

1 TO THE HOUSE OF REPRESENTATIVES:

2 The Committee on Ways and Means to which was referred Senate Bill
3 No. 33 entitled “An act relating to project-based tax increment financing”
4 respectfully reports that it has considered the same and recommends that the
5 bill be amended by striking out all after the enacting clause and inserting in
6 lieu thereof the following:

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

8 § 1891. DEFINITIONS

9 When used in this subchapter:

10 * * *

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

16 “Improvements” does not include the funding of debt service payments.

17 * * *

18 (7) “Financing” means debt incurred, including principal, interest, and
19 any fees or charges directly related to that debt, or other instruments or
20 borrowing used by a municipality to pay for improvements in a tax increment
21 financing district, only if authorized by the legal voters of the municipality in

1 accordance with section 1894 of this subchapter. Payment for the cost of
2 district improvements may also include direct payment by the municipality
3 using the district increment. However, such payment is also subject to a vote
4 by the legal voters of the municipality in accordance with section 1894 of this
5 subchapter and, if not included in the tax increment financing plan approved
6 under subsection 1894(d) of this subchapter, is also considered a substantial
7 change and subject to the review process provided by subdivision 1901(2)(B)
8 of this subchapter. If interfund loans within the municipality are used as the
9 method of financing, no interest shall be charged. Bond anticipation notes may
10 be used as a method of financing; provided, however, that bond anticipation
11 notes shall not be considered a first incurrence of debt pursuant to subsection
12 1894(a) of this subchapter.

13 * * *

14 (9) “Active district” means a district that has been created pursuant to
15 subsection 1892(a) of this subchapter, has not been terminated pursuant to
16 subsection 1894(a) of this subchapter, and has not retired all district financing
17 or related costs.

18 Sec. 2. 24 V.S.A. 1892 is amended to read:

19 § 1892. CREATION OF DISTRICT

20 * * *

1 (d) ~~The following municipalities have been authorized to use education tax~~
2 ~~increment financing for a tax increment financing district:~~

3 ~~(1) the City of Burlington, Downtown;~~

4 ~~(2) the City of Burlington, Waterfront;~~

5 ~~(3) the Town of Milton, North and South;~~

6 ~~(4) the City of Newport;~~

7 ~~(5) the City of Winooski;~~

8 ~~(6) the Town of Colchester;~~

9 ~~(7) the Town of Hartford;~~

10 ~~(8) the City of St. Albans;~~

11 ~~(9) the City of Barre;~~

12 ~~(10) the Town of Milton, Town Core; and~~

13 ~~(11) the City of South Burlington~~ There shall be not more than 14 active
14 districts in the State at any time.

15 * * *

16 (h) Annually, based on the analysis and recommendations included in the
17 reports required in this section, the General Assembly shall consider the
18 amount of new long-term net debt that prudently may be authorized for TIF
19 districts in the next fiscal year and determine whether to expand the number of
20 active TIF districts or similar economic development tools ~~in addition to the~~
21 ~~previously approved districts referenced in subsection (d) of this section and~~

1 ~~the six additional districts authorized by 32 V.S.A. § 5404a(f) in subsection (d)~~
2 of this section.

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

4 § 1895. ORIGINAL TAXABLE VALUE

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

12 (b) Boundary of the district. No adjustments to the physical boundary lines
13 of a district shall be made after the approval of a tax increment financing
14 district plan.

15 Sec. 4. 24 V.S.A. § 1896 is amended to read:

16 § 1896. TAX INCREMENTS

17 (a) In each year following the creation of the district, the listers or assessor
18 shall include ~~no~~ not more than the original taxable value of the real property in
19 the assessed valuation upon which the treasurer computes the rates of all taxes
20 levied by the municipality and every other taxing district in which the tax
21 increment financing district is situated; but the treasurer shall extend all rates

