

Economic Development (ED) 101-Connect

Tools in the Toolbox

Tax Increment Financing (TIF)

Tax Increment Financing (“TIF”) enables local governments to finance public infrastructure improvements through the increased taxable value of improved land served within the TIF District. Eligible governments for TIF include: cities, townships, and counties.

To enact a TIF, the local governing body must declare improvements to certain parcels of real property within its jurisdiction to be a public purpose via resolution or ordinance. This declaration should include:

- the time frame the TIF or incentive district will be in place;
- the percentage of improvements that will be exempted from real property taxation;
- a list of improvements to be made and a declaration that any improvements to private property within the specified area serve a public purpose;
- at least one project either planned or currently underway that will depend on the improvements proposed in the resolution;
- the boundaries of the district; and
- whether payments in lieu of taxes (“PILOT”s) will be required of the owner of the exempted real property and the amount of PILOTs and other funds required to be paid to the municipality, county, or township in connection with the public infrastructure improvement.

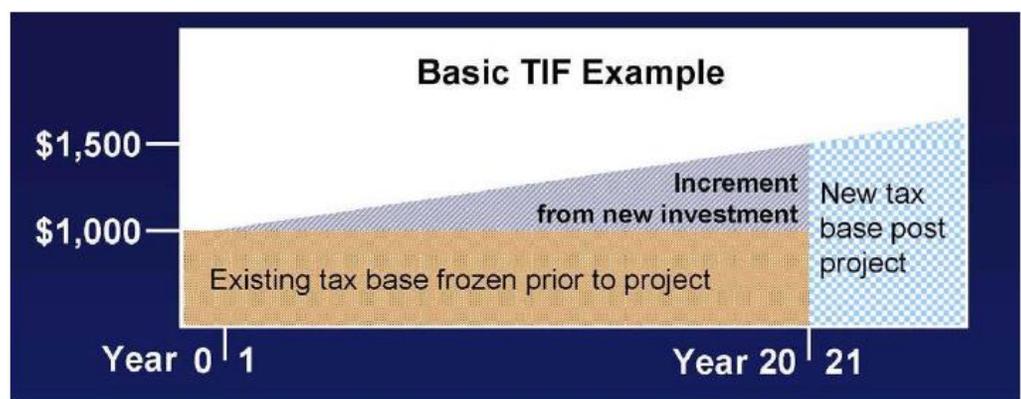
“But For” Test

A challenge to many municipalities as to whether an incentive (such as TIF) should be enacted. A standard test for whether a project should receive assistance is the “but for” test. Specifically, would the proposed development or project occur without the assistance the public incentive (in this case TIF).

Since TIF-funded improvements are limited to public infrastructure improvements (roads, sidewalks, water lines, sewer lines, etc ...), a case can be made that “but for” these public improvements, the project is not viable.

How It Works

Essentially, a base property tax of a given parcel (or parcels) is frozen for the period of time defined in the TIF agreement. From there, the new property tax increase – or “increment” – is then dedicated to the pre-determined public improvements associated with the development.



(Source: State of Ohio’s 2015 Economic Development Manual)

For more information on TIF, please visit: www.cdfa.net (Council of Development Finance Agencies)
State of Ohio’s 2015 Economic Development Manual (page 132-139)