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**For Immediate Release**  
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## **State Auditor Tom Salmon Releases Report on Town of Milton Tax Increment Financing Districts**

*Overall, the audit found the Town did not administer the districts according to many requirements in state statute and owes \$3.4 million to the state's Education Fund.*

**MONTPELIER** – On January 19, 2012, State Auditor Tom Salmon, CPA, CFE, released the results of the second of four planned audits that evaluate the state's current active tax increment financing (TIF) districts. The first audit, City of Newport TIF district, was released June 2011. State law requires that the State Auditor audit all active TIF districts every four years.

Typically, when a TIF district is established, certain real estate parcels within a municipality are designated as comprising the TIF district. Establishment of a TIF district allows a municipality to designate an area for improvement and earmark expected future growth in property tax revenues (i.e. incremental property tax revenue) in the designated area to pay for debt incurred to finance the costs of improvements. Incremental property tax revenue is comprised of (1) incremental municipal property tax revenue and (2) incremental statewide education property tax revenue and is calculated as the growth in TIF district property values multiplied by the municipal tax rate and the statewide education property tax rate. The TIF program allows municipalities to retain incremental statewide education property tax revenue rather than remit these taxes to the state. Those municipalities with approved TIF districts are able to retain incremental statewide education property tax revenue to the extent all of the incremental property tax revenue (i.e. both the incremental municipal property tax revenue and statewide education property tax revenue) is used for debt repayment or prefunding.

The objectives of the audit of Milton's two TIF districts included determining if the Town of Milton's TIF districts were established and administered according to statutory requirements. The audit also examined the extent to which the municipality established

performance measures and monitored actual performance results that demonstrate the TIF districts are meeting intended goals.

The auditor's office found that Milton complied with state statutes for the formation of the districts, holding public meetings and obtaining required approvals. However, the Town's approach to administering the TIF districts was not always in accordance with statutory requirements. Of the \$4.5 million of incremental property tax revenue used by Milton for TIF district activities, Milton used about \$3 million, or 67 percent, for purposes other than debt repayment or prefunding – the only allowed uses per statute. In addition, Milton omitted greater than \$1.5 million of the incremental municipal property tax revenue from its calculation of incremental property tax revenue generated by the TIF districts. Because of these mistakes, the Town retained \$3.4 million of incremental statewide education property tax revenue that should have been remitted to the state.

The audit attributed the underpayment to multiple causes, including (1) the decision made by Town officials not to contribute the municipal portion of property taxes of the TIF district because of a perceived state commitment to minimize the cost impact of the TIF districts improvements to Milton, (2) misinterpretation of statutory requirements and (3) a lack of documented policies and procedures relative to TIF district administration.

The office also found that the Town lacked a systematic mechanism to evaluate whether the TIF districts were meeting intended goals.

The audit recommended that the Town arrange to pay the amounts owed to the state and that the Town designate an official to be responsible for developing, documenting and implementing a system to accurately calculate incremental property tax revenue, the amount that may be retained and that this work be reviewed by another individual. The report also recommended that the Town designate an official to have responsibility for monitoring TIF district performance against established goals.

“The TIF program is complicated to administer, but I am confident that implementation of our audit recommendations will help the Town of Milton to improve the TIF districts' overall management and provide for accurate measurement and reporting of the TIF districts' annual activity” said Salmon.

The report *“Tax Increment Financing Districts; Town of Milton Generally Appropriately Established Districts, but the Administration Was Flawed”* can be found on the auditor's web site @ [www.auditor.vermont.gov](http://www.auditor.vermont.gov).