VERMONT

VERMONT ECONOMIC PROGRESS COUNCIL

FREAQUENTLY ASKED QUESTIONS (FAQ)

TAX INCREMENT FINANCING DISTRICTS IN VERMONT

Q. What is a Tax Increment Financing District?
A. Geographically, it is a District, created by a municipality, where public infrastructure is required to encourage private property development. Financially, incremental tax revenues generated by the private property development within the District are set aside for a certain period of time to service the public infrastructure debt.

Q. Are all incremental revenues set aside to service debt?
A. In Vermont, only incremental property tax revenue is set aside to pay TIF District infrastructure debt. Current statute requires that the municipality pledge at least 85% of the incremental municipal property taxes to the TIF debt and a maximum of 70% of the incremental Education Property Tax revenue can be utilized to service TIF debt.

Q. How long can those portions of the incremental property tax revenues be set aside?
A. For a maximum of 20 years, starting with the Grand List for the calendar year during which the first TIF debt is incurred.

Q. Who creates a TIF District?
A. In Vermont, municipalities create TIF Districts. But the State, through application to the Vermont Economic Progress Council, approves utilization of incremental Education Property Tax revenue for TIF debt, if approval criteria are met.

Q. What is required of a municipality to create a TIF District?
A. A municipality must create a TIF Plan that meets the requirements of Vermont statute. Then the municipality must hold one or more public hearings in the TIF Plan. Then the select board or city council must find that creation of a TIF District will meet the purpose of TIF Districts as stated in statute, then vote to create the

District, adopt the TIF District Plan, pledge a certain portion of the incremental municipal tax revenue toward the District debt, and authorize municipal staff to submit an application to the State. Then the TIF Plan must be considered by the Vermont Economic Progress Council to ensure that the District and the expected outcomes meet statutory approval criteria. Once approved, the municipality must follow the process in statute to incur TIF District debt to build public infrastructure.

Q. Can a municipality create a TIF District that only uses incremental municipal property tax revenue?
A. Yes. A municipal-only TIF District does not require approval by the State.

Q. Can any municipality create a TIF District?
A. Any municipality can create a District that utilizes only municipal increment to service infrastructure debt. If a municipality currently has a TIF District approved to utilize incremental education property tax revenue, that municipality may only apply for approval of new TIF District that would utilize incremental education property tax revenue when the current debt is all paid off.

Q. Do the owners of property within a TIF District get a reduction, abatement, or any type of deal on their property taxes?
A. No. All property owners, including developers that own property within the District, continue to the pay the property taxes due on the value of their property. This includes the taxes due on the value of the property at the time the TIF District is created and any additional value added by rehabilitation or new construction.

Q. Is the municipality building infrastructure that normally would be built by developers?
A. Vermont law only allows the tax revenue generated from within a TIF District to be used to pay for public infrastructure. The public infrastructure may assist or encourage a developer to build their project and may reduce the overall costs to the developer, but the cost of the direct infrastructure a developer needs to complete their project is borne by the developer. For example, the municipality may use TIF financing to pay for new sewer or water lines down a street that are needed to get the development to occur, but the water hook-ups and sewer connections to the main line are paid for by the developer.

Q. Does the creation of TIF District, in itself, raise property taxes for taxpayers who are not improving their properties?
A. No. Property taxes generally only go up for properties that make improvements. However, property taxes can increase due to other factors such as an increase in the State Education Property Tax rate, a reappraisal of all properties in a municipality, or inflation. But these causes could occur with or without the TIF District

Q. Once a TIF District is created and approved by the State, can a municipality immediately incur debt and build public infrastructure?
A. No. The municipality must seek the approval for each instance of debt, usually a bond, by the voters. Regardless of the type of debt the municipality chooses to use to finance the TIF infrastructure and pay for related costs, there must information provided to the public at least one public hearing held, followed by a vote of the majority of voters in the municipality.

Q. If paying for the debt on public infrastructure relies on private developers improving and building new on their properties and creating incremental property tax revenue, what happens if the voters approve debt and the municipality begins to build infrastructure, but the developers never build/improve?
A. Then no incremental property tax revenue would be generated and the residents of the municipality are responsible for the debt. To prevent this, municipalities wait until developers are ready to build, and usually sign development agreements with developers, before any infrastructure is built.

Q. What are all the deadlines and timelines involved in a TIF District?
A. First, a TIF District is considered created as of April 1 of the calendar year the select board or city council votes to create the District. Then, the municipality has five years from the date of creation to incur the first instance of infrastructure debt. If debt is incurred within five years, the municipality has ten years from the date of creation to incur all infrastructure debt for the District. The “retention period,” that is, the period during which the approved portion of incremental municipal and education property tax revenue may be set aside for TIF debt, lasts for 20 years from the year the first debt is incurred. The term for each debt instrument is up to the municipality. The life of the District ends when all debt is retired. For example:

October 15, 2017:	Select Board votes create a TIF District
April 1, 2017:	Formal date of creation of District; Values as of 4/1/2017 Grand List are Original Taxable Value
March 31, 2022:	Deadline to incur first debt
March 31, 2027:	Deadline to incur all TIF debt if fist debt incurred by 3/31/2022
November 8, 2019:	First debt incurred
2019-2039:	Retention Period Any increment over OTV retained to pay TIF debt

Q. How does a TIF District end?

A. The life of a TIF District ends when all the infrastructure debt is retired.