

TOWN OF ELLINGTON

ECONOMIC DEVELOPMENT TAX ABATEMENT POLICY

PURPOSE: To attract new businesses and encourage growth and investment in existing businesses to increase long term tax revenue. Farming is important to the quality of life, environment, economy, and character of Ellington. This policy allows the Town to offer reduced assessments for qualified businesses and farms.

OUTCOME: Growth and expansion provide tax revenue, potential employment, opportunities for other businesses, and retains industry in town. Investment in farming benefits quality of life and the environment, diversifies taxes, and sustains farming.

ELIGIBLE BUSINESSES: CGS §12-65b(b): office; retail; manufacturing; warehouse, storage or distribution; information technology; recreation facilities; transportation facilities.

ELIGIBLE FARMS: CGS §12-81m: dairy farms; vegetable farms; nurseries; fruit orchards, including vineyards for the growing of grapes for wine.

GENERAL INFORMATION: If unusual or extraordinary circumstances, the Board of Selectmen (BOS) may alter/waive foregoing provisions. Abatement schedules are guides; the final schedule must be approved by the BOS.

An applicant who is delinquent in taxes shall be ineligible for tax abatement.

Any agreement requires the business/farm to remain solvent/operational at least 10 years.

Abatement is based on capital expenditures at the time of agreement; future expansions are not counted.

The length and % of abatement for any new eligible business is based on cost of improvements, excluding routine maintenance, to real property as follows:

- a. Costs of improvements is \$3,000,000 or more, the increase in assessment computed by the Assessor (in accordance with standard assessment practices) may be abated as follows: no more than 7 years, 85% first and second years, 75% third year, 65% fourth year, 55% fifth year, and 45% sixth and seventh years.
- b. Costs of improvements is more than \$500,000 but less than \$3,000,000, the increase in the assessment computed by the Assessor (in accordance with standard assessment practices) may be abated no more than 3 years, 75% first year, 50% second year, and 25% third year.
- c. Costs of improvements is more than \$25,000 but less than \$500,000, 50% of the increase in the assessment computed by the Assessor (in accordance with standard assessment practices) may be abated for a period of no more than 2 years.

The length of time of an abatement agreement for any existing eligible business shall also be based on cost of improvements, excluding routine maintenance, to real property as set forth for new eligible businesses. However, the % of abatement for existing eligible businesses may be increased up to 5%.

The length and % of abatement for new or existing eligible businesses proposing to construct over \$6,000,000 in improvements shall be determined on a case-by-case basis and approved by the BOS.

The length of time of the abatement for an eligible farm is based on cost of improvements, excluding routine maintenance, to real property as follows:

- a. No more than 50% of the increase in assessment computed by the Assessor (in accordance with standard assessment practices) may be abated, for a period of no more than 7 years, provided the cost of improvements is \$25,000 or more.

In the event the end user is a tenant, the tax benefit must be reflected in the lease.

DEFINITIONS:

Capital Expenditures: Cash investments to improve an asset that will have a life of more than one year.

Cost of Improvements: The actual cost of constructing such improvements.

Existing Eligible Business: An eligible business that currently has and has had facilities and operations in the Town of Ellington for a period of not less than one year as of the date of its application for tax abatement.

Improvements: Building or other structures which are permanently attached to the land.

New Eligible Business: An eligible business that is new to the Town of Ellington or has not had facilities and operations in Town for a period of at least one year prior to the date of its application for tax abatement.

Real Property: The physical parcel of land and all improvements permanently attached.

Tax Assessment Analysis: An analysis of the loss in tax revenue from granting abatement or fixed assessment on eligible cost of improvements according to the parameters listed in this policy and including an assessment of real property for the period prior to the abatement or fixed assessment.

RECAPTURE CLAUSE FOR ELIGIBLE BUSINESSES AND FARMS:

If business operations or farming operations cease or a property that was granted abatement is sold prior to ten (10) years from the initial effective date of abatement, the applicant shall pay the Town a percentage of the original amount of taxes abated pursuant to the following schedule, unless a new applicant is recommended by the EDC to assume the remaining term of abatement and approved by the BOS. In no case shall the amount to be paid to the Town exceed the original amount of taxes abated.

Between 1 day and 365 days	100%
Between 1 year 1 day and 2 years	90%
Between 2 years 1 day and 3 years	80%
Between 3 years 1 day and 4 years	70%
Between 4 years 1 day and 5 years	60%
Between 5 years 1 day and 6 years	50%
Between 6 years 1 day and 7 years	40%
Between 7 years 1 day and 8 years	30%
Between 8 years 1 day and 9 years	20%
Between 9 years 1 day and 10 years	10%
More than 10 years.....	0%

Recapture taxes owed to the Town pursuant to this provision shall be due and payable by the applicant at the time of transfer, sale, or recording of his/her deed or other instrument of conveyance, or in the case of a cessation of operation, within sixty (60) days of the date on which said operations ceased. Such revenue received shall become part of the general revenue of the Town.