



VERMONT LEGISLATIVE  
**Joint Fiscal Office**

1 Baldwin Street • Montpelier, VT 05633-5701 • (802) 828-2295 • <https://jfo.vermont.gov>

**Fiscal Note**

Date

Authors

**S.33 – An act relating to miscellaneous changes to tax increment financing provisions**

**As passed by the Senate and further recommended by the House Committee on Ways and Means, Draft 1.3**

<https://legislature.vermont.gov/Documents/2022/WorkGroups/House%20Ways%20and%20Means/Bills/S.53/S.33~Committee~As%20Recommended%20by%20the%20House%20Committee%20on%20Ways%20and%20Means~5-5-2022.pdf>

**Bill Summary**

**T**his bill makes numerous technical changes to tax increment financing (TIF) statute. It clarifies that debt service reserve funds are not an eligible TIF improvement. It disallows the use of bond anticipation notes as a first incurrence of debt and disallows a district to adjust its boundaries after being created. It clarifies that, in the event the value of a parcel decreases or is subject to a tax stabilization agreement, a municipality is always responsible for remitting the tax due on the original taxable value. Finally, it directs the Department of Taxes to study a potential program that allows municipalities to adopt local option taxes for the purpose of funding infrastructure improvements.

**Fiscal Impact**

JFO estimates the bill will have little to no fiscal impact on the Education Fund. As explained in further detail in the following paragraphs, this bill clarifies ambiguities in current law to prevent potential revenue impacts.

Section 1 disallows future TIF districts from using bond proceeds to fund debt service reserves. JFO has estimated that allowing the use of debt service reserves would have had a small impact (less than \$100,000 per year) on the Education Fund. Current law is unclear as to whether these funds are currently allowed, and the language in this bill clarifies these funds are not allowed. To the extent that municipalities would have used them absent this bill, this bill prevents that revenue impact on the Education Fund.

Section 3 prevents municipalities from adjusting the boundaries of their TIF district after creation. Again, current law is ambiguous on whether this practice is allowed. This language clarifies that ambiguity to prevent adjustment of boundaries of a TIF district after creation. To the extent that Vermont's current and future districts would adjust their TIF boundaries absent this law, this bill prevents that revenue impact on the Education Fund.