

Tax Increment Financing Districts Boundary Adjustments Policy & Guidance

Act 72 (2023) revised 24 VSA § 1895 to add section (b) which reads: *Boundary of the district. No adjustments to the physical boundary lines of a district shall be made after the approval of a tax increment financing district plan.*

Where applicable, this policy supersedes **TIF Rule Section 905.5. Separation of a Parcel or Combination of two Parcels not located wholly within the District** and **905.7 Boundary Adjustments**. In addition, **TIF Rule 702. Properties within the boundary of the District** detail that parcels must be wholly located within the TIF District. This statement applies only when the TIF District is being created. Changes to the boundary after VEPC has approved the TIF District's Financing Plan are not allowed and shall no longer be considered as a substantial change request.

When an application for a TIF District is received by VEPC, VEPC staff works with their partners at the Department of Taxes, Property Valuation and Review, in collaboration with other entities as needed to ensure that no parcels have been inadvertently excluded based on the most current information available at that time. After VEPC has approved a TIF District's Financing Plan, there is an established process in place to certify the boundary and original taxable value of the District as of the District's creation date. During this certification process errors made affecting the boundary of a District will be corrected.

Examples of boundary adjustments that are not allowed after VEPC has approved the TIF District's Financing Plan include:

- (1) Expanding the boundary of a District to include additional parcels, such as parcels which may be developed.
- (2) Decreasing the boundary of a District to remove parcels, such as parcels which have decreased in taxable value.
- (3) Adjusting the boundary of a District due to changes in ownership lines, such as:
 - a. When a property owner within the TIF District assumes ownership an adjacent property outside of the District, making one parcel; or
 - b. Lot line adjustments between a property within the TIF District and an adjacent property outside of the District.

The above examples are not meant to encompass all possible examples of physical boundary adjustments that are not allowed. To reiterate, the only opportunities to change the boundary of a TIF District are:

- (1) Prior to VEPC's approval of the TIF District's Financing Plan.
- (2) During the original taxable value certification process.
- (3) Municipality or State Auditor's Office demonstrate that there is an obvious error.

Specific to the examples provided when there are changes in ownership lines, and similar situations, the following guidance is provided to TIF Districts:

1. A parcel, for purposes of tax administration, is the base unit to be reported in the Grand List book and defined as “all contiguous land in the same ownership, together with all improvements thereon” (32 V.S.A. § 4152(a) (3)). If the municipality has determined that property ownership lines have changed:
 - a. The municipality must notify VEPC and the Tax Department prior to making adjustments to the Grand List and prior to submitting the Grand List to the Tax Department. Failing to provide notification may result in incorrect tax increment calculations.
 - b. The OTV assigned to the parcel(s) in their original configuration as certified by the municipality, Tax, and VEPC shall remain the OTV for such parcel(s).
 - c. Changes in value of the parcel(s) shall be evaluated by the municipality based on the factors set forth in 32 V.S.A. § 3481 and the highest and best use. Values shall be allocated to the portion that is within the TIF District and the portion that is outside the TIF District.
2. The municipality shall retain documentation pertaining to how the values were determined for the portion located within and outside of the TIF District, inclusive of an overview map depicting the changes to the parcel and the original boundary of the TIF District.
3. In no case shall the taxable value of the portions of the parcel within the TIF District and outside the TIF District exceed the total taxable value of the parcel.
4. The new taxable value of the portion of the parcel shall be recorded in the Grand List module for inclusion in tax increment calculations.

TIF Rule will be revised to reflect and provide clarification on this legislative change.

Adopted by VEPC: 11.16.2023