

A secondary benefit to using tif

To 'shelter' against adjustments to State subsidies and County taxes based on a municipality's total valuation

A municipality's total Equalized Assessed Value (as of April 1) is used to compute:

- General Purpose Aid to Education (subsidy)
- State Revenue Sharing (subsidy)
- County Taxes (expense)

Subsidy/Tax adjustments

- State subsidies change inversely to value; County taxes change directly - as total value increases, the municipality will realize a decrease in Education and Revenue Sharing subsidies, and an increase in County tax obligations
- Therefore, new tax revenues resulting from a development project are reduced through loss of subsidies and increased county tax

How does 'sheltering' work?

- TIF allows the municipality to 'shelter' new value in a district from the computation of its state subsidies and county taxes.
- The 'sheltering' allows the municipality to retain all or a portion of those new tax revenues that would otherwise have gone to covering the cost of reduced subsidies or higher county taxes.
- Use of revenues captured and retained through TIF shelter is restricted and must be spent for approved economic development activities

Subsidy/Tax adjustments example

Assessed Value of New Investment - Year 1	\$10,000,000
Annual Tax (based on \$15.40/\$1,000 @100%)	\$154,000
Reduction in EPS Education Subsidy	-\$78,600
Reduction in Municipal Revenue Sharing	-\$8,375
Increase in County Tax	+\$14,469
Net to Town	\$52,556
Town retains 34¢ of every unsheltered dollar of new valuation as net new revenues	

Example based on funding formulas for FY 2013