

Tax Increment Finance



Roughly **\$3.6B** in TIF increment valuation will sunset as TIF districts expire over the next ten years, based on FY19 DOM data. This is based on actual increment data, not maximum which would be much greater.



In recent years, over **\$10B in increment valuation**, roughly \$330M annually, was unused and returned to all taxing authorities. This is about half of the maximum increment.



School PPEL and ISL levies **are exempt** from TIF diversion.



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

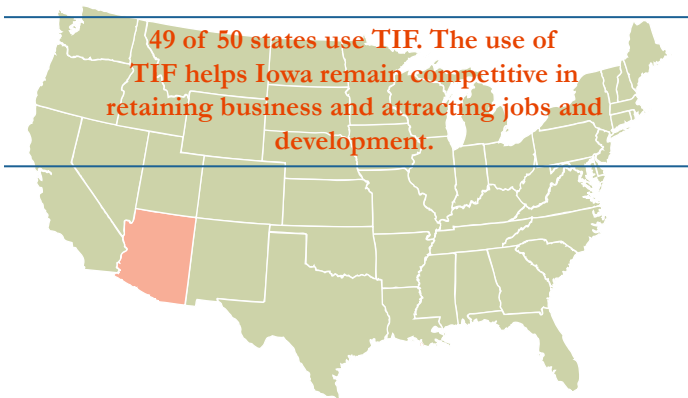


Note that **TIF is not the same** instrument as property tax abatement.



TIF helps address a **lack of state and federal programs** focused on infrastructure renewal and community redevelopment.

All raw data obtained from Iowa DOM and LSA for FY18 unless otherwise noted.



- Iowa benefits from TIF projects. TIF brings jobs and development, growing income and sales tax revenues for the state.

- Two urban renewal areas alone generated \$1.2B in sales tax revenues in calendar year 2017.
- TIF enables public-private partnerships, closing the financing gap on bringing developments to Iowa.

TIF Legislative Timeline

1957

Legislature authorized urban renewal (SF184).

1985

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

1999

Legislature required annual reporting including information on each TIF area and its projects (HF776).

2006

HF2777 required more detailed reporting and accounting of TIF revenue and expenditures, to be included in the annual budget process, replacing the previous reporting requirements.

2013

School ISL and PPEL levies became exempt from TIF.

1969

TIF was authorized under urban renewal law (HF562).

1995

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

2003

The 1999 TIF reporting requirements were removed and instead required a semi-annual report on outstanding TIF obligations to begin in 2003 (SF453).

2012

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.



(515) 244-7282



LegislativeStaff@iowaleague.org



www.iowaleague.org



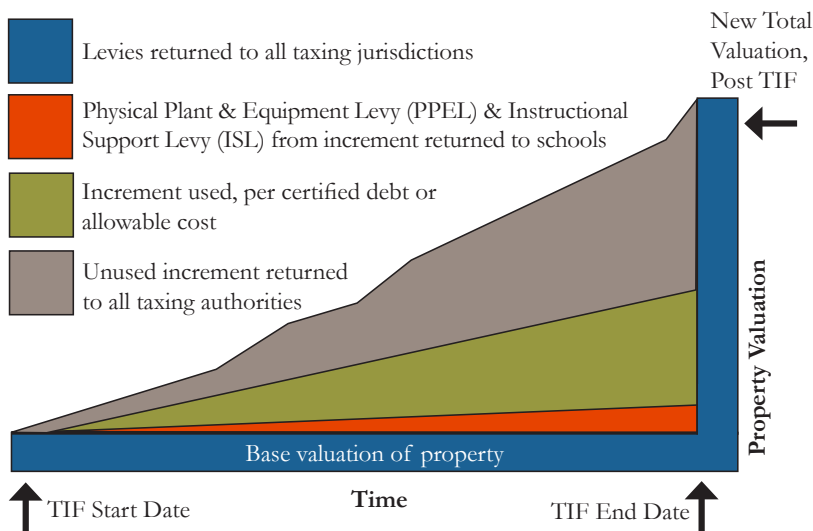
Tax Increment Finance

TIF Mechanics in Brief

Tax increment finance (TIF) promotes economic development efforts in a specific area by directing limited property tax revenues generated from property value increases within a designated TIF district to finance the cost of certain improvements made in the district.

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 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
- areas experiencing impaired growth
- housing challenges
- increasing criminal activity
- traffic problems or hazards

Economic Development

Address the need to:

- enable economic development partnerships
- strengthen and revitalize the economy of the state and municipalities
- provide jobs and housing (including low/moderate income (LMI) housing)



Investment. Over \$324M were invested in TIF projects throughout the state in FY18. 345 cities in Iowa use TIF.



Infrastructure. The largest TIF category was road, bridges, and utilities projects. These accounted for 54% of total TIF expenditures.



Jobs. More than 34,781 jobs were created by TIF projects in FY18. 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 (4 cities only in FY18), 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 building.



(515) 244-7282



LegislativeStaff@iowaleague.org



www.iowaleague.org

