption may also be granted if the investment cost of the construction, acquisition, or expansion of the manufacturing facility is three hundred million dollars (\$300,000,000) or more and the manufacturing facility retains an average employment of at least one thousand seven hundred fifty (1,750) full-time equivalent employees. (68 Ok St. § 2902).

- Local incentive districts for property tax abatement program: The legislature may permit municipalities and counties to provide incentives, exemptions, and other forms of tax relief for historic preservation, reinvestment, or enterprise areas that are exhibiting economic stagnation or decline. (OK Const. art. 10, § 6C). Accordingly, this program allows local political subdivisions the ability to contract with businesses to provide a tax abatement on ad valorem property tax for projects in an enterprise zone

designated by the Oklahoma Department of Commerce as a historic preservation area or a reinvestment area. The local governing body may grant an exemption from local taxation only on the project related to the new investment. No ad valorem tax abatements may be granted on the value of property that has been assessed or that is subject to assessment before the adoption of the project plan. Retail establishments areas are also not eligible for the ad valorem tax abatements. The abatement, which may be full or partial, may be granted for up to five (5) years for preservation and reinvestment areas and up to six (6) years for enterprise zones. (OK Const. art. 10, § 6C, and 62 OK St. §§ 854, 854 and 860).

Under the Oklahoma Constitution, the exemption from ad valorem property tax is not retroactive and only permitted after an entity files an original application for the tax exemption. (OK Const. art. 10, § 22A).

- Tennessee: Tennessee states that all real and personal property is subject to taxation; however, the legislature may exempt property as provided in the constitution, including property held by the state or a local government and used exclusively for public or corporation purposes. (TN Const. art. 2, § 28). Accordingly, Tennessee has the following municipal and county PILOT program that provides a reduction in the amount of ad valorem property taxes paid by businesses:
 - Industrial development corporations PILOT program: This program allows municipalities and counties to create public industrial development corporations to finance, acquire, own, lease, or dispose of properties so that the corporations may be able to improve and increase economic, housing, and tourism related activities. (TN St. § 7-53-102). These corporations are considered to be a public instrumentality of the municipality and, accordingly, are exempt from taxation. If a project is conveyed to the corporation and leased to a private entity, the project may agree to a PILOT agreement to make payments in lieu of the ad valorem property taxes owed. The corporation has the authority to negotiate, accept, or waive any payments in lieu of taxes after receiving a formal approval from the municipality or county that formed the corporation, subject to certain restrictions. No agreement providing for the acceptance or waiver of payments in lieu of taxes may be provided for a period that is greater than twenty (20) years plus a reasonable construction or installation period up to three (3) years, unless both the Commissioner of Economic and Community Development and the Comptroller of the Treasury have made a written determination that the agreement is in the best interest of the state. However, if a project is in an area designated as the center-city area by a municipality that has a central business improvement district, the amount of the payments in lieu of taxes cannot be fixed below the lesser of the taxes that would otherwise be due and payable with respect to the project or the taxes that would have been due and payable on the project for the period

immediately preceding the date of acquisition by the corporation. (TN St. § 7-53-305). In 2018, Tennessee amended these provisions to state that an industrial development corporation may negotiate a payment in lieu of tax agreement for less than the ad valorem taxes due for a retail business for a period up to ten (10) years, including a reasonable construction or installation period up to three (3) years, if the agreement has received the required approvals. (TN St. § 7-53-305).

- Texas: Under the constitution of Texas, the power to tax corporations and corporate property may not be surrendered or suspended by the legislature or any contract or grant where the state is a party. (TX Const. art. 8, §1-G). However, the Texas state legislature may create laws authorizing political subdivisions to grant exemptions or other relief from ad valorem property tax located in a reinvestment zone to encourage development or redevelopment. (TX Const. art. 8, § 1-G). Accordingly, Texas does not have a state-based abatement program and instead has the following local abatement program:
 - Property redevelopment abatement program: Texas has a property redevelopment and tax abatement program under which the governing body of a municipality or county may establish guidelines and criteria governing tax abatement agreements applicable to property located in a reinvestment zone for new facilities and structures and for the expansion or modernization of existing facilities and structures, except for improvements financed by tax increment bonds subject to a voluntary cleanup agreement. A reinvestment zone is an area that impairs economic growth, creates social liabilities, and is a detriment to the public health, safety and welfare of the inhabitants. A reinvestment zone may also be an area that is designated as having the potential to contribute to the retention or expansion of primary employment or to attract major investment in the zone that would benefit the area's property values and contribute to the economic development of the municipality. (TX St. Tax Code § 312.202). The total period of the ad valorem property tax abatement may not exceed ten (10) years. (TX St. Tax Code §§ 312.204). The agreement may provide a tax abatement for the portion of the real property, personal property, or both, located within the zone of the agreement. The tax abatement may exempt all or a portion of the value of the real property. (TX St. Tax Code § 312.204). The program is set to expire September 1, 2019. (TX St. Tax Code § 312.006).