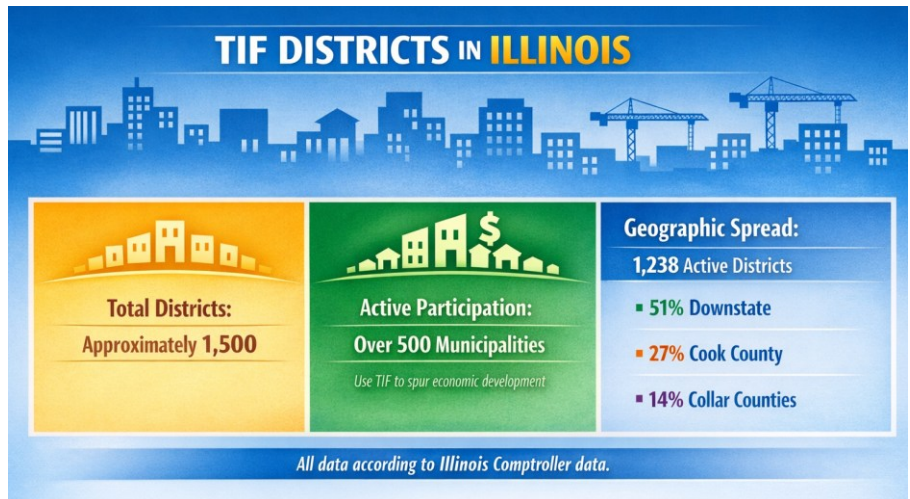


Tax Increment Financing (TIF) Reform

Issue & Background

A Tax Increment Financing (TIF) district is an economic development tool where a municipality uses the future increase in property tax revenue to pay for improvements in that area. TIF districts last up to 23 years, but can be extended an additional 12 years. School districts and other taxing bodies continue to receive the base property tax but the incremental funding is diverted from local taxing districts and instead goes to the TIF fund.



Concerns

TIFs can be an important tool to revitalize underperforming communities. However, the use of TIFs diverts revenue from schools and local taxing bodies during the length of the TIF. This can put incredible pressure on local property taxpayers outside of the TIF and lead to budget shortfalls and difficulty funding new programs or accommodating enrollment increases. TIFs are often extended, which causes the impact of loss of revenue to extend for many years.

Additional Information

Over the years, IASB has advocated for TIF reform. Some of those recommendations include:

- Limit the use of TIFs in residential development.
- Develop procedures for terminating a TIF area that does not produce anticipated growth.
- Provide a definition of the word “blighted.”
- Create a TIF approval process that empowers taxing bodies to ensure fairness.
- Authorize the Joint Review Board (JRB) to approve or disapprove the creation of a TIF.
- Ensure the JRB voting structure reflects the proportional impact of a proposed TIF.
- Require disclosure to taxpayers on the cost of a TIF to the community prior to its approval.
- Include information about the impact of a TIF on tax bills of all taxpayers impacted by the TIF.

IASB Ask

Support TIF Reform, including SB85. SB85 amends the Tax Increment Allocation Redevelopment Act of the Illinois Municipal Code by requiring that before a municipality can extend a TIF district, it must obtain written support from each school district, community college district, and park district that directly levies property taxes within the redevelopment project area. The municipality must submit this written support to the Governor, President of the Senate, and the Speaker of the House of Representatives. It also puts timing restrictions on requesting an extension.