

TAX INCREMENT FINANCING AUTHORITY (TIFA)

The Tax Increment Finance Authority (TIFA) was created in 1980 to help eligible cities to stop the decline of property value in a specific area. In addition, TIFA districts are designed to increase the property tax valuation of the area and to eliminate the causes of the decline in property values. In short, TIFA districts promote growth in a specific area within a city.

As of January 1, 1987, the State Legislature decreed that “a new TIF Authority or authority district shall not be created and the boundaries of an existing TIF Authority shall not be expanded to include additional land.” If your community does not currently have a TIFA district, you are not allowed to create one.

WHO IS ELIGIBLE?

As of January 1, 1987, if your community does not currently have a TIFA district, you are not allowed to create one. If you wish to use tax increments to pay for various projects in your community, please refer to Downtown Development Authorities (DDA) or Local Development Finance Authorities (LDFA). If your community does have a TIFA district, tax increments can still be collected from the designated areas, but you cannot expand your district to include other land. However, you can continue to amend the existing development plan and tax increment financing plan.

HOW DOES IT WORK? EXISTING TIFAS ONLY

Where a TIFA exists, the board of the TIFA may prepare a development plan and a tax increment finance plan to present to, and to be approved by, the governing body of the municipality. Once the municipal governing body has adopted the plans, the TIFA will begin realizing the revenues from improvements to property within the area covered by the development plan. This revenue must be expended only within the development area of the plan and only for the improvements and public facilities described in the plan.

The TIFA, or the municipality on behalf of the TIFA, is obligated to file an annual report with the State Tax Commission regarding the receipt and expenditure of TIFA revenue and the school tax revenues captured and retained by the TIFA. However, school taxes (both local and state) are only eligible for capture where obligations were entered into by the Authority prior to the passage of Proposal A in 1994.

The projects in a development plan must be public facilities and include streets, plazas, pedestrian malls and/or any improvements to public facilities including: furniture, beautification, parks, parking facilities, schools, libraries and other public institutions. Bridges, lakes, canals, utility lines, pipelines and other similar facilities are also included. Projects that would not be eligible would be those that are not public facilities, would not serve the public in general or would occur outside the boundaries of the TIFA district.

WHAT IS THE PROCESS TO AMEND THE DEVELOPMENT PLAN?

1. Governing body holds a public hearing with notice of the time and place published twice in a newspaper of general circulation. The first publication must not be less than 20 days before the hearing.
2. Notice must be mailed to all property owners in the district.
3. Before the public hearing, the governing body shall provide a reasonable opportunity to the taxing jurisdiction in which the development is located to express their views and recommendations regarding the tax increment financing plan.
4. After the public hearing, the governing body adopts by resolution the amended development plan and tax increment financing plan.

WHY WOULD A COMMUNITY WANT TO AMEND AN EXISTING TIFA PLAN AND DEVELOPMENT PLAN?

There may be new developments in the district which necessitate additional public infrastructure improvements. Amending the TIF plan and development plan would enable the local unit of government the ability to capture taxes to pay for the improvements. There is no limit in the number of amendments that can be granted for an existing tax increment financing and development plan, provided that new developments and projects can be identified to support the use of the tax increment.

SUPPORTING STATUTE

Public Act 450 of 1980—TIFA

CONTACT INFORMATION

For more information, contact the MEDC Customer Assistance Center at 517.373.9808.