

**DOUGLAS R. HOFFER**  
**STATE AUDITOR**



**STATE OF VERMONT**  
**OFFICE OF THE STATE AUDITOR**

TO: Senator Ann Cummings, Chair, Senate Committee on Finance  
DATE: January 24, 2020  
RE: S.191 Additional State Auditor's Office (SAO) Comments

As I mentioned during my testimony yesterday, SAO has additional comments related to S.191.

Please see the table below for additional comments.

SAO's observations address the use of TIF district debt to pay for related costs and the calculation of education and municipal tax increment when there is a municipal tax stabilization agreement in a TIF district.

Respectfully,

A handwritten signature in black ink that reads "DOUG HOFFER".

Doug Hoffer

Additional SAO comments on provisions of S.191

<b>S.191 proposed addition/amendment</b>	<b>SAO observation</b>	<b>Potential language</b>
<p>Sec. 2. 24 V.S.A. §1891 (7) Amended definition of financing to permit payment for the cost of related costs to include direct payment using tax increment.</p>	<p>We suggest an additional clarification to statute.</p> <p>An August 2018 Attorney General Office opinion provided to the SAO concluded that statutes were less than clear but may be read to allow TIF debt to be used to finance related costs. If this conclusion reflects legislative intent, address the lack of clarity in statutes by specifying that related costs may be financed with TIF district debt.</p>	<p>Clarify 24 V.S.A. §1891(7) “Financing” means debt incurred, including principal, interest, and any fees or charges directly related to that debt, or other instruments or borrowing used by a municipality to pay for improvements <u>and related costs</u> in a tax increment financing district, only if authorized by the legal voters of the municipality...”</p>
<p>Sec. 4. 32 V.S.A. §5404a (b)(2) Added provision <u>(2) Notwithstanding any other provision of law, if a municipality has entered into an agreement that reduces the municipality’s education property tax liability under this chapter and the municipality establishes a tax increment financing district under 24 V.S.A. chapter 53, subchapter 5, the municipality’s education tax increment shall be calculated based on the assessed value of the properties in the municipality’s grand list and not on the stabilized value.</u></p>	<p>This provision addresses the calculation of education tax increment when there is a municipal agreement to stabilize property tax values for a property in the TIF district, but it does not address how to calculate the municipal tax increment under these circumstances. Consider whether a similar requirement should be put in place for the calculation of municipal tax increment.</p> <p>It’s not clear whether the calculation of municipal tax increment should be on the municipal grand list value or the stabilized value. However, allowing the calculation of municipal tax increment on the stabilized value will reduce the municipal tax increment required to be contributed to the TIF district for repayment of debt and related costs.</p> <p>Since 5404a of Title 32 falls under a chapter on education property tax, consider adding language related to the municipal tax increment in Title 24. In addition, consider adding language to Title 24 for the calculation of the education property tax increment as well.</p>	<p>Amend 24 V.S.A. §1896(a) In each year following the creation of the district, the listers or assessor shall include no more than the original taxable value of the real property in the assessed valuation upon which the treasurer computes the rates of all taxes levied by the municipality and every other taxing district in which the tax increment financing district is situated; but the treasurer shall extend all rates so determined against the entire assessed valuation of real property for that year. In each year for which the assessed valuation exceeds the original taxable value, the municipality shall hold apart, rather than remit to the taxing districts, that proportion of all taxes paid that year on the real property in the district which the excess valuation bears to the total assessed valuation. The amount held apart each year is the "tax increment" for that year. <u>The assessed valuation for the education tax increment calculation and the municipal tax increment calculation shall be based on the education and municipal grand list, as appropriate, which shall not be reduced for tax stabilization agreements or any other agreements that reduce taxpayer property tax liability.</u></p>