1 so determined against the entire assessed valuation of real property for that
2 year. In each year ~~for which the assessed valuation exceeds the original~~
3 ~~taxable value~~, the municipality shall hold apart, rather than remit to the taxing
4 districts, that proportion of all taxes paid that year on the real property in the
5 district ~~which~~ that the excess valuation bears to the total assessed valuation.
6 The amount held apart each year is the “tax increment” for that year. ~~No~~ Not
7 more than the percentages established pursuant to section 1894 of this
8 subchapter of the municipal and State education tax increments received with
9 respect to the district and committed for the payment for financing for
10 improvements and related costs shall be segregated by the municipality in a
11 special tax increment financing account and in its official books and records
12 until all capital indebtedness of the district has been fully paid. The final
13 payment shall be reported to the treasurer, who shall thereafter include the
14 entire assessed valuation of the district in the assessed valuations upon which
15 municipal and other tax rates are computed and extended and thereafter no
16 taxes from the district shall be deposited in the district’s tax increment
17 financing account.

18 * * *

19 (e) In each year, a municipality shall remit not less than the aggregate tax
20 due on the original taxable value to the Education Fund.

1 Sec. 5. 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
21 municipal and education tax increment shall be calculated based on the

1 assessed value of the properties in the municipality’s grand list and not on the
2 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 (1) In a municipality with one or more approved districts, the Council
13 shall not approve an additional district until the municipality retires the debt
14 incurred for all of the districts in the municipality.

15 (2) The Council shall not approve ~~more than six districts in the State,~~
16 ~~and not a district if it will result in the total number of active districts, as~~
17 defined in 24 V.S.A. § 1891(9), exceeding the limit set forth in 24 V.S.A.
18 § 1892(d) and shall not approve more than two per county, provided:

19 (A) ~~The districts listed in 24 V.S.A. § 1892(d) shall not be counted~~
20 ~~against the limits imposed in this subdivision (2).~~

1 (~~B~~) The Council shall consider complete applications in the order
2 they are submitted, except that if during any calendar month the Council
3 receives applications for more districts than are actually available in a county,
4 the Council shall evaluate each application and shall approve the application
5 that, in the Council's discretion, best meets the economic development needs
6 of the county.

7 (~~C~~)(B) If, while the General Assembly is not in session, the Council
8 receives applications for districts that would otherwise qualify for approval
9 but, if approved, would exceed the ~~six-district~~ 14 active-district limit in the
10 State, the Council shall make one or more presentations to the Emergency
11 Board concerning the applications, and the Emergency Board may, in its
12 discretion, increase the ~~six-district~~ 14 active-district limit.

13 * * *

14 Sec. 6. REPORT; DEPARTMENT OF TAXES; LOCAL OPTION TAX;
15 MUNICIPAL INFRASTRUCTURE IMPROVEMENTS

16 (a) On or before January 1, 2023, the Commissioner of Taxes shall submit
17 a written report to the House Committees on Government Operations and on
18 Ways and Means and the Senate Committees on Finance and on Government
19 Operations that recommends a program to allow a municipality to adopt a local
20 option tax under 24 V.S.A. § 138 without requiring legislative approval by the
21 General Assembly, provided that:

1 (1) all revenue from the local option tax is:

2 (A) used only for specified municipal projects for infrastructure
3 improvements; and

4 (B) deposited into a special or limited-use fund;

5 (2) the imposition of the local option tax is limited in duration to the
6 term of repayment of a municipal debt obligation; and

7 (3) notwithstanding 24 V.S.A. § 138(c) and (d):

8 (A) the Department shall collect the per-return fee for the costs of
9 administration and collection under 24 V.S.A. § 138(c) from the municipality
10 only; and

11 (B) all revenue from the local option tax after reduction for the costs
12 of administration and collection shall be paid to the municipality.

13 (b) As part of the recommendation described in subsection (a) of this
14 section, the Commissioner of Taxes shall consider whether a municipality that
15 already has a local option tax can use the program and, if so, whether any other
16 conditions should apply.

17 **Sec. 7. EFFECTIVE DATE**

18 This act shall take effect on passage.

19

20

21

1 (Committee vote: _____)

2

3

Representative _____

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FOR THE COMMITTEE

DRAFT