



# TIF - Tax Increment Finance Districts

## WHAT IS A "TIF"?

The Maine Legislature established the municipal tax increment financing ("TIF") program as an economic development tool to be used by municipalities to provide new or continued employment opportunities, improve and broaden its tax base, and improve the general economy of the State.

A TIF is a flexible finance tool used by municipalities to leverage new property taxes generated within a defined geographic district. Any portion of the new taxes may be used to finance public or private projects, as authorized by state law, for a defined period of time for up to 30 years.

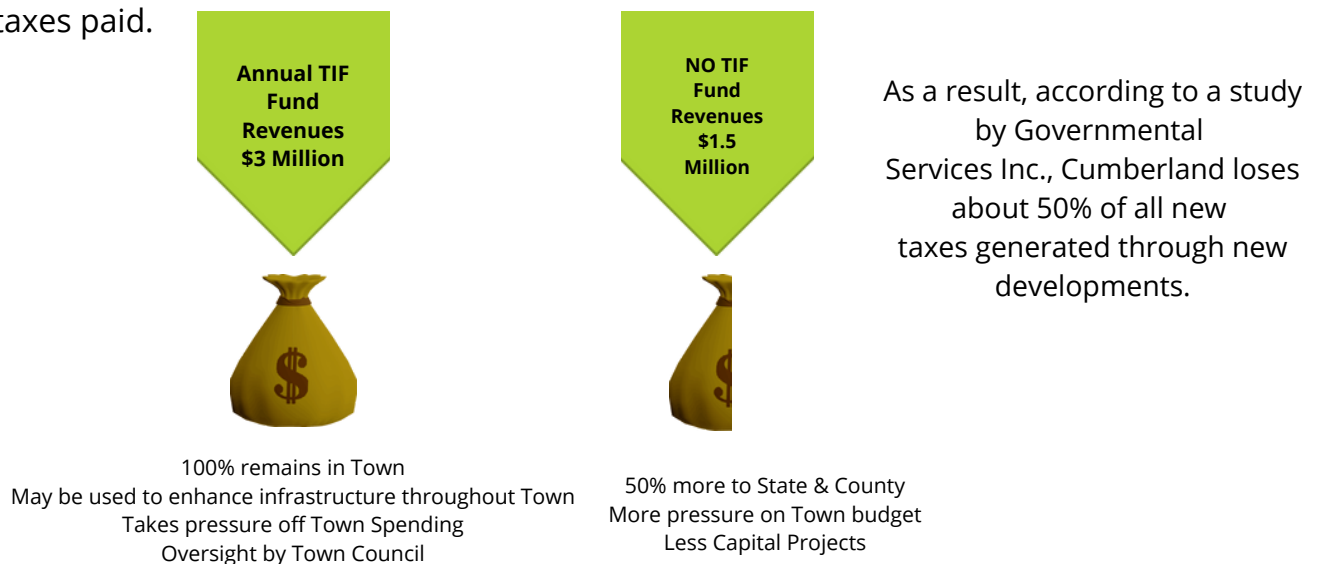
## WHAT IS THE FISCAL BENEFIT OF HAVING TIFS?

The Town's budget is funded primarily through property taxes. Property taxes are dependent upon the valuation of all real and personal property in town.

The higher the amount of property valuation, the less the Town receives from the State of Maine in education funding and revenue sharing.

An increase in property valuation results in:

- Less state aid for education,
- Less municipal revenue sharing dollars, and
- More county taxes paid.



## HOW MANY TIFS CAN A TOWN ESTABLISH?

The State of Maine sets thresholds for the establishments of TIFs, including the following: The maximum acreage of all TIF districts allowed is 5% of the town's total acreage. Currently, in Cumberland, TIFs make up 4.7% of the town acreage.

