

ECONOMIC DEVELOPMENT

Middlebury's Tax Abatement Program

By Terry McAuliffe

Chairman, Economic Development Commission

Investors and owners always consider the financial implications of starting or expanding their business in a particular area. Even if they desire the “upscale” cachet of Middlebury and its location and labor force, the decision comes down to sharp pencils and financial spreadsheets, calculating construction costs, mil rates, and the other factors that determine success or failure over the long term. For businesses that focus only on such costs, Middlebury is seldom cheaper. Our “upscale” address comes with a price.

Nevertheless, Middlebury does have powerful incentives to attract good businesses and offset some of the initial costs of construction and startup. Those incentives are tax abatements, which are sometimes incorrectly thought of as giveaways or advance payments. However, abatements don't work that way at all. The town never advances any money. Instead, after construction or improvements are completed, the property tax due for the next three to five years is reduced depending on whether the net gain in assessed value was over \$100,000, \$500,000, or \$3,000,000. The business gets a partial tax break to help offset the startup costs.

Middlebury's Tax Incentive Policy follows Connecticut General Statutes 12-65b and 12-65h (as amended). This policy allows the Town to enter into written agreements with the owners and/or lessees of certain real property located within the Town Middlebury and is not retroactive. Connecticut also offers an Airport Development Zone Tax Incentive Program for businesses with an economic relationship to the Oxford Airport. Such businesses must be located in the Oxford Airport Development Zone and most of Middlebury falls within that zone. Some businesses could qualify for either program and each has unique advantages.

The tax abatement application process has several steps. It starts with the business submitting an application form to the Selectmen's office. The application is timestamped and forwarded to the Economic Development Commission [EDC] where it is reviewed for completeness and conformance to the program. The commission then reports its findings to the Board of Selectmen with its recommendation. The selectmen either return the matter to EDC for further action based on its recommendations for changes to the proposed tax abatement agreement or schedule a Special Town Meeting where the voters can approve or deny the applicant's tax abatement agreement.

The Commission is comprised of seven members appointed by the Board of Selectmen. The Commissioners are Town residents and business owners who possess a wide range of experience and expertise about Middlebury and its economy. The Commission operates in accordance with Connecticut General Statutes Sec. 7-136 Municipal Economic Development Commissions. Its work focuses on conducting research on economic conditions and trends in

Middlebury, promoting economic development, and supporting existing and prospective businesses.