



Tax Incremental Financing (TIF) 101

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What is TIF?

Tax increment financing (or “TIF”) is a tool which captures new assessed value and property taxes from new development in a designated area.

Captures increases in real property taxes and, at times, depreciable personal property taxes

Typically captures commercial and/or industrial property

- Generally, cannot capture increased assessed value resulting from residential property improvements
- Residential properties assessed as commercial (e.g. apartments) is an exception
- Residential TIF tool

What is the purpose of TIF?

- To finance INCENTIVES or INFRASTRUCTURE needed to induce private investment
- To encourage orderly economic growth in targeted areas
- To redevelop blighted areas

Note: New businesses in a TIF Area still pay property taxes on their new private investment. The incremental taxes are captured for projects. The other taxing units forgo the increase in assessed value during the term of the TIF Area



Common uses of TIF in Indiana

Economic development

- Incentives to induce private investment
- Infrastructure development and local improvements
- Encourage growth in a targeted area (e.g. industrial parks)
- Facilitation of additional growth in developing areas (e.g. targeted infrastructure)

Quality of place projects

- Public safety infrastructure, recreational amenities, etc.



Common uses of TIF in Indiana (cont'd)

Blight redevelopment

- Rehabilitation of decayed infrastructure
- New infrastructure to support redeveloping areas (e.g. downtown parking)
- Public-private partnerships

Supporting education

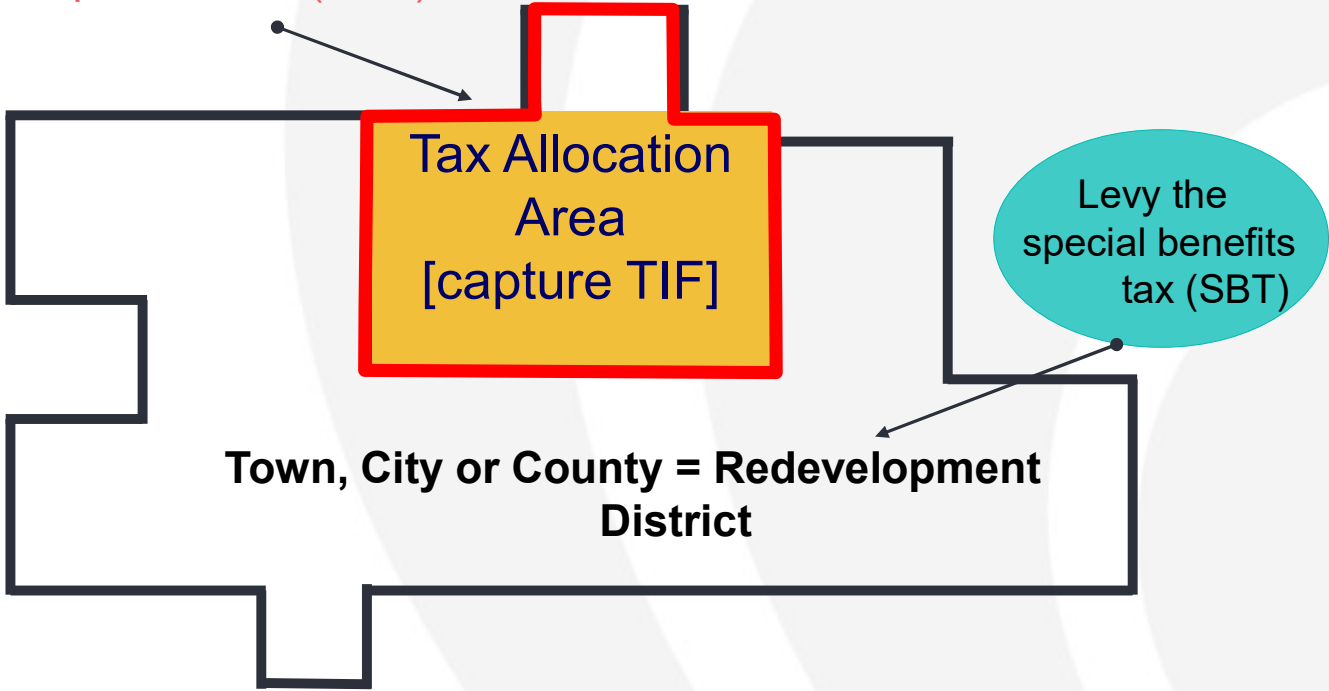
- Capital projects
- Educational programs



