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TAX INCREMENT FINANCING (TIF) QUICK FACTS

What a TIF District Does NOT Do:

- A TIF District does NOT impose an additional tax levy or raise the overall tax rate
- A TIF District does NOT cause a property owner to owe any additional taxes
- A TIF District does NOT change a property's zoning or use
- A TIF District does NOT prevent an owner from selling their property
- A TIF District does NOT impose any additional laws, regulations, or other limitations which a property is not already a part of.

What a TIF District Does Do:

- Designates certain qualifying properties as being within a special financing area (The TIF District)
- Collects incremental property tax revenues that arise from increases in property value during the term of the TIF District. (These revenues go into the "TIF Fund")
- Allows the reinvestment of money collected by the "TIF Fund" for the improvement of properties, buildings, and public infrastructure within the "TIF District"
- Eligible uses of TIF Funds include, but are not limited to:
  - Existing building renovations, repairs, improvements, remodeling, and other similar work items
  - Installation of water, sewer, and other utility services
  - Construction of sidewalks, roads, parking areas, and other public infrastructure improvements
  - Property acquisition, demolition, land clearing, and general site preparation
  - Surveys, studies, engineering, consulting, planning, and other professional services related to improvement projects within the TIF District.
  - Financing Costs

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HOW TAX INCREMENT FINANCING (TIF) WORKS

A TIF District works by collecting revenues from the "incremental property value" which parcels within a TIF District create during the term of the district (up to 23 years).

The "incremental property value" is the difference between the value of the property at the establishment of a TIF District, and the current value.

A TIF District does NOT impose any additional tax or create any additional tax liability – it simple changes the way new taxes are distributed

For example, assume that a municipality has several commercial buildings which are vacant and in poor condition. Let's also assume that these properties are paying a total of $30,000 per year in property taxes. However, the municipality finds that by making an investment of $100,000 to rehabilitate these buildings and make them suitable for new tenants or owners, a private developer will commit an additional $500,000 in additional improvements, making the commercial buildings available for new use and bringing in new businesses. As a result of this investment and the improvements to the buildings and property, the value of these properties also increases, leading to the property tax being paid going from $30,000 per year to $60,000 per year (a $30,000 increase). This $30,000 increase is what we call the "tax increment" or "TIF increment", and what would be collected by the TIF Fund, while the original $30,000 would still be distributed amongst all the taxing districts as normal.

Through this private and public investment, the community now has several new businesses, additional jobs opportunities, additional retail opportunities, as well as increased property values and tax revenue. Because the project resulted in $30,000 on incremental tax revenue, it means that the community can recover the initial $100,000 investment within 4 years due to the TIF District. And after this investment is paid off, the additional tax revenue collected from these properties can then be reinvested in other projects and improvements within the TIF District area such as improved roads, sidewalks, streetscapes, water, sewer, and other types of development and redevelopment projects.

Ultimately, after the conclusion of the term of a TIF District, all of this new revenue growth which TIF Funds were leveraged to create, is available to all the various taxing bodies. Successful TIF investment therefore serves all of the investors, both public and private. Private investors are helped by a reduction in development cost and risk, and public investors by the generation of additional revenue available at the conclusion of the TIF project.

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Example of how the construction of a $150,000 new home would affect property taxes on a property within a TIF District and a property outside of a TIF District

*The following taxing bodies & tax rates are for demonstration purposes only:

OUTSIDE TIF DISTRICT

Pre Construction EAV (Base EAV):		$5,000

DISTRICT NAME	TAX RATE	TAX AMOUNT
LIBRARY	0.28088	$14.04
FIRE	0.24391	$12.20
CONSERVATN DIST	0.11316	$5.66
COOP EXTENSION	0.0259	$1.30
COUNTY TAX	1.08531	$54.27
PARK DIST	0.14697	$7.35
TOWNSHIP	0.81266	$40.63
COLLEGE 123	0.5269	$26.35
CUSD 456	4.59907	$229.95
VILLAGE	1.41366	$70.68
TOTALS	**9.24842**	**$462.42**

Post Construction EAV (Current EAV):	$50,000

DISTRICT NAME	TAX RATE	TAX AMOUNT	CHANGE
LIBRARY	0.28088	$140.44	$126.40
FIRE	0.24391	$121.96	$109.76
CONSERVATN DIST	0.11316	$56.58	$50.92
COOP EXTENSION	0.0259	$12.95	$11.66
COUNTY TAX	1.08531	$542.66	$488.39
PARK DIST	0.14697	$73.49	$66.14
TOWNSHIP	0.81266	$406.33	$365.70
COLLEGE 123	0.5269	$263.45	$237.11
CUSD 456	4.59907	$2,299.54	$2,069.58
VILLAGE	1.41366	$706.83	$636.15
TOTALS	**9.24842**	**$4,624.21**	**$4,161.79**

WITHIN TIF DISTRICT

Pre Construction EAV (Base EAV):	$5,000

DISTRICT NAME	TAX RATE	TAX AMOUNT
LIBRARY	0.28088	$14.04
FIRE	0.24391	$12.20
CONSERVATN DIST	0.11316	$5.66
COOP EXTENSION	0.0259	$1.30
COUNTY TAX	1.08531	$54.27
PARK DIST	0.14697	$7.35
TOWNSHIP	0.81266	$40.63
COLLEGE 123	0.5269	$26.35
CUSD 456	4.59907	$229.95
VILLAGE	1.41366	$70.68
TIF	**0**	$0.00
TOTALS	**9.24842**	**$462.42**

Post Construction EAV (Current EAV):	$50,000
TIF Increment (Current EAV - Base EAV)	$45,000

DISTRICT NAME	TAX RATE	TAX AMOUNT	CHANGE
LIBRARY	0.28088	$14.04	$0.00
FIRE	0.24391	$12.20	$0.00
CONSERVATN DIST	0.11316	$5.66	$0.00
COOP EXTENSION	0.0259	$1.30	$0.00
COUNTY TAX	1.08531	$54.27	$0.00
PARK DIST	0.14697	$7.35	$0.00
TOWNSHIP	0.81266	$40.63	$0.00
COLLEGE 123	0.5269	$26.35	$0.00
CUSD 456	4.59907	$229.95	$0.00
VILLAGE	1.41366	$70.68	$0.00
TIF	**0**	**$4,161.79**	$4,161.79
TOTALS	**9.24842**	**$4,624.21**	**$4,161.79**

As you can see, the amount of property taxes owed is the **exact same** for both properties. The only difference is that the taxes owed on the incremental value created ($45,000) are collected by TIF instead of the other taxing bodies, which still get the same amount prior to the construction.

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