

For the General Info on TIFs:

What is a TIF district? Is it a tax increase?

TIF stands for Tax Increment Financing. A tax increment is the difference between the amount of property tax revenue generated before TIF district designation and the amount of property tax revenue generated after TIF designation.

Only property taxes generated by the incremental increase in value of TIF district are available for TIF projects. Tax rates do not change when a TIF is created. **TIF districts do not increase taxes.**

Creating a TIF District does not reduce property tax revenues available to overlapping taxing bodies like schools. Property taxes collected on properties included in the TIF at the time of its designation continue to be distributed to the school districts, park district, library district, and other taxing districts and are not reduced by the TIF creation. **Only taxes derived from future growth that would not have occurred, "but for the TIF" go to TIF projects.**

History of TIF Districts

In the 1960's and 1970's, the federal and state governments, including Illinois, began cutting back economic development programs that cities could use to revitalize communities. TIF districts are one of the few remaining tools that local governments can use to attract new business, invest in infrastructure and rebuild blighted areas. TIF districts are a popular and effective redevelopment tool, used in 47 states across the country and in over 250 Illinois cities.

What are the benefits of TIF districts?

TIFs create short and long term benefits for communities. TIF funds can be used to support a number of public improvements and other investments that support the Redevelopment Plan and Project generally including:

- Public infrastructure improvements including roads, sidewalks, utilities, water, sanitary sewer, storm sewer, detention/retention, parking, street lighting, etc.
- Acquisition of property, land assembly, demolition, site preparation, etc.
- Rehabilitation of older buildings
- Correction and mitigation of environmental issues
- Job training, workforce readiness and other related educational and training programs
- Incentives to retain or attract private development

Does TIF result in increased tax rates?

TIF captures increases in tax revenue without any change in tax rates. If property values increase as redevelopment occurs, the municipality will receive increased revenues and utilize those revenues to pay for public improvements without increasing tax rates.

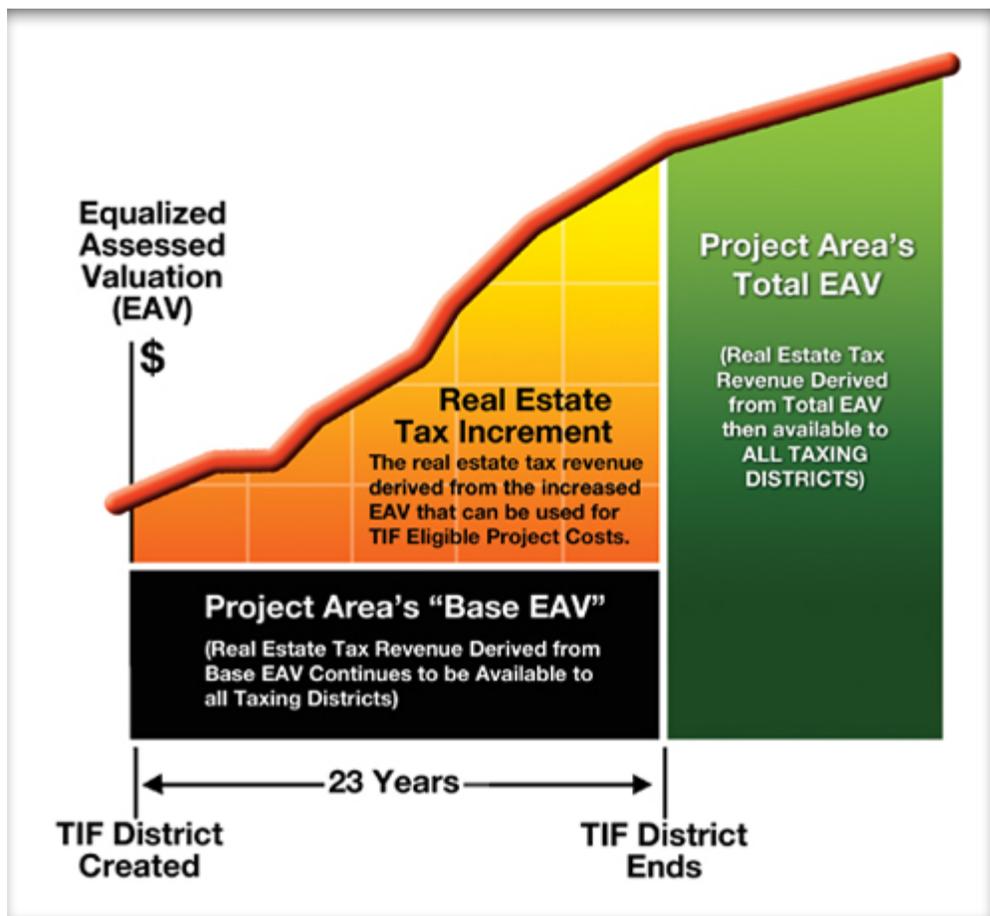
The general tax rate in the scenario above stays the same. Only property taxes resulting from any increase in property values, above and beyond the values in the current year, would be designated for future TIF projects.

How does a TIF District work?

A TIF District's revenues (also known as the "tax increment") result from the increased assessed value of real property and improvements with the boundaries of the TIF District. When a TIF District is established, the existing equalized assessed value (EAV) is determined and "frozen" for distribution of property taxes to the various taxing bodies providing services to the property.

Taxing bodies continue to receive its share of property taxes from this "base" valuation, so there is no loss of revenue to those taxing bodies. Growth in the assessed value (tax base) as redevelopment occurs within the TIF District, above the "frozen base," will generate new property tax dollars for the TIF District and help to support the redevelopment activities.

The difference in property taxes computed on the "frozen base" and the new EAV is determined (known as the "tax increment") and is distributed to the municipality to support economic development activities within the TIF District as authorized in the Illinois statutes. The use of the TIF funds are restricted and separate accounting of the TIF funds must be maintained.



How does TIF affect property owners or homeowners in or near the TIF District?

Homeowners and property owners benefit from a successful TIF District in several ways:

- Property values are generally stabilized or improved, which can create a “spill over” benefit for adjacent neighborhoods.
- Certain public improvements – water/sewer/streets, etc. – can be and have been paid for through sources other than general property taxes.
- Increased business activity can mean that fewer homeowner property taxes are required to provide for essential services – police, fire, public safety, etc.

Do TIFs divert money from schools?

No. On the contrary, TIFs, when properly executed, create money for schools. First, schools continue to receive all the tax revenue they were entitled to before the creation of the TIF district. Second, under most circumstances, a school’s state aid is greater when a school district overlaps a successful TIF. The incremental growth in property values is excluded from the property tax base when the state calculates the amount of aid it should award to a school district. The “poorer” a school district, the more it stands to benefit from having a TIF district.

Are TIF plans and expenditures public?

Of course. When a TIF is established there are numerous legal requirements designed to insure the public and also other local taxing bodies are informed. Public hearings are held and all expenditure decisions must be made in public by local elected officials charged with representing the community. All documents pertaining to a TIF are available through a Freedom of Information Act (FOIA) request.

Reporting and disclosure

An annual TIF Report is required to be prepared for each TIF District reflecting both the financial and development activities for the year. These reports are provided to each of the taxing bodies that are found within the TIF District. A Joint Review Board consisting of representatives of the taxing bodies also meet annually to review the TIF Report. A copy of the annual TIF Report is filed with the Illinois Comptroller’s Office.