

Local Incentive Only TIFs...

Municipalities Now Take the Wheel.



MAAO Spring Conference

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What is a TIF ?

- TIF is an acronym for “Tax Increment Financing”.
- In Massachusetts, a TIF is actually a specific type of tax increment financing.



A Little Massachusetts Context

- In the Beginning....Chapter 23A was amended by Chapter 19, Section 4 of the Acts of 1993.
- Added Sections 3A – 3F to Chapter 23A;
 - Created the EACC & the EDIP;
 - Allowed for the creation of ETAs & EOAs;
 - Allowed for Special Tax Assessments.



A Little Massachusetts Context

- Chapter 40 was amended by Chapter 19, Section 12 of the Acts of 1993.
- Added Section 59 to Chapter 40;
 - Authorized the creation of TIF Zones;
 - Authorized TIF Agreements of not more than 20 years to be executed by legislative & executive branches of the municipality.



A Little Massachusetts Context

- Chapter 59, Section 5 was amended by Chapter 19, Section 14 of the Acts of 1993.
- Added Clause 51st to Chapter 59, Section 5;
 - Created Real Property Tax Exemptions as set forth in TIF Agreement;
 - Created 100% Personal Property Exemption.



A Little Massachusetts Context

- Chapter 23A, Sections 3A – 3F were substantially amended by Chapter 287 of the Acts of 2014.
- Uncoupled Certified Projects from ETA & EOAs;
- Uncoupled TIFs/STAs from ETAs & EOAs
- Allowed for “Local Incentive Only” TIFs/STAs



A Little Massachusetts Context

- Chapter 23A, Sections 3A - 3F were again substantially amended by Chapter 219 of the Acts of 2016.
- Totally rewrote Chapter 23A, Sections 3A - 3F
- Greater flexibility in STA provisions
- Provided for “Clawbacks”



How Does a TIF Work ?





Chapter 238 of the Acts of 2024

- Sections 20 to 39 made one very simple change...
 - They removed the EACC from the approval and supervision of Local Incentive Only TIFs.
- Sections 164 to 170 made one very simple change...
 - They removed the EACC from the approval and supervision of Local Incentive Only TIFs.



Chapter 238 of the Acts of 2024

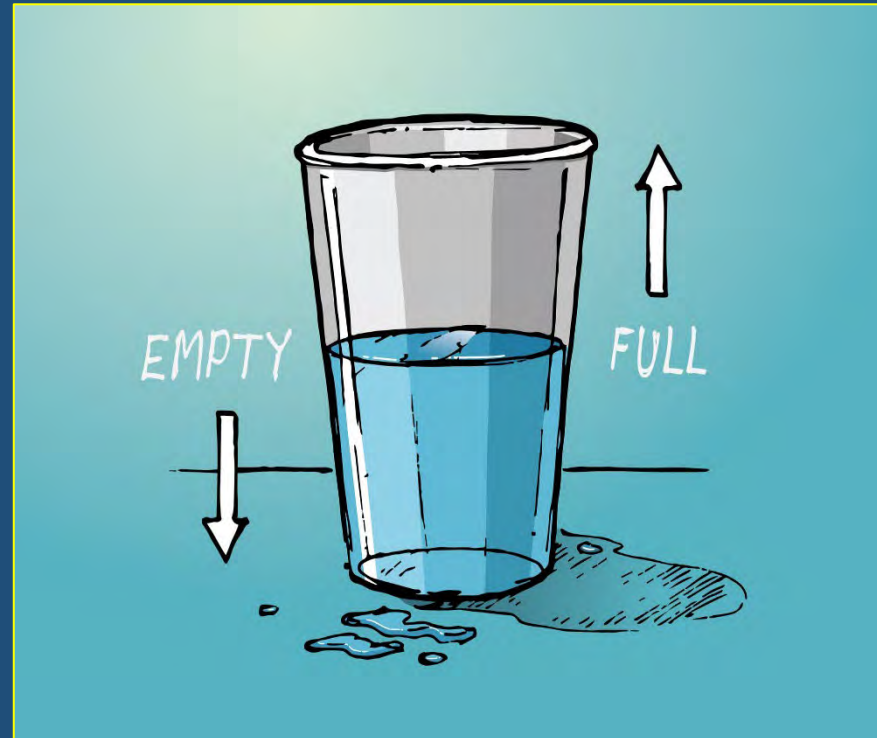
- While it was a very simple change, it brings about a number of issues that must be addressed:
 - Need for new applications & reports;
 - Need for new Guidelines;
 - Review and Amendment of existing TIFs;
 - Justification for New TIFs;
 - Multi-tenant Properties;
 - Personal Property TIFs.



Do TIFs Work ?

“Half Empty”

- Corporate Subsidy.
- Impact of rest of tax base.
- “They would have invested anyway.”



“Half Full”

- No decrease in tax revenue.
- Encourages development.
- Job creation.
- Creates “New Growth.”



New Application & Reports

Previously companies receiving TIFs were required to file annual reports with EACC through the online portal.

- the number of jobs retained and created,
- the value of the property capital investments, and
- other related items with respect to the property annually and on a cumulative basis.



TIF Additional Reporting

- Pursuant to Chapter 40, Section 59(viii) Companies receiving TIFs must file reports with the Town Clerk:
 - detailing the status of the construction laid out in the agreement,
 - the current value of the property, and
 - the number of jobs created to date as a result of the agreement.



