

---

---

MATTHEW J. THOMAS, ESQ.

---

---

Attorney at Law

4 PARK PLACE • SUITE 101 • NEW BEDFORD • MA 02740  
MJT@MJTHOMASLAW.COM  
508-994-1500 • FAX: 508-990-1916

MAAO 2022 SUMMER CONFERENCE  
TIFs, TIES & SOLAR PILOTS - GETTING OUT OF THE BLOCKS CLEANLY

**TIF EXAMPLE**

**ASSUMPTIONS:**

An LLC is developing a medical instruments manufacturing facility on a vacant parcel of land that was assessed at \$1,000,000 for FY2020. They are retaining 35 jobs and creating another 100 jobs. The Certificate of Completion is issued on 8/1/2020. The Assessors have determined that the assessed value of the property (land & building) is now \$6,000,000.

The LLC and the municipality negotiated a TIF that provides 15 years of exemptions on the real estate and 5 years of exemptions on the personal property. The TIF provides, in part:

The exemption for real estate taxes shall commence in the fiscal year following the date a certificate of occupancy has been issued to allow the Company to use and occupy the Project in its entirety.

During the 1<sup>st</sup> year of the TIF the real estate exemption is 95% and the personal property exemption is 100%.

Since the Certificate of Completion issued on 8/1/2020, the project is assessed at full value for FY2021.

**CALCULATING THE ASSESSED VALUE DURING THE 1<sup>ST</sup> YEAR OF THE TIF:**

1. Calculate the Inflation Factor
  - a. The Base Value of \$1,000,000 will be multiplied by an Inflation Factor during FY2022;
  - b. In FY2022 there are 10 non-TIF eligible parcels of commercial and industrial (C&I) land in the municipality with a total valuation of \$11,000,000;
  - c. In the base FY2021 those same 10 parcels had a total valuation of \$10,000,000;
  - d. In FY2022, \$500,000 of the municipality's Proposition 2½ levy limit due to approved tax base growth is attributable to the C&I classes;

- e. The FY2022 total value of non-TIF eligible C&I parcels (\$11,000,000) minus the FY1 new growth attributed to the C&I class (\$500,000) equals \$10,500,000 which becomes the numerator;
  - f. The FY2021 value of the non-TIF eligible C&I parcels which is \$10,000,000 becomes the denominator.
  - g.  $\$10,500,000 / \$10,000,000$  equals 1.05% - this is the Inflation Factor
2. Multiply the Inflation Factor of 1.05% by the Base Value of \$1,000,000 to determine the Annually Adjusted Base Value - \$1,050,000.
  3. Subtract the Adjusted Base Value from the FY2022 Fair Cash Value:

|                              |                     |
|------------------------------|---------------------|
| FY2022 Fair Cash Value       | \$ 6,000,000        |
| Annually Adjusted Base Value | <u>\$ 1,050,000</u> |
| FY2022 Adj. Fair Cash Value  | \$ 4,950,000        |

4. Multiply FY2022 Adjusted Fair Cash Value by the Year 1 Exemption Percentage of 95%:

|                             |              |
|-----------------------------|--------------|
| FY2022 Adj. Fair Cash Value | \$ 4,950,000 |
| Year 1 Exemption Percentage | <u>.095</u>  |
| FY2022 Exempted Amount      | \$ 4,702,500 |

5. Subtract FY2022 Exempted Amount from FY2022 Fair Cash Value to determine the FY2022 TIF Impacted Assessed Value:

|                                    |                     |
|------------------------------------|---------------------|
| FY2022 Fair Cash Value             | \$ 6,000,000        |
| FY2022 TIF Exempted Value          | <u>\$ 4,702,500</u> |
| FY2022 TIF Impacted Assessed Value | \$ 1,297,500        |

NB: Based on Attachment 2 set forth in MassDOR IGR 19-13 (Issued December 2019).