

MICHIGAN ASSOCIATION
of
COUNTY TREASURERS

**Tax Increment Financing Programs:
An Interactive Overview**

August 12, 2013

Thompsonville, MI

Authorities using Tax Increment Financing

1. DDAs
2. TIFAs
3. LDFAs
4. BRFAAs
5. HNTIFAs
6. CIAs
7. NIAs
8. WITIFAs
9. NSRAs
10. PIIFAs

Tax Increment Financing Laws

Downtown Development Authority (DDA)

PA 197 of 1975

Tax Increment Finance Authority Act (TIFA)

PA 450 of 1980

Local Development Financing Act (LDFA)

PA 281 of 1986

Brownfield Redevelopment Finance Act (BRFA)

PA 381 of 1996

Historical Neighborhood TIFA Act (HNTIFA)

PA 350 of 2004

Corridor Improvement Authority Act (CIA)

PA 280 of 2005

Neighborhood Improvement Authority Act (NIA)

PA 61 of 2007

Water Resource Improvement TIFA Act (WRTIFA)

PA 94 of 2008

Nonprofit Street Railway Act (NSRA)

PA 35 of 1867

Private Investment Infrastructure Funding Act (PIIFA)

PA 250 of 2010

Downtown Development Authority Act: PURPOSE

- Prevent and correct deterioration in business districts
- Encourage historic preservation
- Promote economic growth

DDA Act: Authorized Participants

- Cities
- Villages
- Townships

The elected legislative bodies of these municipalities may create DDAs.

Only 1 DDA per municipality unless there is or was an annexation. A single Board may run more than 1 DDA if the municipality chooses

DDA: TIF Reporting Requirements

- Must annually report to the municipality and STC the status of the TIF account.
- Details on revenue account, reserve account, expenditures, outstanding bonded indebtedness, assessment values (initial & captured), job creation data, and other information requested by municipality or STC

Tax Increment Finance Authority Act: PURPOSE

- Prevent urban deterioration
- Encourage economic development and activity.
- Encourage neighborhood revitalization and historic preservation.
- Establish tax increment authorities and prescribe their powers and duties...

TIFA Act: Authorized Participants

- Cities

Only 1 TIFA per city municipality unless there is or was an annexation or consolidation.

After 1987, no new TIFA may be created and boundaries may not be expanded.

Local Development Financing Act: PURPOSE

- Prevent conditions of unemployment and promote economic growth.
- Establish tax increment authorities and prescribe their powers and duties...

LDFA Act: Authorized Participants

- Cities
- Villages
- Urban Townships

Only 1 LDFA per municipality, but a municipality may join with 1 or more municipality in the same county to create an LDFA.

Brownfield Redevelopment Financing Act: PURPOSE

- Facilitate the implementation of brownfield plans.
- Promote the revitalization, redevelopment, and reuse of tax reverted, blighted, or functionally obsolete property.
- Establish brownfield redevelopment authorities and prescribe their powers and duties...

BRFA Act: Authorized Participants

- Cities
- Villages
- Township areas outside a Village
- Townships including areas in a Village with the concurrence of the village.
- Counties

Corridor Improvement Act: PURPOSE

- Correct and prevent deterioration in business districts.
- Encourage historic preservation.
- Establish corridor improvement authorities and prescribe their powers and duties...

CIA: Authorized Participants

- Cities
- Villages
- Townships

A municipality may establish multiple authorities but a property parcel shall not be included under more than 1 authority.

The TIF Concept

Tax increment financing is a tool for cities, villages, and townships to finance development projects.

Financing comes from property taxes generated by proposed new private property developments and improvements:

- buying land
- constructing and improving streets, sidewalks, lighting
- construction of parking lots or the public mall of shopping district
- site demolition, clearance and new construction
- other examples

How does Tax Increment Financing (TIF) Work?

Tax Increment Financing is the revenue that results from an increase in the taxable value

–Increases in Taxable Value

- Inflation

- Sale of the Property/Change of Ownership

- Major Renovations/Improvements/New construction

- Example:

 - 2013 Taxable Value: \$5,000,000 (FMV=\$10,000,000)

 - 1990 Taxable Value: \$3,000,000 (FMV=\$6,000,000)

 - Taxable Value Increment: \$2,000,000

• Current Taxable Value	\$5,000,000
• Base Year Taxable Value	\$3,000,000
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• “Captured” Taxable Value	\$2,000,000
• X Tax Rate (36 Mills)	.036
•	
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• = Tax Increment Revenue	\$72,000

- **\$72,000 per year is available for necessary public improvements for redevelopment in the development district.**

Calculating TIF Capture

- Determine captured value by class of property.
- Both initial and current values for a given parcel belong to the class/tax roll on which the parcel is currently taxed, irrespective of any other class/tax roll it was previously on.

Calculating TIF Capture

- Apply current tax rate each class pays to the captured value of that class to get tax increment revenue by class.
- Net all tax increment revenue by class to determine how much the authority receives.
- For all taxes, calculate specific tax capture (e.g., IFT) separately from capture on ad valorem property.

Calculating TIF Capture For School Taxes

- For school operating tax, calculate capture separately for a) PRE and industrial personal; b) commercial personal; and c) Other NonPRE.
- For SET, calculate capture separately for a) industrial personal and b) all other ad valorem property.

Calculating TIF Capture For Brownfield Plans

- Captured value calculated separately for each parcel, and cannot be negative.
- Brownfield plans may exclude personal property.