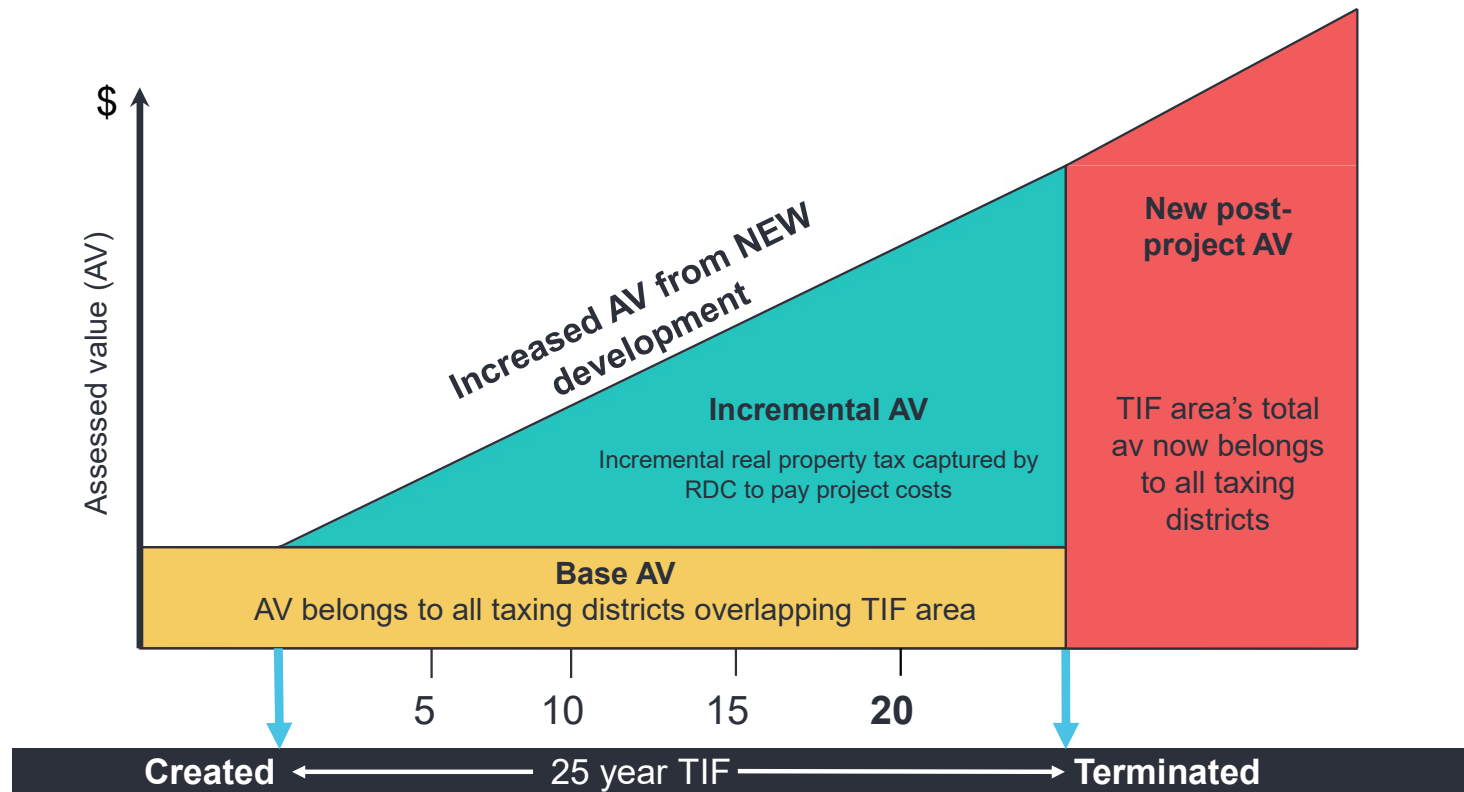
Redevelopment District and TIF Areas

Economic
Development Area (EDA)

