

# MUNICIPAL TAX INCREMENT FINANCING (TIF)

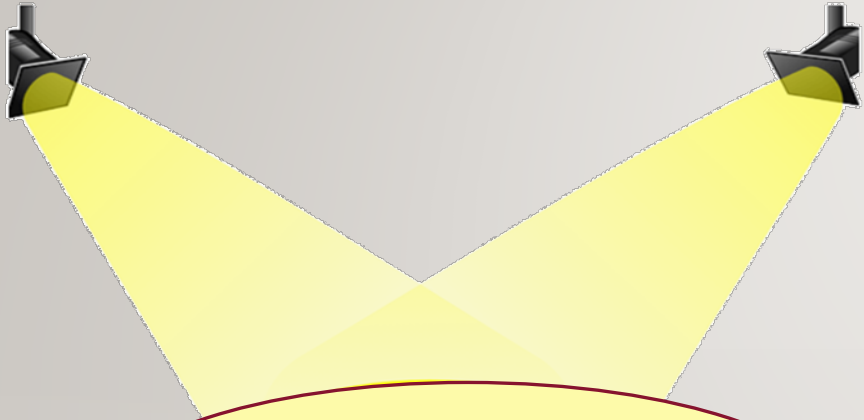
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THE BASICS

# BREAKING DOWN “MUNICIPAL TAX INCREMENT FINANCING”

municipal + tax + increment + financing

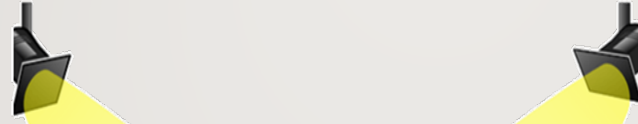




**MUNICIPAL + TAX + INCREMENT +  
FINANCING**

# MUNICIPAL

- Any municipality (city/town/plantation) in the State of Maine may create a MTIF.
- For any parcels/property in an unorganized territory (UT), a county may act as a municipality for the unorganized territory within the county and may designate development districts within the unorganized territory. The county commissioners act as the municipality and as the municipal legislative body (MRS 30-A §5235).



MUNICIPAL + TAX + INCREMENT +  
FINANCING

# TAX

- Real property taxes related to the new development, or
- Real and Personal property taxes related to the new development

# TAX

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- Real property
  - Defined under taxation law as “real estate” which “includes all lands in the State and all buildings, mobile homes, camper trailers and other things that are affixed to land, together with any appurtenant (connected) water power, shore privileges and rights, forests and mineral deposits; interests and improvements in land, the fee of which is in the State; and lines of electric light and power companies. (Title 36 §551)
- Personal property
  - Defined under taxation law as “includes all tangible goods and chattels (an item of property other than real estate) wheresoever they are and all vessels, at home or abroad. (Title 36 §601). Personal property is not “affixed” to land.





MUNICIPAL + TAX + **INCREMENT** +  
FINANCING



# INCREMENT

- Something gained or added.

# INCREMENT

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Land  
(with an original assessed value)



Development  
(with an assessed value)

Increment =  
property taxes paid  
on the part of the  
development that is  
above the original  
value of the property  
when it was TIF'ed.

# more on INCREMENT

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- Property has an assessed value.
- Paid property taxes are divided into three “silos” – a municipality’s general fund, revenue sharing and education. For UTs, two silos (revenue sharing & UT’s general fund).
- When a parcel is TIF’ed, the assessor certifies the taxable assessed value of all parcels in the TIF footprint. Under MTIF Statute, this is defined as the “original assessed value.”
- The property taxes associated with this “original assessed value (OAV), continues to be paid and divided into the above three silos mentioned.



# more on INCREMENT

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- The value of the property associated with the new development of a TIF'ed footprint is referred to as the “increase assessed value.”
- Property taxes paid related to the “increased assessed value,” of a TIF'ed footprint is deposited into a separate account to be used for specific allowable project costs, outlined under Title 30-A §5225 (1-3) which must be outlined in the Development Program.



# more on INCREMENT

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- Tax increment defined by TIF Statue MRS 30-A §5222 (15):

Real and personal property taxes assessed by a municipality or plantation in excess of any state, county or special district tax, upon the increased assessed value of property in the development district.



# To Recap INCREMENT

- When a municipality designates a TIF District (footprint), the municipal assessor provides the original taxable assessed value of the parcels identified as the TIF District. Each year after that, the Assessor provides the amount by which the assessed value has increased or decreased from the original value.
- When there is an “increase” in value, that is considered the “increment’ in value.