## DO TIFS IN RESIDENTIAL AREAS TAKE MONEY AWAY FROM SCHOOLS?

It is true that the tax revenue sheltered in TIF districts cannot be allocated to the school budget. However, items paid for by TIF revenue would otherwise be paid from the General Fund. Every dollar spent from the General Fund to build and maintain roads and utilities, for example, is also money that cannot be spent on our schools. Using TIF revenue to pay for other costly public improvements may avoid large tax rate increases needed to fund government (town and school) operating expenses and capital expenses.

## WHAT CAN TIF FUNDS BE USED FOR?

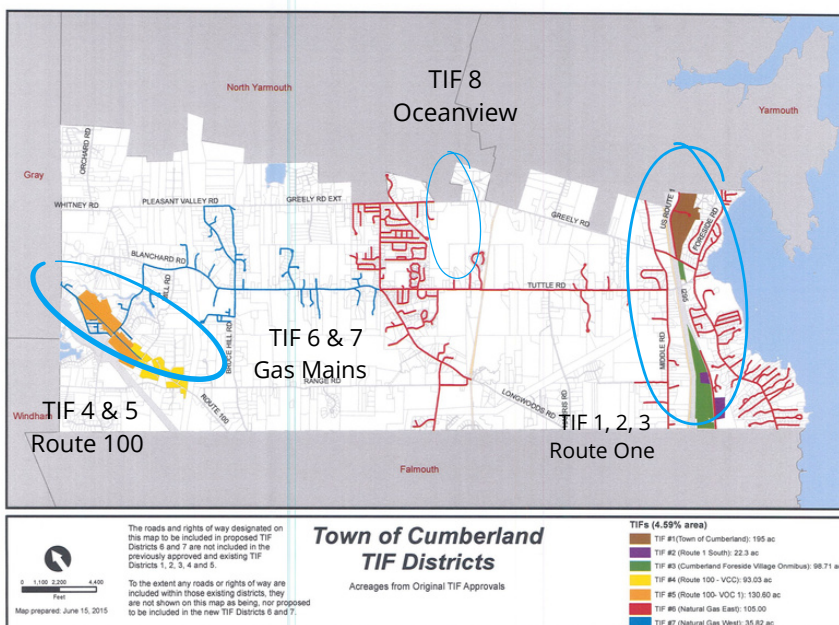
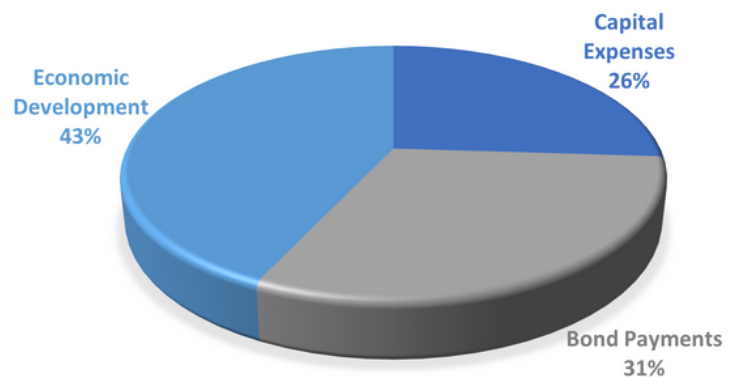
Towns can only use TIF revenue on "authorized project costs" within the district or outside the district, related to the district or economic development, such as:

- Specific road repairs, annual paving, utility work, and equipment
- Bonds issued by the Town as part of a large infrastructure project
- Staff expenses overseeing TIF projects,
- Economic development activities
- Public safety improvements related to development
- Construction of public ways within the district

Examples include: Fire Protection Expansion to West Cumberland via water lines, Twin Brook improvements and Range Road rebuild

TIF funds CANNOT be used for schools, libraries, or general Town government expenses.

## WHAT CUMBERLAND TIFS PAY FOR TODAY



## CUMBERLAND'S TIFS

Cumberland has 8 established TIF Districts (see map at left). These TIFs will begin to expire over the next several years, beginning in 2028, with the final expiring in 2048.