Specific Taxes Defined by Authority Type

	DDA	TIFA	LDFA	BRFA	HN TIFA	CIA	NIA	WRI TIFA
Lessees/Tax Exempt Property (PA 189 of 1953)	X	X	X	X	X	X	X	X
Industrial Facility Tax (PA 198 of 1974)	X	X	X	X	X	X	X	X
Commercial Facility Tax (PA 255 of 1978)	X	X	X	X	X	X	X	X
Technology Park Tax (PA 385 of 1984)	X	X	X	X	X	X	X	X
Enterprise Zone Tax (PA 224 of 1985)			X	X				
Neighborhood Enterprise Zone Tax (PA 147 of 1992)				X			X	
Obsolete Property Tax (PA 146 of 200)			X	X				
Eligible Tax Reverted Property Tax (aka Land Bank Tax) (PA 260 of 2003)				X				
Commercial Rehabilitation Tax (PA 210 of 2005)				X			X	

OPT OUT

Not more than 60 days after the public hearing, the governing body of the taxing jurisdictions levying ad valorem property taxes that would be subject to capture may exempt its taxes from capture by adopting a resolution to that effect and filing a copy with the clerk of the municipality proposing the DDA.

Which Public Hearing?

- DDAs, TIFAs, LDFAs—opt-out language is found in section of the statute governing the creation of the *authority*. If you don't opt out at formation, you can't do it later.
- BRFAAs—opt-out is implicitly prohibited in that no opt-out language exists in the act except for certain landfill redevelopments in a single city.
- CIAs, HNTIFAs, NIAs, WRITIFAs--opt-out language is found in section of the statute governing the creation and amendment of the *TIF plan*.

State Protection Against Revenue Shortfall

- PA154 -157 of 2008 protect against revenue shortfalls for bond payments because of 2007 PP tax exemptions.
- Municipalities report shortfall and apply for tax replacement.
- Authorities reimbursed from SET collections.

TIF Plans and 2015 Personal Property Tax Exemptions

- Personal Property Cuts will affect TIF Plans
- Legislature will decide if 2008-like protection, or any other protection, will be provided for TIF plans.

	Downtown Development Authority	Tax Increment Finance Authority	Local Development Finance Authority	Brownfield Redevelopment Finance Authority	Historic Neighborhood Tax Increment Finance Authority	Corridor Improvement Authority	Neighborhood Improvement Authority	Water Resource Improvement Tax Increment Finance Authority
Commonly known as:	DDA	TIFA	LDFA	BRA or BRFA	HNTIFA	CIA	NIA	WRITIFA
Public Act (year and act)	1975 PA 197	1980 PA 450	1986 PA 281	1996 PA 381	2004 PA 530	2005 PA 280	2007 PA 61	2008 PA 94
MCL (first section <i>et seq.</i>)	125.1651	125.1801	125.2151	125.2651	125.2841	125.2871	125.2911	125.1771
Local units may "opt out"	Yes	N/A; no new TIFAs allowed	Yes, except certified tech parks ("Smart Zones")	No	Yes	Yes	Yes	Yes
Captured value computed	in aggregate by plan	in aggregate by plan	in aggregate by plan	by individual parcel; no captured value less than zero	in aggregate by plan	in aggregate by plan	in aggregate by plan	in aggregate by plan
Allowable school tax capture	eligible obligations other protected obligations	eligible obligations other protected obligations	eligible obligations other protected obligations	MEGA/DEQ/MEDC approval	none	none	none	none
May capture PILOTs	No	No	No	No	No	No	No	No
May capture special assessments	No	No	No	No	No	No	No	No
Allowable capture of specific taxes	See "Specific taxes capture" worksheet							

Softening the Effects of TIF

- ❑ Statutory “Hard Cap” on life of TIF plan
- ❑ Allow renewal, but require initial year to be reset so prior plan growth goes to taxing jurisdictions
- ❑ Revenue ceiling, either \$\$ or percent of municipal budget
- ❑ Statutory definition of TIF revenue limited to 50% (or some other %) so taxing jurisdictions see immediate return (proposed Pittsfield Township CIA)
- ❑ Ask authorities to voluntarily forego millage, either in part or in total (Brownfield TIFs may not voluntarily forego millage)
- ❑ Reserve inflationary growth for taxing jurisdictions—authorities get only true “new development”
- ❑ WCZA(zoo)/DIA-type legislative solution
- ❑ Spending limits—inside authority boundaries ONLY
- ❑ Object to contributions to other city department budgets

Reporting TIF Captured Value To MDE Taxable Value Database

- Report captured value, not current value and not initial value.
- Report captured value for school operating tax purposes. If TIF plan captures county and local unit taxes, but does not capture school taxes, ENTER 0.
- If TIF plan is capturing less than 100% of available school tax, multiply value available for capture by % captured.

Reporting TIF Captured Value To MDE Taxable Value Database

- If IFT capture is negative, reduce ad valorem captured value to offset negative IFT capture.
- If commercial personal captured value or Other NonPRE captured value is negative, report \$0 TIF capture for that class of property and reduce other class's captured value to offset the negative capture.

Reporting TIF Captured Value To MDE Taxable Value Database

- For DDA, TIFA, and LDFA plans, Form 2604 calculates captured values for school tax purposes to be entered into MDE database. For local units with more than one TIF plan, each plan's captured values must be added together.
- Captured values for Brownfield plans must be obtained from the authority or local unit.
- Do not report capture for any RZ property.

Property In TIF Plan Receiving Refund from MTT/STC Decision

- Decision reduces current value and captured value. If TIF plan captured a tax, refund for that tax made by TIF plan, not taxing unit.
- If TIF plan captured school tax, for MDE TV database, TT/STC Decision reduces both TV (line 1) and captured TV (line 2)
- If TT/STC Decision reduces TIF plan's initial value, captured value calculations change for all years.

Questions

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