What is a TIF

And

Why Might Baldwin Want One

This Briefing is Related to the

Approved West Baldwin Solar Station

<u>Updated with Data from Drummond Woodsum</u>

Baldwin Select Board

14 March 2023

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"
  - <u>Increased</u> "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 <u>reduced by 82% due to the TAX SHIFT -</u> Town keeps only <u>18%</u> of revenue increases
  - <u>Tax Shifts</u> :   Education = 71.61% Revenue Sharing = 6.98% County Taxes = 3.57%

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
  - Increased assessed value part of the State Valuation and effected by the Tax Shift! - Town keeps only 18% of increased revenue
- Personal Property (Business Equipment)
  - BETE (Business Equipment Tax Exemption) reduces the taxes
    - Business fills out the BETE application and submits to the accessors.
      - continued

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" - Tax Shift! for increases
  - The business owner has not paid any property taxes to the state or the town for the BETE covered equipment!
- For BETE, a tax shift is involved because the town's State Valuation increases: The town loses 82% of the increased revenue from state. Keeps only 9% (0.5x18%)

- 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.
    - The Solar Farm owner has not paid any property taxes to the state or the town!
    - Exempt solar equipment does not increase the State Valuation – No tax shift!
    - Town keeps all of the increased revenue!

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.
  - Without a TIF, a tax shift occurs when the total assessed value (and the State Valuation) of the town increases: The town loses about 82% of that new revenue via the Tax Shift!
  - With a TIF the town keeps 100% of the new revenue.

Real Estate and Personal Property Taxes
A Primer

- Ranking by Tax Revenue Retained by the Town
  - New BETE Eligible Equipment – 9% (50% from the state reduced by tax shift of 82%)
  - A new house, buildings, etc – 18% (revenue reduced by 82% tax shift)
  - Non-Exempt Solar Farm (no TIF) – 18% (revenue reduced by 82% tax shift)
  - Exempt Renewable Energy Solar Farm – 50% (No tax shift involved)
  - Non-Exempt Solar Farm <u>with a TIF</u> – **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" (82%) 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 increased.

  - 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
  - <u>A Credit Enhancement Agreement (CEA)</u>

Value of a TIF to Baldwin

- Retain Tax Dollars within the Town – Instead of 18% get 100%
- Help fund projects that will otherwise need to be funded 100% from general revenues. Examples:
  - Fire Department Facilities including buildings and dry hydrant improvements (limited to 15% of the captured assed value of the district) (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