

# TIF 101

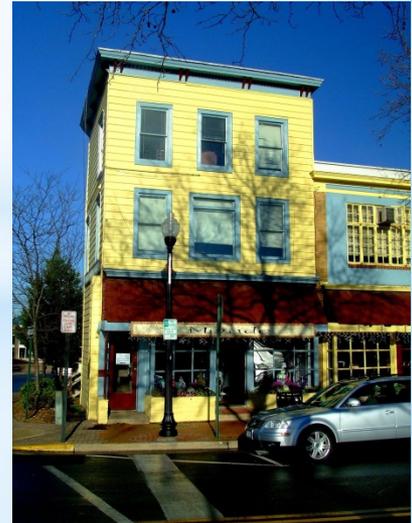
Overview on TIFs and Bowdoinham's  
Pipeline TIF

# Tonight We will

- \* Describe what a TIF is
- \* Look at how a TIF works
- \* Look at Bowdoinham's Pipeline TIF
- \* Consider the pros and cons of extending it

# What is a TIF?

- \* TIF stands for Tax Increment Financing
- \* It is structured so that towns can encourage economic development activity
- \* Its primary purpose was to help towns in poorer parts of the state to revive their economies



# What is in it for the Business?

- \* It can support the development of infrastructure that might benefit the business i.e. wastewater, internet, sidewalks
- \* It allows for marketing the community to encourage more people to come to town
- \* It can support community events which bring people to town
- \* It can support workshops and training to support business development
- \* There are other aspects to this that are more complicated and don't apply to Bowdoinham

# \* How Does it Work?

- \* When a business locates to a town or improves its property, the value of that property goes up.
- \* The business now owes additional property taxes on this improved asset
- \* A town can decide to take the added taxes and “shelter” them in a TIF fund for up to 30 years
- \* The town’s plan for their TIF fund has to meet Maine State standards and approved activities

# Illustration

# Description

- \* The town defines the TIF district boundary i.e. "the waterfront."
- \* The original assessed value is set and the taxes on that continue to go to the town's general fund. Example: \$50,000 is the assessed value
- \* Private investment/improvements happen and the value goes up. Example: now worth \$250,000.
- \* There is now \$200,000 of additional value. The taxes on that portion of the property's taxes can go into the TIF or the General Fund

# Why would a Town Do a TIF?

- \* To encourage a business to locate to their town or to improve their current facilities in the town;
- \* To shelter the new assessed value from the municipality's state valuation
- \* To focus town resources on needed economic development projects

# Tax Shift Benefit

It shelters the new assessed value from a town's state valuation.

This valuation impacts:

1. State education subsidies
2. County taxes
3. State revenue sharing subsidies
4. Local education contributions to the school district

# What happens if the town doesn't do a TIF?

- \* The improvements on the property raise the town's total assessed value
- \* The County now gets to assess and collect more money from the town
- \* The School District gets to assess and collect more money from the town
- \* The State gets to give less money to the town in revenue sharing since it has a higher valuation
- \* The town does get more money for its general fund which it can use on anything the town needs or for tax relief

# Summary

- \* If you TIF, you get more money with some restrictions
- \* If you don't TIF, you get less money with no restrictions

# What Projects will a TIF Fund?

- \* Community marketing
- \* Support for natural resource based businesses i.e. agriculture
- \* Technical assistance and networking to expand the markets for craftspeople and artists
- \* Development of recreation-based business opportunities;
- \* Support services for existing businesses
- \* Promotion of the town through town events
- \* And so much more

# What is the Pipeline TIF?

- \* When the gas pipeline went in, Bowdoinham set up a TIF District and was approved for its TIF plan for 20 years;
- \* This TIF will expire in 2020.
- \* We could extend it for a final 10 years
- \* The money we get each year is approximately \$70,000 to \$75,000 depending on the mill rate

# What it Funds

- \* The Town Newsletter
- \* Part of the budget for the Town Planning /Economic Development Office
- \* Town events i.e. Celebrate Bowdoinham
- \* The Summer Concert series
- \* Special projects i.e. the Welcome Signs

# What would happen if we don't extend?

- \* Instead of getting approximately \$75,000 per year into the TIF fund we would get approximately \$17,775 into the general fund.
- \* The \$17,775 could be used for anything that normally falls into the general fund purview
- \* The town shows the percentage of your taxes that go to the town. This year it is 23.7%. The rest support the schools and County.

# Questions?

(We'll try our best to answer)