Boundaries – 3 Levels



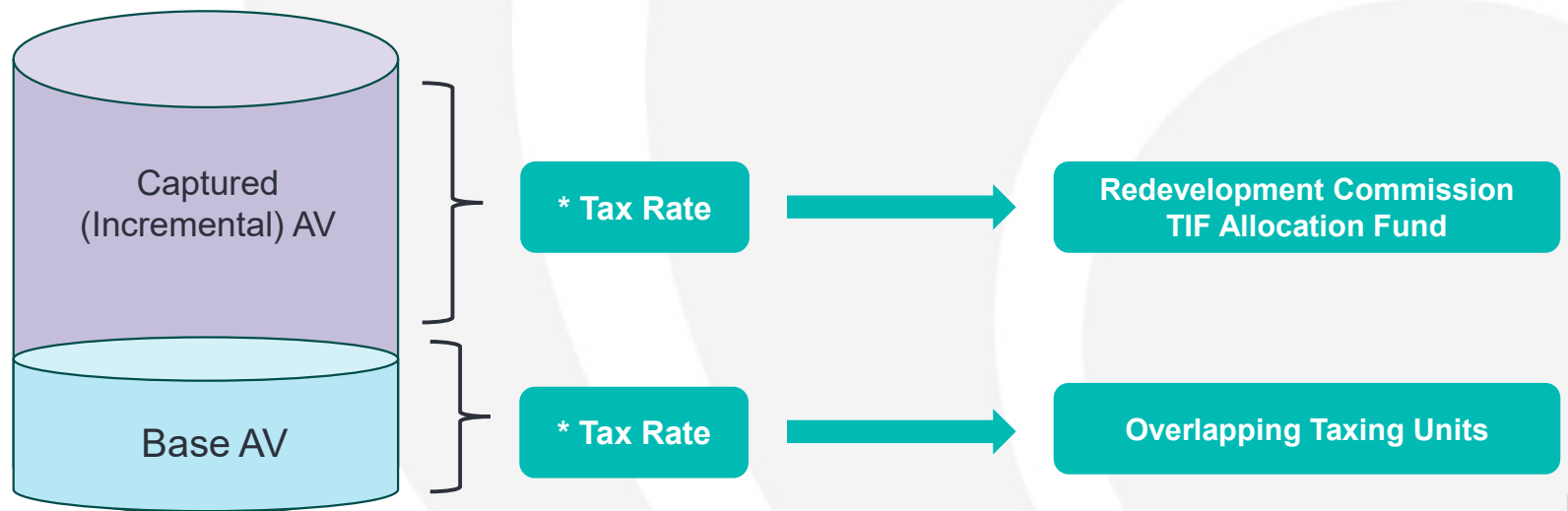
The mechanics of TIF



TIF Calculation

Increases in assessed value (AV) over the base value become the incremental assessed value (“**Incremental AV**”).

Incremental AV multiplied by tax rate (per \$100 AV), minus circuit breaker tax credits, equals the **Tax Increment (TIF)**.



Note: Referendum tax rates, Fire District tax rates, and tax rates associated with Fire Territories established after 2022 *are not* included in the calculation of tax increment



The term of an allocation area

Date allocation area established	Expiration date
TIF area is established before July 1, 1995.	TIF expires the later of 2025 or following the final maturity of obligations outstanding as of July 1, 2015.
TIF area is established between July 1, 1995 and July 1, 2008.	TIF expires 30 years after the adoption of the declaratory resolution.
TIF area is established after July 1, 2008.	TIF expires 25 years after the date the first obligation payable from Area TIF was incurred.
Residential TIF	TIF expires 20 years after the date the first obligation payable from Area TIF was incurred





Residential TIF

- IC 36-7-14-53 adopted in 2019, amended in 2020, 2021, and 2023
- Allows for the establishment of a TIF area that captures new residential development that otherwise would not qualify for capture
- Similar mechanics to commercial/industrial TIF areas
- To qualify (***not applicable 7/1/2023 through 7/1/2027***):
 - Average housing growth for prior three calendar years must be less than 1% of the total number of homes in the township (counties) or city/town; or
 - Area is designated as an “economic development target area”
 - Affected school corporation(s) must adopt resolution approving residential TIF
- Additional public meetings requirements





Impact of TIF – Does it take away funds from other taxing units?

- If the increased assessed value from NEW developments would **not** occur “**BUT FOR**” the TIF incentives, then, it **CANNOT** be “**LOST**” to the other taxing units
- TIF *postpones* adding new assessed value to the tax base, which postpones the reduction in tax rates for funds with controlled levies and postpones increased revenues from funds with controlled rates
- After TIF ends (or if there is AV pass-through), the increased assessed value is added to the tax base of all the taxing units



Methods of accelerating the benefit to overlapping taxing units

- Only capture a portion of the eligible assessed value
 - Example: Capture 90% of the incremental assessed value and pass through 10% to overlapping taxing units
- Pass-through excess incremental assessed value
- Keep the term of TIF-supported bonds short, or pay them off early
 - Build up sufficient funds over time to pay off bonds early
 - Refinance TIF bonds with shorter terms if revenues allow
- Fund projects for other units
 - TIF may be used to fund capital projects of other units if a nexus to the allocation area and the support of development can be established





**Cross-unit
Collaboration
With TIF**



Using TIF to support schools

TIF revenues may be used to support schools or educational programs

- Up to 15% of TIF revenues may be used to fund certain educational programs that enhance workforce skills
- TIF may be used to support education-focused capital projects

Examples of Indiana TIF – Education partnership

Town of Plainfield

Utilizing TIF to fund transportation center bonds

Whitley County

County RDC contributed \$7.5 million to WCSC to fund school building improvements

City of Ligonier

\$2.5 million TIF contribution to childcare center to be constructed on West Noble Schools property

City of Lebanon

Used TIF to fund a multi-use training room at Lebanon High School

Examples of Indiana TIF – Education partnership (cont'd)

