

# Maine's New Transit-TIF and Financing Expanded Operations

Tax Shelter Benefits of Tax Increment Financing Districts

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# Tax Shelter Benefits of Tax Increment Financing Districts

TIFs shelter new value from “State Valuation.” A town’s State Valuation effects 3 important areas of municipal finance:

- State Education Subsidy,
- County Taxes, and
- State Revenue Sharing Subsidy.

# State Valuation

- Maine Revenue Services collects reported data from all municipalities and sets a *State Valuation* for each community – the total amount of assessed value in a community.
- Lag Time: a town's total valuation for 2009 will not be used to calculate that same year's 2009 State Revenue Sharing Subsidy, State Education Subsidy or the amount of County Tax that community owes. There is a lag time of a couple of years in order to ensure that the State Valuation figures are accurate in relation to one another. It is their *comparative values* that are important for these calculations.

# State Education Subsidy – Step 1

The State Education Department calculates what each school district requires to cover “Essential Programs and Services” or “EPS.”

In districts with more than one town, the EPS amount is divided by the percentage of pupils per town to arrive at each town’s allocation.

## Town of Chester Example:

*SAD 67’s budgetary requirements to meet EPS = \$9 million*

| Town         | % of pupils | Town EPS Allocation |
|--------------|-------------|---------------------|
| Chester      | 7.31%       | \$657,699           |
| Lincoln      | 83.20%      | \$7,485,368         |
| Mattawamkeag | 9.49%       | \$853,800           |

# State Education Subsidy – Step 2

The State Education Department arrives at a statewide mil rate that it applies to each town's State Valuation. The product of this mil rate and a town's State Valuation is a town's contribution.

## Town of Chester Example:

- 2008-2009 statewide mil rate = **6.55**
- Chester's 2007 State Valuation = **\$49,700,000**
- Chester's town contribution =  $\$49,700,000 * (6.55/1000) =$   
**\$325,535**

# State Education Subsidy – Step 3

The State then makes up the difference between the town contribution and the town allocation.

## Town of Chester Example:

- *Chester's Education Subsidy =*  
 $\$657,669 - \$325,535 = \underline{\underline{\$332,134}}$

# State Education Subsidy Shelter Benefit Chester Example

Assume a New Development Comes to Chester - Assessed at \$30 million

## TIF Capturing All Value Nothing Changes

1. SAD 67's EPS budget = \$9 million
  - Chester had 7.31% of pupils, so Chester's allocation was \$657,669
2. 2008-2009 statewide mil rate = 6.55  
Chester's 2007 State Valuation = \$49,700,000  
Chester's town contribution =  
\$49,700,100 \*(6.55/1000) = \$325,535
3. Chester's Education Subsidy =  
\$657,669 – \$325,535 = \$332,134

## No TIF Big Changes

1. SAD 67's EPS budget = \$9 million
  - Chester had 7.31% of pupils, so Chester's allocation was \$657,669
2. 2008-2009 statewide mil rate = **6.55**  
Chester's 2007 State Valuation =  
\$49,700,000 + \$30,000,000 =  
\$79,700,000  
Chester's town contribution =  
\$79,700,000 \*(6.55/1000) = \$522,035
3. Chester's Education Subsidy =  
\$657,669 – \$522,035 = \$135,634

## Minimum Receiver Note

- State Statute requires the State provide at least 84% of the total special education costs in its Education Subsidy.
- If the calculation of the Education Subsidy described above does not reach this threshold, the town will receive additional monies.
- In this case, the Shelter Benefit of a TIF may be eliminated or reduced in years when a town qualifies as a minimum receiver.



## “Over EPS” Budget Note

- In School Districts with multiple municipalities, there is often an “over EPS” budget.
- Each school district allocates responsibility for this “over EPS” portion of its budget according to its own formula.

# State Revenue Sharing Subsidy

- Revenue Sharing
  - Calculation of subsidy based on town population, total pot of revenue sharing funds available in a given year, the town's State Valuation, and the town's recent property tax levy.
  - As a town's State Valuation increases, it's Revenue Sharing Subsidy decreases.

# County Taxes

- County taxes are assessed by the County depending entirely on State Valuation.
- As a town's State Valuation increases, it's proportional responsibility for County Taxes increases as well.

**Thank you**

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