Where do your taxes go with TIF?

Tax increment financing (TIF) is a common economic development tool which takes the incremental tax increase created by a development and uses a portion of those additional funds to pay certain TIF eligible costs of the project. There is no tax rate increase to the citizen or business paying property taxes, sales taxes or franchise taxes as a result of a TIF.

Purpose: Missouri allows TIF to be authorized to combat blight, engage in conservation efforts to prevent areas from becoming blighted, and/or to foster economic development. TIF affects property taxes (PILOTS) and sales/franchise taxes (EATS).

Pre-TIF (before the development occurs)

	PILOTS	EATS
The pre-TIF property, sales and franchise taxes become the BASE AMOUNTS when a TIF district is activated	$5,000	$1,000

Post-TIF (after the development occurs)

	PILOTS	EATS
The property's net worth and sales tax-generating ability increase after the development occurs	$10,000	$20,000
The additional PILOTS and EATS are subtracted from the BASE AMOUNT to calculate the incremental increase	$10,000 - $5,000 =	$20,000 - $1,000 =
This incremental increase is used to pay back TIF reimbursable costs (normally public infrastructure)	$5,000 (100% back to TIF)	$19,000 (50% back to TIF)
The incremental increases go to the TIF, while the BASE AMOUNTS continue to go to the taxing jurisdictions	$5,000 to TIF $5,000 to taxing jurisdictions	$9,500 to TIF $10,500 to taxing jurisdictions

A TIF district can last for up to 23 years or until the TIF reimbursable costs are paid, whichever happens first. Once the TIF is paid off, the full value of the PILOTS and EATS goes back to the various taxing jurisdictions and the community receives the benefits of the development.