City of Valparaiso

Allocates \$600,000 of tax increment annually to schools

City of Greencastle

Constructed Maker Spaces at Greencastle Middle and High Schools for \$197,500 and \$195,000, respectively

City of Fort Wayne

Public-Private Electric Works redevelopment project includes FWCS Amp Lab

City of Jeffersonville

Allocates 10% of tax increment from the Inner City Road Expansion Areas to GCCS

RDC Reporting Requirements

April 1

- **Fiscal Plan**
- Each year, the Treasurer of the RDC (the Clerk-Treasurer) must prepare a fiscal report for the RDC

April 15

- **TIF Management Report**
- By April 15 of each year, the RDC is required to file a report of its activities for the prior calendar year with Executive of the Unit (Mayor/Town Council Pres./Co. Commissioners), the Fiscal Body (Council), and to the DLGF via Gateway.
- Beginning in 2024, the report must be presented at a Council meeting

June 15

- **Pass-through determination**
- Annual notification to overlapping taxing units

Aug. 1

- **TIF Neutralizations**
- Calculation to be done before Assessed Values (AV) are certified to adjust Base AV of TIF Areas based on trending.

Dec. 1

- **RDC Annual Spending Plan**
- Beginning in 2024, the RDC needs to file an annual spending plan for the next calendar year with the Executive of the Unit (Mayor/Town Council Pres./Co. Commissioners) and the Fiscal Body (Council) and to the DLGF.
- The RDC may use money in the TIF allocation fund and any other RDC-maintained fund only according to the annual spending plan

Annually

- **RDC Annual Presentation to Taxing Units**
- RDC's budget for TIF revenues
- Long-term plans for the TIF area
- Impact on each of the overlapping taxing units





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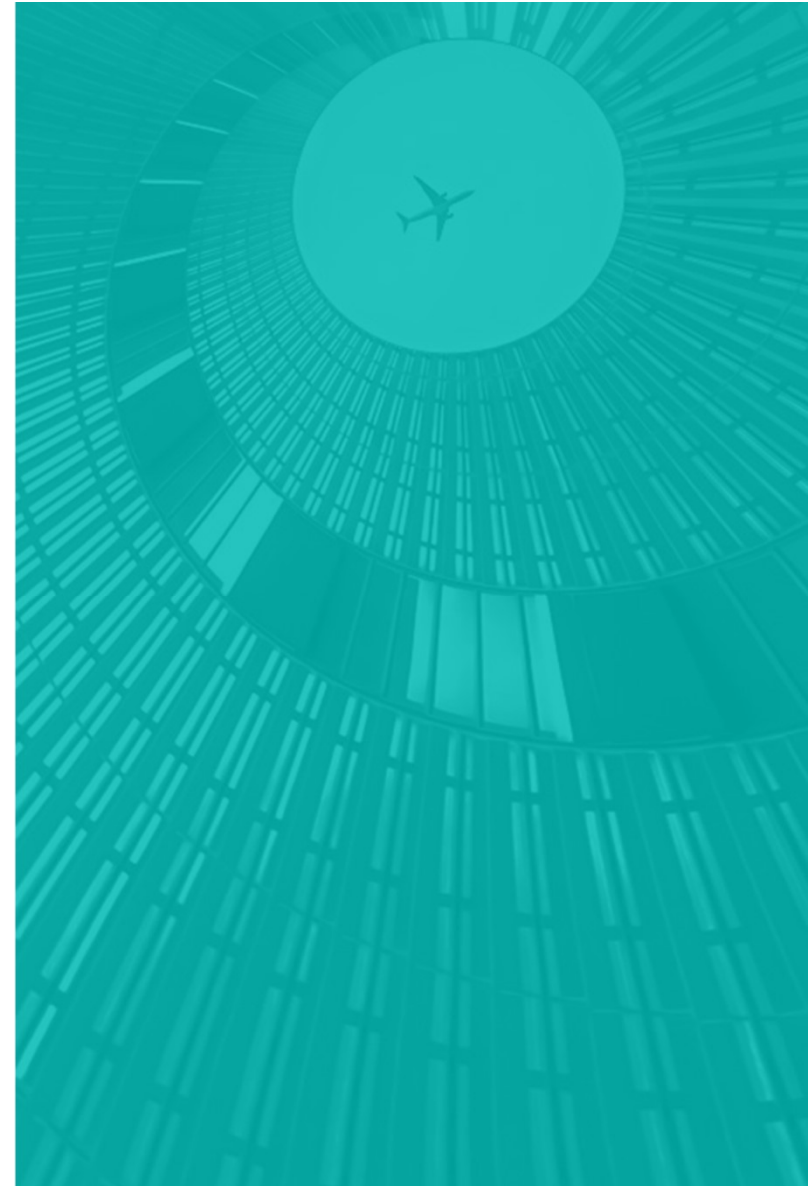


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