

1 S.191

2 Introduced by Senator Cummings

3 Referred to Committee on

4 Date:

5 Subject: Taxation; tax increment financing; indebtedness; debt service

6 Statement of purpose of bill as introduced: This bill proposes to clarify the
7 requirements of a tax increment financing district.

8 An act relating to tax increment financing districts

9 It is hereby enacted by the General Assembly of the State of Vermont:

10 Sec. 1. TAX INCREMENT FINANCING; RESOLUTION ON THE USE OF
11 DEBT PROCEEDS TO PAY FOR DEBT SERVICE

12 In 2019, the State Auditor of Accounts performed and reported on required
13 reviews and audits of tax increment financing districts. One of the issues
14 raised in the reporting was whether it is permissible for a tax increment
15 financing district to use debt proceeds to meet debt service obligations. The
16 General Assembly seeks to address this issue and clarify tax increment
17 financing laws for the future. Accordingly, the General Assembly shall not
18 assess penalties on any tax increment financing district that used debt proceeds
19 to pay for debt service during the period from January 1, 2006 to June 30, 2020
20 and considers this a final resolution of the issue.

1 Sec. 2. 24 V.S.A. § 1891 is amended to read:

2 § 1891. DEFINITIONS

3 When used in this subchapter:

4 * * *

5 (4) “Improvements” means the installation, new construction, or
6 reconstruction of infrastructure that will serve a public purpose and fulfill the
7 purpose of tax increment financing districts as stated in section 1893 of this
8 subchapter, including utilities, transportation, public facilities and amenities,
9 land and property acquisition and demolition, and site preparation.

10 Improvements also means the funding of a debt service reserve fund for a
11 period of up to six years from the date a district is created.

12 * * *

13 (7) “Financing” means debt incurred, including principal, interest, and
14 any fees or charges directly related to that debt, or other instruments or
15 borrowing used by a municipality to pay for improvements in a tax increment
16 financing district, only if authorized by the legal voters of the municipality in
17 accordance with section 1894 of this subchapter. Payment for the cost of
18 district improvements and related costs may also include direct payment by the
19 municipality using the district increment. However, such payment is also
20 subject to a vote by the legal voters of the municipality in accordance with
21 section 1894 of this subchapter and, if not included in the tax increment

1 financing plan approved under subsection 1894(d) of this subchapter, is also
2 considered a substantial change and subject to the review process provided by
3 subdivision 1901(2)(B) of this subchapter. If interfund loans within the
4 municipality are used as the method of financing, no interest shall be charged.
5 Bond anticipation notes may only be used as a method of financing during the
6 first five-year period that a district may incur debt.

7 Sec. 3. 24 V.S.A. § 1895 is amended to read:

8 § 1895. ORIGINAL TAXABLE VALUE

9 (a) Certification. As of the date the district is created, the lister or assessor
10 for the municipality shall certify the original taxable value and shall certify to
11 the legislative body in each year thereafter during the life of the district the
12 amount by which the total valuation as determined in accordance with
13 32 V.S.A. chapter 129 of all taxable real property located within the tax
14 increment financing district has increased or decreased relative to the original
15 taxable value.

16 (b) Boundary of the district. Any parcel within a district shall be located
17 wholly within the boundaries of a district. No adjustments to the boundary of a
18 district are permitted after the approval of a tax increment financing district
19 plan as described in section 1894 of this title.

1 Sec. 4. 32 V.S.A. § 5404a is amended to read:

2 § 5404a. TAX STABILIZATION AGREEMENTS; TAX INCREMENT
3 FINANCING DISTRICTS

4 (a) A tax agreement or exemption shall affect the education property tax
5 grand list of the municipality in which the property subject to the agreement is
6 located if the agreement or exemption is:

7 * * *

8 (b)(1) An agreement affecting the education property tax grand list defined
9 under subsection (a) of this section shall reduce the municipality's education
10 property tax liability under this chapter for the duration of the agreement or
11 exemption without extension or renewal, and for a maximum of 10 years. A
12 municipality's property tax liability under this chapter shall be reduced by any
13 difference between the amount of the education property taxes collected on the
14 subject property and the amount of education property taxes that would have
15 been collected on such property if its fair market value were taxed at the
16 equalized nonhomestead rate for the tax year.

17 (2) Notwithstanding any other provision of law, if a municipality has
18 entered into an agreement that reduces the municipality's education property
19 tax liability under this chapter and the municipality establishes a tax increment
20 financing district under 24 V.S.A. chapter 53, subchapter 5, the municipality's

1 education tax increment shall be calculated based on the assessed value of the
2 properties in the municipality's grand list and not on the stabilized value.

3 * * *

4 (f) A municipality that establishes a tax increment financing district under
5 24 V.S.A. chapter 53, subchapter 5 shall collect all property taxes on properties
6 contained within the district and apply not more than 70 percent of the State
7 education property tax increment, and not less than 85 percent of the municipal
8 property tax increment, to repayment of financing of the improvements and
9 related costs for up to 20 years pursuant to 24 V.S.A. § 1894, if approved by
10 the Vermont Economic Progress Council pursuant to this section, subject to the
11 following:

12 * * *

13 (4) In any year that the assessed valuation of real property in a district
14 decreases in comparison to the original taxable value of the real property in a
15 district, a municipality shall pay that deficit amount to the Education Fund.

16 * * *

17 Sec. 5. EFFECTIVE DATE

18 This act shall take effect on July 1, 2020.