What is a TIF

And

Why Might Baldwin Want One

This Briefing is Related to the

Approved West Baldwin Solar Station

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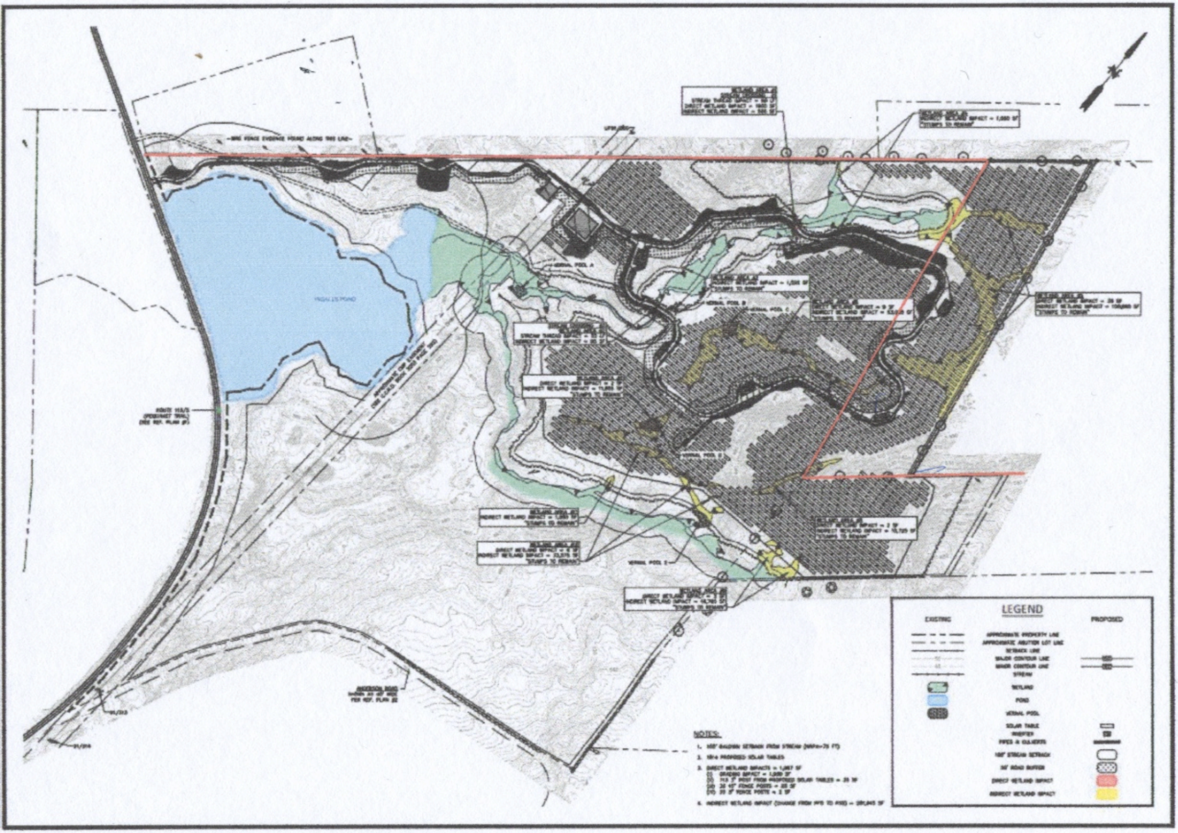

West Baldwin Solar Station

Real Estate and Personal Property Taxes
A Primer

- The Tax Shift
  - The Result of State Policies on Revenue Sharing and Support to Education
  - Based on the ‘ability to pay” determined by the state implemented via the ”state valuation”
  - Increased “state valuation” results in
    - Reduced State Revenue Sharing
    - Increased County Taxes
    - Reduced State Aid to Education\Increased local share
  - Any Increased Revenue collected by the town gets reduced by 50-70% due to the TAX SHIFT

Real Estate and Personal Property Taxes
A Primer

- Houses/Bldgs and land – Real Estate assessed and taxed by the town
  - Exemptions reduce the assessed values and taxes collected
    - Homestead
    - Veterans
    - Disabled
    - Current Use – Farming, growing trees, public access
    - Solar and Wind Generation equipment – net metered
  - Assessed value minus exemptions x mil rate = your tax paid to the Town
- Personal Property (Business Equipment)
  - BETE (Business Equipment Tax Exemption) reduces the taxes
    - Business fills out the BETE application and submits to the accessors.

