

TAX INCREMENT FINANCING

FACT SHEET

WHAT IS TAX INCREMENT FINANCING?

Tax Increment Financing ("TIF") is a method of facilitating development or redevelopment of a certain area by utilizing future tax revenues to pay for necessary public improvements. The area designated for development or redevelopment is called a "TIF District". Creation of a TIF District does not in and of itself mean that development or redevelopment will occur; market factors will also be the principal motivation for development or redevelopment.

DOES TIF RESULT IN INCREASED TAX RATES?

TIF captures incremental increases in tax revenues without any required change in tax rates. As property values increase as a result of redevelopment, TIF enables the municipality to capture increased revenue and utilize it to pay for public improvements.

DOES ANYONE PAY ADDITIONAL TAXES BECAUSE OF TIF?

As property values rise, property owners in any redevelopment area including a TIF District will likely pay increased property taxes with or without TIF. TIF merely permits any increased property taxes to be specifically directed to public improvements.

HOW DOES THIS AFFECT HOMEOWNERS IN THE TIF DISTRICT?

Homeowners benefit from a successful TIF in several ways:

- (1) Property values are generally improved.
- (2) Certain public improvements - water, sewer, streets, etc., - can be paid for through sources other than general property taxes.
- (3) Increased business activity can mean that less homeowner property taxes are required to provide for essential services - police, fire, public safety, etc.

DOES TIF REQUIRE THE ISSUANCE OF DEBT?

The establishment of a TIF District does not mean that any debt will be incurred. If the municipality decides to incur debt to provide for public improvements, then funds for debt repayment will generally come from taxes generated in the TIF District and not from any municipality-wide property taxes. The municipality has the option of utilizing other revenues and issuing other forms of debt should it deem the particular development justifies such utilization of funds and/or taxing powers.

WHY SHOULD THE MUNICIPALITY CONSIDER TIF?

There are several reasons why TIF could be good for all citizens of the municipality:

- (1) Certain under-utilized areas could become more viable.
- (2) The municipality can direct its land uses for the benefit of all within the municipality by diversifying the tax base.
- (3) Certain public improvements can be funded from future TIF revenues. Such public improvements could include: street improvements, water and sewer improvements, parking in the area, etc.
- (4) To remain competitive in seeking tax base and jobs.