



MINI QUICK GUIDE: TAX INCREMENT FINANCING (TIF) TRANSPARENCY

Attraction of new businesses, the retention or expansion of existing industries, and the necessity of creating and maintaining a quality place where people want to plant roots and thrive are just a few key challenges facing municipal officials. To support these efforts, the General Assembly has provided a variety of mechanisms to enable cities and towns to maintain and revitalize their communities. One of those tools is TIF. A common misconception of TIF is that it lacks transparency. This couldn't be further from the truth. The Indiana General Assembly has instituted many reporting requirements, public meetings, neutralization measures, and termination dates that make TIF a remarkably transparent municipal finance and talent attraction option. This Aim Mini Quick Guide highlights these transparency measures. For more information, contact aim@aimindiana.org.

Reporting Requirements

- **Annual Report of the Redevelopment Commission:** RDC must report the financial status of the commission to the body that established it (city or town council).
- **TIF Management Report:** Report on the Activities of the Redevelopment Commission and of Each Allocation Area for the Previous Year to the mayor, council, and the DLGF and includes:
 - Information on the officers and employees of the commission and their salaries;
 - Balances of all funds controlled by the commission;
 - Revenues and expenses for each allocation area;
 - List of all parcels in each allocation area and what their base and incremental assessed value is;
 - All personal property in the allocation area and how much is base assessed value versus incremental assessed value (2017 legislative change);
 - The amount and maturity date of all debt, including how much has already been paid on the debt; and,
 - Date of expiration of the TIF and all dates where the allocation areas were modified.

Assessed Value Pass Through

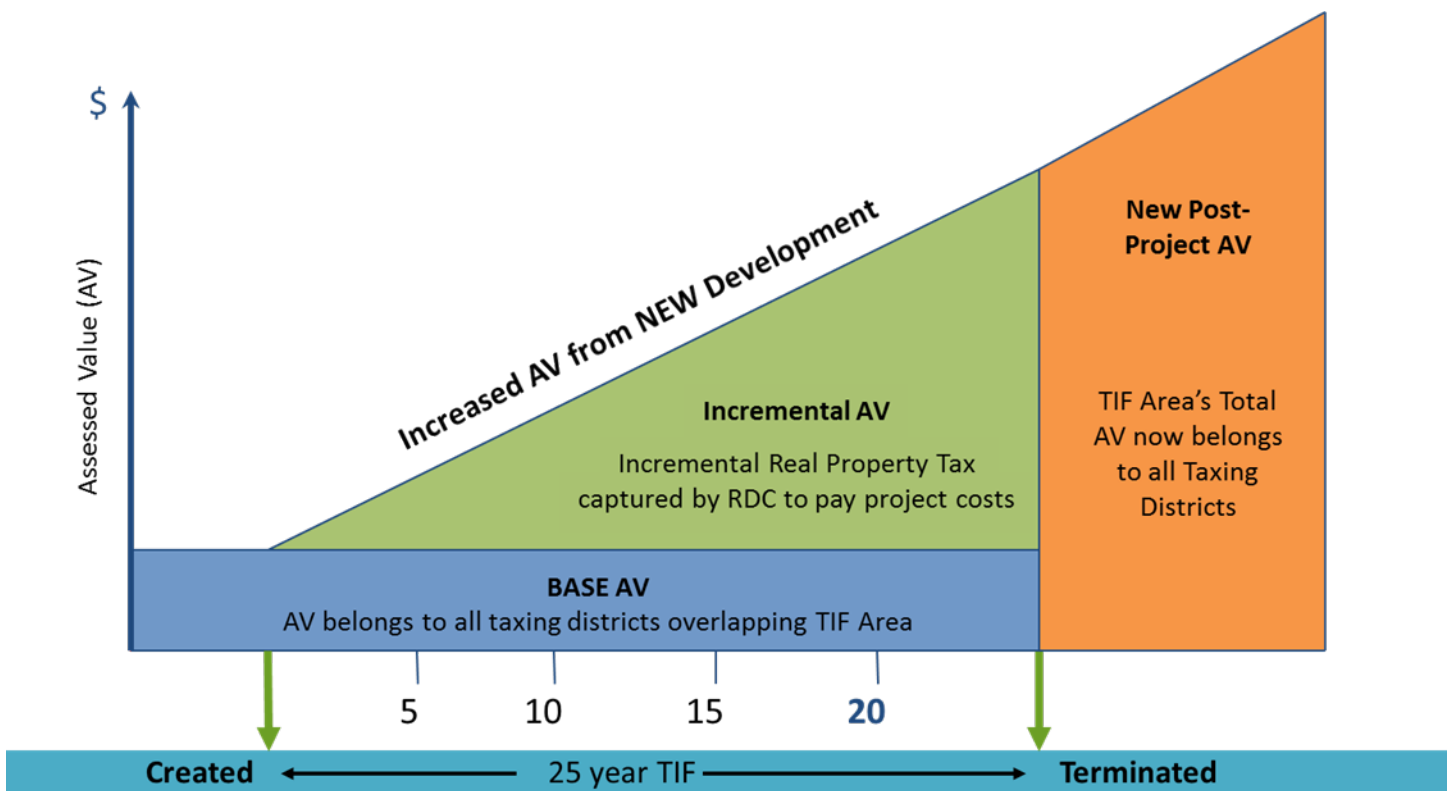
- By **June 15** each year the RDC must determine how much assessed value will be passed through to the underlying taxing units in the next year.
 - First, total captured AV projected for the following year is given to DLGF and the underlying taxing units.
 - Second, the RDC must determine how much AV will be necessary to cover their debt service obligations in the next year.
 - Third, the RDC must notify the DLGF, county auditor, council, and the underlying taxing units how much, if any, AV will be passed through to underlying taxing units in an amount that cannot put their ability to meet their debt payments in jeopardy.
- If the incremental AV is projected to be 200% or higher of the amount necessary to meet the debt service payments, the RDC must submit their decision about how much AV to pass through to the council who can approve or modify the determination.