New Guidelines

- Previously the EACC provided bumpers of sorts as to what could happen in a TIF.
- The “bumpers” are now gone.
 - A matrix regarding investment and exemptions;
 - A matrix regarding jobs created and exemptions



Review & Amend Existing TIFs

- Previously executed TIFs refer to regulations that no longer exist & to the role the EACC will play in decertification.
- Need to review and amend existing TIFs:
 - Reporting;
 - Default & Termination;
 - Clawbacks.



Justification for New TIFs

In order to grant a TIF, the municipality must find that there is a strong likelihood that any of the following will occur within the area in question within a specific and reasonably proximate period of time:



Justification for New TIFs

(i) a significant influx or growth in business activity

- Whose business activity?
- What kind of influx?
- What is “significant” ?



Justification for New TIFs

(ii) the creation of a significant number of new jobs and not merely a replacement or relocation of current jobs within the Commonwealth;

- What kind of jobs?
- What is significant?



Justification for New TIFs

(iii) a private project or investment that will contribute significantly to the resiliency of the local economy.

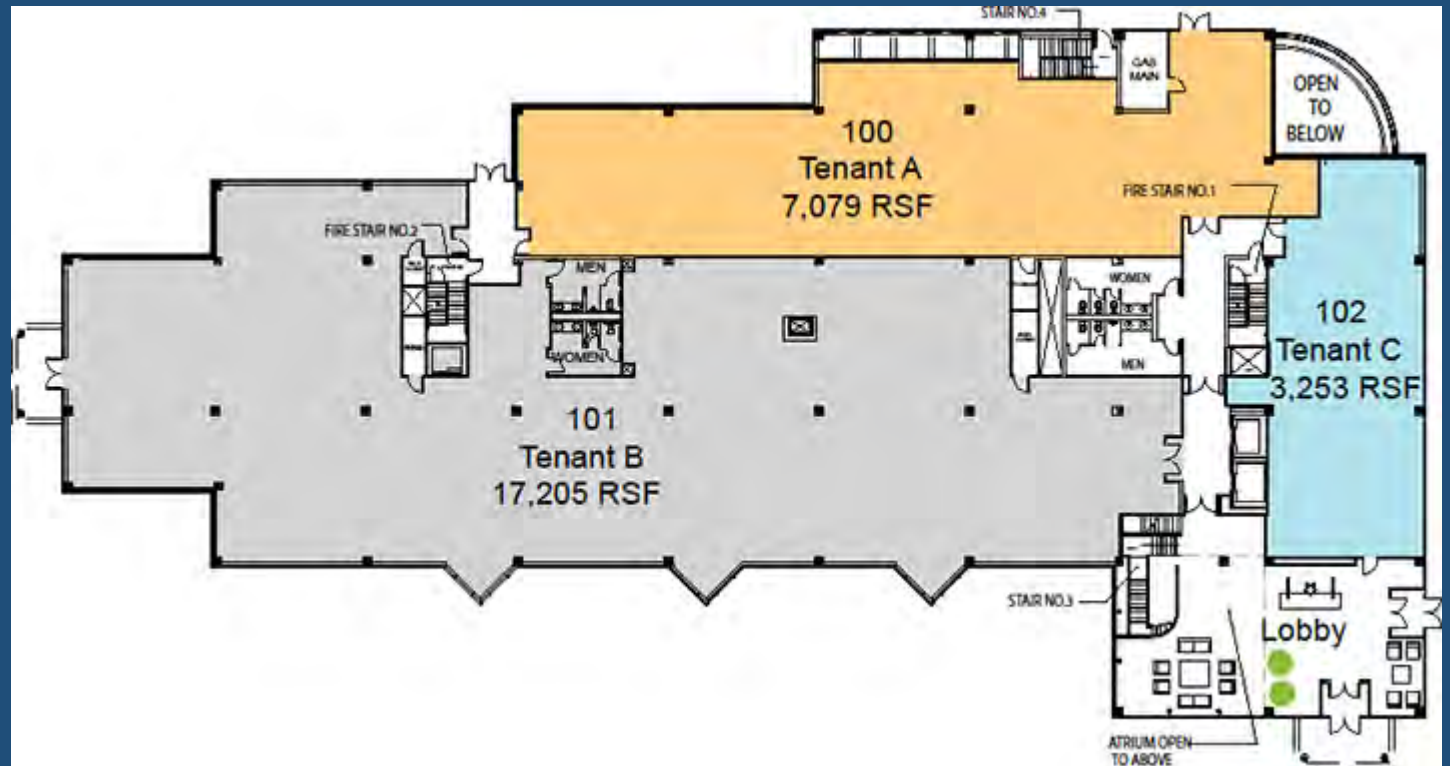
- How do you measure the impact on the resiliency of the local economy?
- What is significant?



Multi-Tenant Properties

A real estate TIF runs to the property owner.

- How do you handle a property with one tenant in place, and space for other tenants?





Personal Property TIFs

- It's important to keep depreciation in mind in a Personal Property Only TIF
- Sometimes it's a necessary evil in a real estate TIF

<u>Year</u>	<u>Value</u>	<u>TIF %</u>
Year 1	\$ 3,000,000	100%
Year 2	\$ 2,700,000	100%
Year 3	\$ 2,565,000	100%
Year 4	\$ 2,436,750	75%
Year 5	\$ 2,314,913	75%
Year 6	\$ 2,199,167	75%
Year 7	\$ 2,089,209	50%
Year 8	\$ 1,984,748	50%
Year 9	\$ 1,885,511	25%
Year 10	\$ 1,791,235	25%
Year 11	\$ 1,701,673	0%



Thank You!

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*May your departures
equal your landfalls!*

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