



May 30, 2006

Karen M. Mello
Freetown Board of Assessors
3 North Main St., P.O. Box 438
Assonet, MA 02702

Re: TIF Exemptions
Our File No. 2006-205

Dear Ms. Mello:

This is in reply to your letter about a contemplated tax increment financing (TIF) exemption that the selectmen are negotiating. You raised concerns about whether the selectmen could negotiate an agreement that would bind the assessors in their determination of the parcel's value.

We did not read the documents you sent us in connection with this proposed TIF as suggesting that the agreement would fix the assessed value of the project. We took them as forecasts about the scope of the project and the tax impact of the exemption. Neither the assessors nor the commissioner of revenue have a statutory role in approving local TIF agreements (although the commissioner does have a role in approving eligibility for certain state tax credits associated with TIF exemptions). While it obviously makes sense for the town, in negotiating a TIF agreement, to avail itself of the assessors' specialized expertise in valuation matters, the exemption needs approval only by the town meeting and the economic assistance coordinating council (EACC). See GL Ch.40 §59 and GL Ch.23A §3E.

Nothing in a TIF agreement can alter the assessors' role in determining the full and fair cash value of a parcel, either in the fiscal year before the exemption takes effect – which is the valuation to which the adjustment factor is applied – or in the fiscal years when the exemption is in effect. But the agreement does fix the percentage by which the full and fair cash value should be discounted each year during the term of the agreement to arrive at the assessed value used to calculate the tax on the parcel.

We hope this information proves helpful.

Very truly yours,

Kathleen Colleary, Chief
Bureau of Municipal Finance Law

KC/CH