Meetings with Underlying Units

- Annually the RDC will hold a meeting with the underlying taxing units (including school corporations) to discuss the impact of the TIF.
- During this meeting the RDC must present their budget for tax increment revenues collected within each allocation area, the long-term plan for each allocation area, and the impact of each allocation area on the overlapping taxing units.
- The underlying taxing units may also request a member of the RDC come to one of their meetings and present to the full board at one of their public meetings.

TIF Termination

- All TIFs have statutory requirements for when they will terminate. After a TIF is terminated, all of the incremental AV returns to the base assessed value for the underlying taxing units.
- TIF termination timeframes are different depending on when the TIF was created:
 - **Creation before July 1, 1995:** Termination date is the later of (a) June 30, 2025, or (b) the final maturity date of obligations payable from the TIF District that were issued by July 1, 2015.
 - **Creation between July 1, 1995 and June 30, 2008:** After 30 years.
 - **Creation on or after July 1, 2008:** Generally, 25 years after the incurrence of debt payable from TIF generated in the TIF District.
 - **Residential TIF after 2023:** 20 years after initial creation of the TIF District (for Residential TIFs created before 2023, 25 years).



TIF Neutralization

As a part of the process of certifying assessed values, the County Auditor must, for each allocation area, complete the form prescribed by the DLGF to neutralize the effects of the reassessment or trending of real property in the area on the tax increment revenues allocated to the Commission. The adjustments:

- May not include the effect of phasing in assessed value due to property tax abatements.
- Assessed value increases attributable to the application of an abatement schedule may not be included in the base assessed value of an allocation area.
- May not produce less property tax proceeds allocable to the Commission than would otherwise have been received if the reassessment or trending had not occurred.
- May decrease the base assessed value only to the extent that assessed values in the allocation area have been decreased due to the reassessment or trending.
- Should include the assessed value of residential parcels that are not eligible to be captured for tax increment financing purposes in the base calculation.