Tobacco Region Revitalization Commission
Revenue Sharing

Frequently Asked Questions

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1. **Do all Commission grants require a revenue sharing agreement?**

No. Only projects that earn new local tax revenue are required to share in revenue generated by the project. Commission grant programs that will have revenue sharing agreements include all Tobacco Region Opportunity Fund (TROF) grants, and certain Southside Economic Development, Southwest Economic Development and Special Projects Grants.

2. **Is revenue sharing required on loans?**

No, revenue sharing is not required on loans.

3. **How much revenue is required to be shared? Is there a cap on the total amount to be shared?**

Localities are required to share 5% of all local tax revenue collected that is generated by the grant. This just means that whatever a locality collects from a grant-supported project, you send 5% of it to the Commission. ***No locality can ever lose money as a result of a revenue sharing agreement.***

The total amount (i.e. cap) of local tax revenue provided to the Commission is limited to no more than 105% of the total grant amount. This is not a requirement that a locality must pay 105% - it only is the upper limit on what the Commission could collect.

4. **What if the amount of revenue return is so small it will take over 20 years to reach 105% of the grant amount?**

After five (5) years, if and when the amount of revenue return is an amount of $50 or less per year after a period of no fewer than three consecutive years (total of eight (8) years from the beginning of the grant), then the locality may request in writing the revenue sharing agreement be terminated at the sole discretion of the Commission.

5. **Is the amount of repayment based upon the original or annual assessment of taxable property generated by the grant?**

The amount of repayment shall be based on the **annual** assessment ("the Assessment") – which includes all depreciation, assessment factors, and associated local incentive programs tied to taxable assets. The Assessment is as issued to the Company by the local Commissioner of Revenue.

6. What if the Company appeals their assessment and the assessment is revised?

At the discretion of the Commission, appeals and subsequent revisions to the assessment by the local Commissioner of Revenue may be taken into consideration.

7. If the company that benefited from a grant is late on paying their taxes or otherwise fails to make their tax payment, is the locality penalized or otherwise have to share in tax revenue that has not (or will not) be received?

No. The payment obligation of a locality is contingent upon receipt of tax payments from the Company. If the locality does not (or has not) received revenue, then neither does the Commission since no new tax revenue is being provided to the locality.

8. When are revenue sharing payments due to the Commission?

Payments shall be made to the Commission within thirty (30) days of the due date found on the Company's tax assessment. Extensions to this date may be made at the sole discretion of the Commission.

9. For grants that go towards business expansions, does revenue sharing apply to only the taxes generated by the expansion or to all the taxes generated by the business thereafter?

Revenue return will apply to all local tax revenue generated by the business after receiving the grant. For business expansions, new revenue is all additional taxes above the tax year prior to the base year of the grant. We believe that local commissioners of the revenue can estimate this amount in good faith and we will accept their estimates so long as they're credible.

10. What if the grantee is a local Economic Development Authority (EDA) or Industrial Development Authority (IDA)? Since these groups do not collect taxes, how can they share revenue with the Commission?

EDAs and IDAs do not collect taxes. However localities do and the easiest way meet the revenue sharing requirement is to add the locality to the performance agreement.

11. How is revenue sharing handled when a project takes place in a regional industrial/ business park?

Often in regional industrial/ business parks localities have an agreement where one locality will collect tax revenue and then remit an agreed upon portion to the other locality. As long as the Commission receives what equals 5% from each of the localities in which tax revenue is generated, the Commission is flexible on how it is received.