

Tax Increment Financing and the Grand List

Property Valuation and Review
Vermont Department of Taxes

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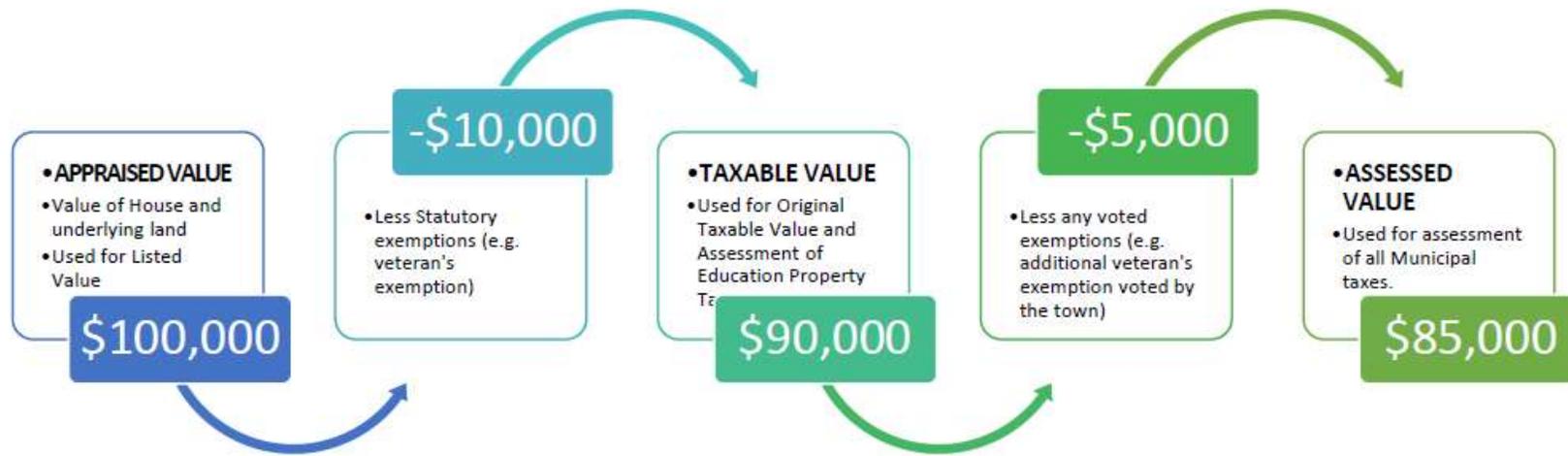
Property Valuation and Review (PVR)

- › Vermont utilizes a statewide property tax system – all revenue raised goes to support education across the State using a statewide funding model. Within this statewide system, local municipalities are still responsible for maintaining their local property values.
- › The Division of Property Valuation and Review (PVR) oversees the administration and municipal coordination of this statewide program.
- › PVR staff includes both office staff located in Montpelier as well as traveling regional District Advisors (DAs). DAs offer direct support, including administrative and technical advice, to local assessment officials or listers to help municipalities generate and maintain their property values in adherence with the statewide statutes.

Property Valuation and Review (PVR)

- › PVR hosts a statewide data and software system to collect the education property values from each municipality per 32 V.S.A. §5404(b) and to implement the statewide education property tax system. This system facilitates the collection of municipal and education property tax and is used by every municipality in the state.
- › In addition to compiling, aggregating, and publicizing the statewide grand list data, this system manages all data required to generate and issue property tax bills, including but not limited to current use enrollments, homestead declarations, statutory and locally voted exemptions, **tax increment financing districts**, and tax rates.
- › *Grand list = property values divided by 100.*

Overview of Assessment Terms



Tax Increment Financing (TIF)

- › Tax Increment Financing (TIF) is a tool for municipalities to finance public infrastructure projects. These public improvements stimulate property development and growth in property values. Through this program, the municipality retains a portion of the education and municipal property tax revenue from that growth to pay for the infrastructure debt, for a set duration of time.
- › In a TIF district this growth in property value is referred to as increment.

TIF Definitions/Example

- › When a TIF district is created the original taxable value (OTV) is determined, this is the value of all property within the district prior to any development. OTV = \$500,000
- › Each year the current taxable value of all properties in the TIF district is compared to the OTV to determine the increment.
- › Current Value = \$750,000; OTV = \$500,000; Increment = \$250,000
- › If the increment is positive the municipality is eligible to retain a percentage of the property tax revenue generated on the increment in a TIF fund.
- › Increment = \$250,000; Retention= 70%; Tax Rate = \$1.5
Property Revenue = $\$250,000 * 70\% * \$1.5 = \$262,500$

What does the PVR have to do with this?

- › PVR provides the software that enables towns to manage their education grand list.
- › Mechanically, the TIF program is provided as a property tax exemption. VEPC is not uniquely sending money to the towns but rather PVR is administering an exemption to the town's education grand list which enables them to remit less money than they were previously obligated to the State education fund.

TIF Property Tax Exemption Example

- › Total Education Grand List (EGL) = \$1,000,000
- › Education Tax Rate = \$1.5
- › Revenue Obligated to state Education Fund = \$1.5M
- › Total EGL = \$1,000,000
- › TIF Increment = \$250,000
- › Retention % = 70%
- › TIF Exemption = \$250,000 * 70% = \$175,000
- › EGL – TIF Exemption = \$825,000
- › Revenue obligated = \$1.2375M (*\$262,500 less*)

Management of TIF Parcels

- › At the beginning of a TIF district the town is required to identify every parcel in the TIF district.
- › These parcels are then reviewed and certified
- › PVR's involvement in the certification process to ensure that all the parcels and values identified are consistent with the final grand list as submitted by the town.
- › Once parcels are finalized, all the parcels are recorded in the State's grand list software.

Management of TIF Parcels

- › Once a parcel is identified as being within the TIF district, it must always remain with the district.
- › For example, if a property owner within the TIF buys the property next door, the two properties will be merged into one active parcel (so the taxpayer will only receive one bill for the full value of both properties), but for the purposes of TIF, both the original SPANs must remain so that the OTV of both properties can continue to be tracked. In the TIF management program the municipality would identify one of the parcels as inactive.
- › Scenarios such as this and many others are identified and explained in detail in VEPC TIF District Administrative Rule.
- › The TIF statutes and VEPC rule inform how PVR manages and performs the TIF calculations.

Conclusion

- › VEPC is the entity responsible for administration, oversight, rule making etc. for the TIF program.
- › PVR is tasked with implementing the TIF statutes and rules as administered by VEPC to ensure that municipalities can track and calculate the property increment, and subsequent revenues, associated with their TIF district.
- › PVR enables application of the TIF property tax exemption to the municipality's education grand list.
- › PVR also provides grand list and TIF district data to both VEPC and the State Auditor's office to enable them to complete their work, including but not limited to, reporting and review.

Contact Us

We strive to provide user friendly systems, clear guidance, and easy ways to contact the Department when taxpayers need help.



TAX.PVR@vermont.gov



802-828-5860



<https://tax.vermont.gov/>