## **Tax Increment Finance**



*Investment.* Over \$325M were invested in TIF districts in FY17, within 346 cities using TIF in Iowa.



*Infrastructure.* The largest TIF category was road, bridges, and utilities projects. These accounted for 47% of total TIF expenditures.



*Jobs.* More than 33,299 jobs were created within TIF districts in FY17. Since this number includes only those reported in agreements, total jobs created by TIF projects around the state would be greater.



Public buildings, which are rarely funded by TIF projects (7 cities only in FY17), can lead to economic growth or stabilization in a slum or blight area. Sometimes public buildings are necessary for the rest of a project to move forward, such as the upgrade of a fire station, water tower, or abatement of a derelict

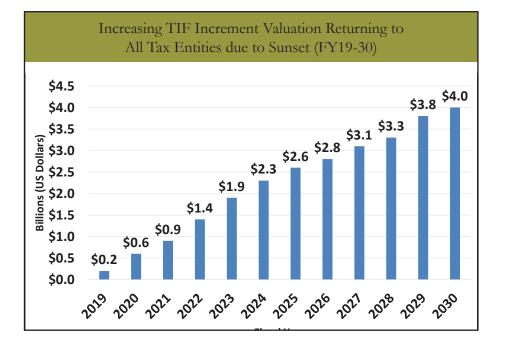


Note that TIF is not the same instrument as property tax abatement.

All raw data obtained from Iowa DOM and LSA for FY17 unless otherwise noted.

### **Returning Increment to All Tax Authorities**

When a TIF district expires, increment valuation returns to all tax authorities. The chart below shows this return over FY19-30, representing those with a recorded end date during that time. This is based on actual increment data and not theoretical maximum increment, which would be substantially greater.



TIF dollars may only be used for eligible urban renewal purposes, or must be returned to all taxing authorities.

Over \$10B in valuation, or **over** \$350M generated within TIF districts was returned to all tax authorities in FY17.

School PPEL and ISL levies are exempt from TIF diversion.





# **Tax Increment Finance 101**

### **TIF Mechanics in Brief**

Tax increment finance (TIF) is a method to promote economic development efforts in an area by directing limited property tax revenues generated from property value increases within a designate TIF district to finance the cost of certain improvements made in the district. TIF addresses a lack of state and federal programs, such as for infrastructure improvement.

Iowa cities and counties may establish TIF districts. Although the terms urban renewal area and TIF are often used interchangeably, TIF districts are established within approved urban renewal areas (URA). URAs often contain a larger geographic area than the TIF district that is established; URAs can contain more than one TIF district.

When a TIF district is created, a "base" valuation of the property value is established. The tax revenue from this base value remains with all taxing authorities and not diverted. Future increases in the assessed value over and above the base are called the "increment." Increases in the assessed value over time over and above the base are called the "increment." The TIF authority may access the tax revenue generated by the increment, or may choose to release some or all of this revenue back to the traditional taxing authorities.

## TIF Legislative Timeline

1957 Legislature authorized urban renewal (SF184)

1969

TIF law was expanded in 1985 to include allowable economic development purposes.

TIF was authorized under urban renewal law (HF562)

#### 1995

Urban renewal areas designated as economic development areas are limited to 20 years' duration, if not also designated as slum or blight. Those URAs designated prior to 1995 are not limited in duration.

1999

Legislature required annual

reporting about TIF activ-

formation on each TIF area

ity annually, including in-

and its projects (HF776).

#### 2003

The 1999 TIF reporting requirements were removed and instead required a semi-annual report on outstanding TIF obligations, to begin in 2003.

2012

HF2777 required more detailed report-

ing and accounting of TIF revenue and

nual budget process, replacing the 1999

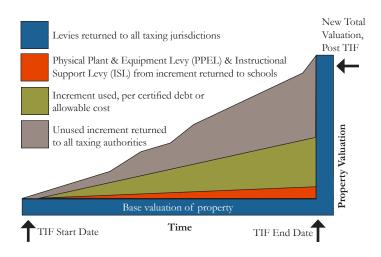
expenditure, to be included in the an-

and 2003 reporting requirements.

HF2460 replaced the 2006 requirement, with a more detailed reporting process due December 1 of each year. Cities and counties must submit a compliant report to the State prior to annual budget certification.







## **TIF Goals**

TIF districts can be created to accomplish different goals, per Code Section 403.2. Success may look different depending upon whether a TIF was set up to address slum and blight, or economic development.

#### Slum and Blight

Address issues related to:

the safety, health and welfare of an area

housing challenges

paired growth

areas experiencing im-

increasing criminal activity

traffic problems or hazards

2006

#### **Economic Development**

Address the need for:

- creating economic development partnerships
- strengthening and revitalizing the economy of the state and municipalities
- providing jobs and housing (including LMI)

2013

School ISL and

PPEL levies became

exempt from TIF.

