WHAT IS A TIF DISTRICT?

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Tax Increment Financing (TIF) is a common economic development tool used throughout the United States. TIF takes the new taxes that a development generates and directs a portion of them to repay the costs of the project itself. Missouri is one of many states where TIF is authorized for purposes of combating blight, engaging in conservation efforts to prevent areas from becoming blighted, fostering economic development, or a combination of these factors.

Why do cities use TIF?

TIF is a public financing method that is used most commonly to redevelop blighted areas and make ***public infrastructure improvements*** funded in part by future taxes created by the development itself. A TIF District is usually created in a blighted area where little to no property and sales taxes are currently being generated. A development is then built and paid for by the developer.

How does a TIF work?

Following the development, the district typically generates additional property taxes and sales taxes as a direct result of the development itself. A portion of these additional taxes generated from the development are then used to repay the developer for a portion of the development costs generally related to public infrastructure improvements, such as streets, sewers, and stormwater detention and other costs related to removal of blighted conditions.

What is the benefit of a TIF?

The City sets the amount of TIF reimbursable costs eligible to be paid to the developer through a TIF Plan and a redevelopment agreement. A TIF can last up to twenty-three (23) years or until the TIF reimbursable costs are paid, whichever happens first. At the point the project is completed and the TIF District is terminated, the full value of the improvements and the new taxes generated by the development flow through to the taxing jurisdictions. This creates growth for the taxing jurisdictions and the community itself.

How does TIF affect the tax flow?

A tax increment financing (TIF) district means that 50% of the incremental increase over the base in sales taxes and franchise taxes (Economic Activity Taxes-EATS) and 100% of the incremental increase over the base in property taxes (PILOTS) is captured by the TIF District. The various taxing jurisdictions continue to receive the original base amount, while the increase created by the development itself reimburses the developer for the public infrastructure improvements and blight removal related redevelopment costs within the district. 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.