



# WARRANT ARTICLE 23

## AUTHORITY TO GRANT INDUSTRIAL DEVELOPMENT TAX RELIEF

Deliberative Session

February 3, 2018

# PURPOSE

If adopted, the exemption provides a property tax break on industrial assessment for new construction and additions, renovations or improvements to existing structures. The exemption creates an economic incentive and opportunity for businesses to locate in Milford and encourages industrial growth within the Town.

# PROPOSED TAX EXEMPTION

- Applied to Industrial Uses only as defined in the statute.
- Applicable to any increase in the assessment which results from new construction, additions, renovations or improvements.
- Includes municipal and local school property taxes assessed by the Town. State education and county taxes would be excluded from the exemption.
- The percentage of authorized exemption is as follows:
  - Year 1: 50% of the increased assessment value.
  - Year 2: 40% of the increased assessment value.
  - Year 3: 30% of the increased assessment value.
  - Year 4: 20% of the increased assessment value.
  - Year 5: 10% of the increased assessment value.
- The effective date if adopted is April 1, 2018.

# BENEFITS

- The initial 50% exemption offers a major incentive to businesses, but guarantees that the town will benefit from the other 50% on an immediate basis and receive long-term benefits due to increased valuation of the property.
- The new or improved industrial uses are likely to have a minimal burden on town services.
- Allows business owners to use the exempted taxes to improve their business during its initial years of operation.
- Gives business owners an assurance that the property taxes will increase at a slow, fixed rate as the exemption diminishes.
- The statute specifically restricts the tax exemption to businesses, but residential taxpayers benefit from this on a long-term basis.

# EXAMPLE

- Consider a new business that has come to town and has an assessed value of \$1,000,000. For simplicity of calculation, it is assumed that the current tax rate (\$29.39) does not change over 5 years and the property value also remains constant.
- With no tax exemption, that business would pay \$29,390 per year or \$146,950 over 5 years.
- With the proposed exemption methodology, the business would pay the Town \$14,495 for the first year and \$102,865 in taxes over 5 years. The business would save \$44,085 in taxes over 5 years.
- The tax exemption will still add tax dollars to the revenue stream with little or no increase in town services.



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