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Real Estate and Personal Property Taxes
A Primer

- Personal Property (Business Equipment) continued
  - State sends a check to the town for 50% of the BETE lost revenue.
  - State adds 50% of the BETE covered property's assessed value to the town's "State Valuation" - <u>Tax Shift!</u>
  - <u>The business owner has not paid any property taxes to the state or the town for the BETE covered equipment!</u>
- For BETE, a tax shift is involved because the town's State Valuation increases: The town <u>loses</u> about 50%-70% of the revenue from state.

- Solar Farms
  - Exempt Renewable Energy Solar Farms (5MW or less, net energy billing)
    - 100% Tax Exempt by the Town
    - The Town receives a check from the state for 50% of the solar farm lost revenue.
    - <u>The Solar Farm owner has not paid any property taxes to the state or the town</u>!
    - Exempt solar equipment does not increase the State Valuation – <u>No tax shift!</u>

Real Estate and Personal Property Taxes
A Primer

- Non-Exempt Solar Farms – Greater than 5MW, Electricity is sold to the Standard Offer
  - No Exemptions or reductions from the town or state for assessed value.
  - Town taxes at 100%
  - Developer pays taxes to the town at the assessed value x town mil rate.
  - A tax shift occurs when the total assessed value (and the State Valuation) of the town increases: The town loses about 50% - 70% of the revenue via the Tax Shift!

Real Estate and Personal Property Taxes
A Primer

- Project Ranking by Tax Revenue Retained by the Town
  - New BETE Eligible Equipment – 15%-25% (50% from the state reduced by tax shift of 50-70%)
  - A new house, buildings, etc – 30-50% (revenue reduced by 50-70% tax shift)
  - Non-Exempt Solar Farm – 30-50% (revenue reduced by 50-70% tax shift)
  - Exempt Renewable Energy Solar Farm – 50% (No tax shift involved)
  - Non-Exempt Solar Farm with a TIF – **100% (No tax shift involved)**

What is a TIF ?- Explained on One Slide

- TIF = Tax Increment Financing
  - Draw a line around a development area and set the assessed value before development. (Ex: Baldwin Solar Station)
  - Any increase in value after development is "shielded" from the "State Valuation" the negative Impacts on State Revenue Sharing, County taxes, and School district share computations.
  - A TIF avoids the "tax shift" (generally 50-70% reduction in revenue) that occurs when new development increases the assessed value of a town.

State revenue sharing and State Aid to Education are reduced, County taxes and Local School taxes are increase.

  - With a TIF the Town retains 100% of the added revenue from the shielded value of the district, avoids the "tax shift."
  - <u>There are limits on how the shielded revenue can be spent.</u>

TIF Revenue Spending Rules

- Can be spent on
  - Costs associated with improvements within the TIF district or cost of improvements outside the TIF district directly related to or made necessary by the development
- Can’t be spent on
  - Roads outside and/or unrelated to the district
  - General town obligations such as salaries, school obligations, road and fire department equipment
- Can be spent on
  - Cost related to construction and/or operation of public safety facilities
  - Cost associated with construction of quality child and adult care facilities
  - Costs associated with broadband expansion including in residential areas
  - Recreational trails, environmental improvements, others
  - A Credit Enhancement Agreement (CEA)

Value of a TIF to Baldwin

- Retain Tax Dollars within the Town – Instead of 30%-50% get 100%
- Fund projects that will otherwise need to be funded from general revenues. Examples:
  - <u>Fire Department Facilities including buildings and dry hydrant improvements (limited to 15% of the captured assed value of the district) </u>(see FD Study)
  - Child care and Adult care facilities: Renovation of the portions of the Community Center being utilized for child care and adult activities
  - Broadband expansion in un-served and under-served areas of the town.
- The Bottom Line is: Baldwin can use the Money