



2015 Legislative Session Policy Statement

Tax Increment Financing

Background: Tax increment financing (TIF) is a state authorized, locally driven funding mechanism that allows cities and counties to direct property tax dollars that accrue from new development, within a specifically designated district, to community and economic development activities. In Montana, TIF districts are authorized in parts 7-15-4201 and 4301, et. Seq. Montana Code Annotated (MCA), the State's Urban Renewal Law. Proposed TIF districts are typically characterized by blight and/or infrastructure deficiencies that limit new investment. A base year is established from which "incremental" increases in property values are measured. Virtually all of the resulting new property tax dollars (with the exception of the six mill state-wide university levy) can be directed to redevelopment and economic revitalization activities within the area in which they are generated. Tax payers located within a TIF district pay the same amount as they would if the property were located outside the district. TIF does not increase property taxes. Rather, it only affects the way that taxes, once collected, are distributed.

Position: MAP supports TIF Districts for the following reasons:

- ✓ The creation of a TIF district fosters thoughtful land use planning. The enabling statutes specifically indicate that TIF districts must be found to be in accordance with a jurisdiction's Growth Policy and associated zoning regulations. TIF funds are used to make infrastructure improvements that benefit the public and allow for orderly growth.
- ✓ Funds generated from TIF districts can be used directly for projects and to leverage state and federal grants. This is particularly important to smaller communities, which often face significant challenges in finding matching funds.
- ✓ Taxpayers within a TIF district pay no additional taxes as a result of their inclusion in the district.
- ✓ TIF is one of the few mechanisms that local governments have to encourage investment and to diversify tax base. As communities lose jobs and tax base, they are forced to eliminate services, close schools and cut jobs. TIF provides an opportunity to "turn the tide" of decline.
- ✓ Over the long run, TIF Districts result in increased tax revenue for all taxing jurisdictions. To date, more than \$10.5 million dollars in taxable value has been added to the state's tax base as districts have sunsetted. This amount will increase to \$22.2 million by 2018.

Special Notes

TIF and School Funding

As financial resources for schools diminish, it is easy to look for quick fixes to resolve the problem. In previous Legislative sessions, the elimination, from the TIF calculation, of the 95 mills that the State levies for education has been proposed. This approach, however, misses some critical points. Certainly if development continues to be stymied, there would be no new taxable value to generate new tax revenue. Further, in Montana, school districts are funded based upon enrollment numbers, which are used to determine the amount of funding each school district will receive from the state and ultimately how much school districts will be allowed to budget in their general funds for the school year. The best way for a district to increase its student enrollment is for the community in which it is located to increase the job opportunities available. Often new economic activity within a TIF district results in growth throughout the community. Certainly, when a district sunsets, all taxing jurisdictions, including the school will realize the benefit of a larger and more diversified tax base.

Opportunities in Eastern Montana

As the Bakken Boom grows in Eastern Montana, communities are faced with increasing demands on local infrastructure. TIF may provide a way for cities and counties to make use of new property tax dollars associated with economic growth, in order to provide sustainable public services. A review of how and where growth is occurring in those counties affected by oil development will likely yield information about whether changes to the TIF law may be required to make use of this tool to address critical needs.