MUNICIPAL + TAX + INCREMENT +  
**FINANCING**

# FINANCING

- A municipality may retain all or part of the tax increment revenues generated from the increased assessed value of a tax increment financing district for the purpose of financing certain allowable project costs, to include credit enhancement agreements to a developer and/or business to assist with financing the development in the TIF District.



# WHY CREATE A MUNICIPAL TAX INCREMENT FINANCING?

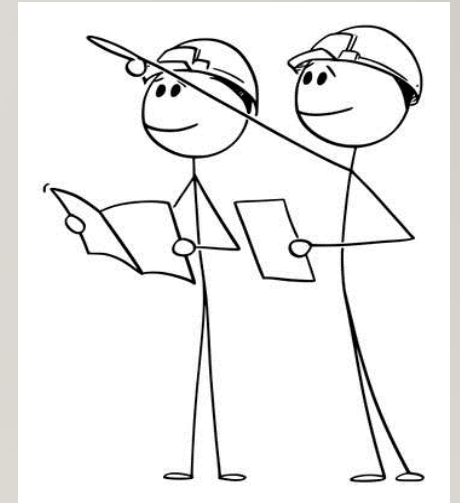
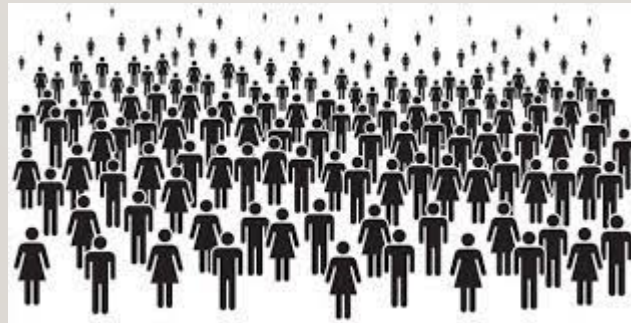


# TO PROMOTE ECONOMIC DEVELOPMENT

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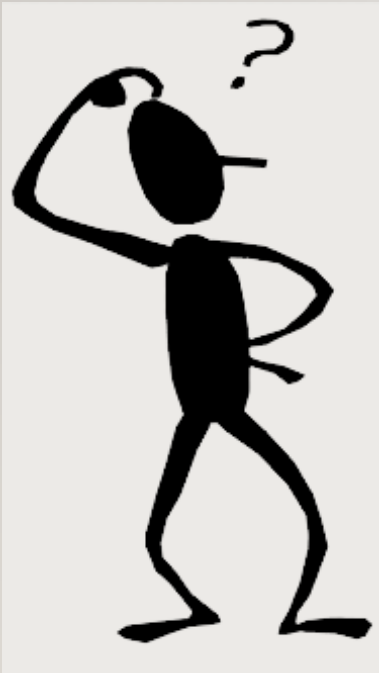
- To encourage industrial, commercial, transit-oriented or arts district development, or any combination
- To increase or retain employment opportunities
- To improve and broaden the tax bases
  - The tax base is the total amount of income, property, assets, consumption, transactions, or other economic activity subject to taxation by a tax authority. Base broadening involves increasing the portion of income subject to taxation.

# WHO IS INVOLVED WITH MUNICIPAL TAX INCREMENT FINANCING?



- A municipality (municipal manager, municipal selectpersons, assessor, economic development office, municipal citizens, TIF consultants)
- Developer or business
- DECD Commissioner

# WHERE IS A MUNICIPAL TAX INCREMENT FINANCING CREATED?



- An area of planned development/expansion.
  - A municipality may identify parcels to be TIF'ed, or
  - A developer or business may approach a municipality, to create a TIF.

# WHEN IS A MUNICIPAL TAX INCREMENT FINANCING CREATED?



- Before planned/expected development, to lock in the value of the property, before the development is reflected on the property tax rolls. This way, when the development happens, the increased value, which translates into increased property taxes, above the original assessed value, can be captured to pay for certain allowable project costs, under TIF Statute.



# BREAKING DOWN “MUNICIPAL TAX INCREMENT FINANCING”



municipal + tax + increment + financing



For more information:

MRS Title 30-A, Chapter 206 §5221-5235

TIF Rule 19-100

Links found from DECD website:

<https://www.maine.gov/decd/business-development/tax-incentives-credit/municipal-tax-increment-financing>

QUESTIONS?

PLEASE CONTACT

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