South Central Illinois Regional Planning & Development Commission
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Serving the Illinois Counties of Clay, Effingham, Fayette, Jasper and Marion since 1972

Municipal Tax Increment Financing (TIF)

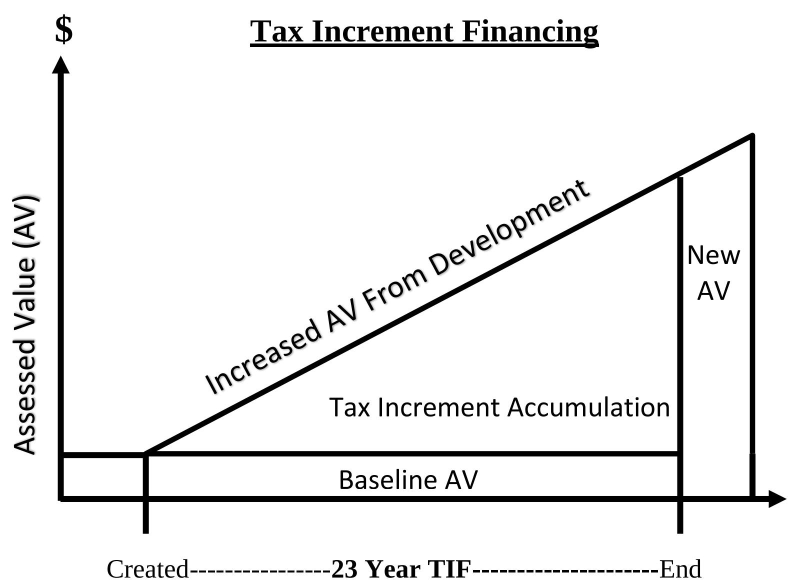
Tax Increment Financing (TIF) is one of the few tools a municipality has to actively address areas of distress within the community. TIF provides the opportunity to make public infrastructure improvements along with many other types of investments in community areas of distress with the intention of reversing decline and encouraging redevelopment.

What is Tax Increment Financing?

Tax Increment Financing (TIF) is a redevelopment tool authorized by Illinois statute to help revitalize distressed areas by eliminating blighting conditions and establishing conservation measures in order to encourage investment and enhancement to the present tax base. Originating in 1954 in California, the State of Illinois alone currently has over 500 communities actively using TIF.

How does TIF Work?

Normally, property is taxed by several different governmental jurisdictions such as the municipality school districts, the county, park districts, etc. The taxes that are levied from property owners are then allocated to each district in accordance with their corresponding tax rate. Under TIF, the increase in property taxes that result from new or improved development are all allocated to the TIF fund. All taxing districts continue to receive the same amount of property taxes that were generated prior to the establishment of the TIF district, otherwise known as the base Equalized Assessed Valuation or EAV.



What can TIF funds be used for?

The improvements which may be funded through TIF are defined by Illinois State law and may include such items as:

- Roadway, stormwater, and streetscape improvements;
- Relocation and demolition costs;
- Facade improvements, building rehabilitation;
- Land assembly;
- Infrastructure and utility extensions and enhancements;
- Cost of construction or rehabilitation of housing for low- and very-low income households; and
- Job training

The Tax Increment Financing Truth

There is often confusion out there regarding Tax Increment Financing in Illinois. This is an attempt to dispel several of the "myths" of Illinois Tax Increment Financing.

Myth 1: TIF is utilized as a tax break for developers

FALSE – A developer is required to continue to pay taxes on the full assessed value of the property. A percentage of the new taxes, tax increment from new development, is allocated into a special Tax Increment Allocation Fund operated by the municipality.

Myth 2: The public has little input in the TIF process

FALSE – Illinois State Statute requires the discussion of a proposed TIF Redevelopment District to be reviewed at a Joint Review Board Meeting composed of members of area taxing bodies, discussed in an open public hearing, and furthermore requires numerous public notices and mailings regarding TIF activity. The designation of a TIF normally takes at least 6-9 months.

Myth 3: TIFs only benefit private development

FALSE – While TIF funds can be used to aid private development, the vast majority of TIF funds are utilized to fund public infrastructure projects such as: utility replacement and enhancement, streets and sidewalks, site preparation costs and other public use facilities.

Myth 4: TIF is a municipal slush fund

FALSE – The use of TIF funds is explicitly spelled out in the TIF Redevelopment Plan and must follow stringent State guidelines on how they are utilized.

Myth 5: TIF is a new tax

FALSE – With TIF, all taxing bodies continue to receive property taxes levied on the base equalized assessed valuation (EAV) of properties in the area. All property tax revenue generated from private development in a TIF is truly NEW money. Without TIF, development would not occur at the same level and therefore the tax revenue would not otherwise be created.

Myth 6: TIF only negatively affects school districts

FALSE – TIF Redevelopment Districts can actually create new money for schools. In Illinois, school districts continue to receive all the tax revenue they were entitled to prior to the establishment of the TIF. While it can be argued that as assessed valuations increase schools can lose some General State Aid, the incremental growth in property values within a TIF District is excluded from the property tax base when the State calculates the amount of aid to award a school district.