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H.691

Introduced by Representatives Fagan of Rutland City and Kimbell of
Woodstock

Referred to Committee on

Date:

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

Statement of purpose of bill as introduced: This bill proposes to authorize tax
increment financing districts to use debt proceeds to make debt service
payments.

An act relating to the use of debt proceeds in tax increment financing
districts

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

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

In 2019, the State Auditor of Accounts performed and reported on required
reviews and audits of tax increment financing districts. One of the issues
raised in the reporting was whether it is permissible for a tax increment
financing district to use debt proceeds to meet debt service obligations. The
General Assembly seeks to address this issue and clarify tax increment
financing laws for the future. The General Assembly also seeks to reach a

1 final resolution on any past use of debt proceeds to meet debt service
2 obligations. Accordingly, no penalties shall be assessed on any tax increment
3 financing district that used debt proceeds to pay for debt service during the
4 period from January 1, 2006 to June 30, 2020.

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

6 § 1891. DEFINITIONS

7 When used in this subchapter:

8 * * *

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

14 Improvements also means the funding of a debt service reserve fund.

15 * * *

16 Sec. 3. 24 V.S.A. § 1894 is amended to read:

17 § 1894. POWER AND LIFE OF DISTRICT

18 (a) Incurring indebtedness.

19 (1) A municipality approved under 32 V.S.A. § 5404a(h) may incur
20 indebtedness against revenues of the tax increment financing district at any
21 time during a period of up to five years following the creation of the district. If

1 no debt is incurred during this five-year period, the district shall terminate,
2 unless the Vermont Economic Progress Council grants an extension to a
3 municipality pursuant to subsection (d) of this section. However, if any
4 indebtedness is incurred within the first five years after the creation of the
5 district, then the district has a total of ten years after the creation of the district
6 to incur any additional debt.

7 (2) Any indebtedness incurred under subdivision (1) of this subsection
8 may be retired over any period authorized by the legislative body of the
9 municipality.

10 (3) The district shall continue until the date and hour the indebtedness is
11 retired or, if no debt is incurred, five years following the creation of the
12 district.

13 * * *

14 (j) Use of debt proceeds. A municipality is authorized to use debt proceeds
15 to fund a debt service reserve fund for a three-year period after the date the
16 debt is first incurred. The Vermont Economic Progress Council may grant an
17 extension to this time period, for a total of not more than six years.

18 Sec. 4. EFFECTIVE DATE

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