

## LWVIA TIF Study /Propose Concurrence

The League of Women Voters of Iowa members voted to convene a statewide study of Tax Increment Financing (TIF) at its June 2015 Convention in Des Moines. Since that time League members representing Black Hawk, Johnson, Polk and Story counties have met to review TIF use in Iowa. The LWVIA TIF Study Committee has reviewed TIF background, timeline, history, expanding use, shifting tax burdens, school aid funding, new uses, reporting requirements, sunset dates, and concerns. In addition to reviewing numerous documents and newspaper clippings, committee members have interviewed nearly 20 professional experts.

The TIF Study will appear as an agenda item at the LWVIA State Convention agenda in Marshalltown in June 2017. League members are urged to familiarize themselves with the following information available online at [www.LWVIA.org](http://www.LWVIA.org):

- TIF Study Report
- Video presentation Dave Swenson “Understanding Iowa’s Economic Situation” (January 2017) / Community Use & School Impact
- League – TIF-Facts
- LWVIA TIF Study /Propose Concurrence

### TIF History:

The Iowa Legislature adopted Tax Increment Financing, a popular financing technique for Iowa cities and counties:

- 1957: Iowa Legislature authorized urban renewal to finance public improvements addressing slum and blight conditions (Iowa Code 403)
- 1969: Tax Increment Financing was added as a mechanism to finance urban renewal
- 1985: TIF law expanded to allowing economic development purposes
- 1995: Legislature created a 20-year sunset for economic development purposes for projects after 1995
- 1999: Legislature adopted reporting requirements (Amendments adopted in 2003, 2006, 2012)

**What is TIF:** Tax Increment Financing (TIF) practice permits the use of an anticipated increase in property tax revenues to finance infrastructure improvements, acquisitions, demolition, relocation and financial incentives, and environmental cleanup by an authorizing entity for two purposes: a) urban renewal to remove slum and blight and/or b) to attract economic development projects.

**Who May Use:** Cities and counties may establish TIF districts; Iowa Code also authorizes Rural Improvement Zones (RIZ) to use TIF.

**How TIF Operates:** A property tax “base” valuation is established prior to the TIF. Throughout the duration of the TIF, as property valuation increases, the increment of tax revenue increases are directed to a TIF fund of the establishing entity. Meanwhile other taxing entities continue to receive the “base” property tax revenues as they would have in the absence of a TIF. Other taxing entities receive the base revenues throughout the duration of the TIF (20 years or perpetuity). (An important exception is the property tax levies to repay general obligation debt of cities, counties or school districts. They may not be diverted for TIF, nor can the school physical plant and equipment levy.)

TIF also enables the establishing entity to incur debt to fund local improvements expected to remedy blight or spur economic development that will increase property tax valuations when the TIF expires. (Typically, debt incurred to make infrastructure improvements is paid during the time that taxes are diverted to the TIF.)

While reporting responsibilities are obligated by State Code, oversight is not a requirement.

## League: Propose Concurrence

The League of Women Voters of Iowa supports efficient and economical government and believes State Code of Iowa allows governing bodies opportunities to utilize Tax Increment Financing tools for urban renewal and economic development purposes. The League further believes TIF is a positive tool for cities and counties and rural improvement zones to address issues of urban renewal and economic development, and that effective TIF use can work to improve tax valuation revenue collections.

The League of Women Voters of Iowa has identified areas of TIF use that could be improved. We, therefore support the following measures to strengthen responsible TIF use and transparency maximizing opportunities for public participation. The following actions will improve and benefit taxing entities, the State of Iowa and taxpayers:

1. Establish a category specific to windmill construction. The state of Iowa represents the third most productive state in the nation in the output of wind generation, and as a result the use of TIF for this purpose has grown exponentially without language explicit to use or a limit regarding the length of time tax revenue will be collected or diverted from other taxing entities.
2. Identify a comprehensive definition for TIF urban renewal slum and blight. The terminology must designate specific descriptors to prevent misuse, overuse or abuse of TIF funds.
3. The 20-year sunset, the equivalent of nearly two generations, is much too long of a period of time and is detrimental to school funding. Further TIFs for economic development established prior to 1995 do not sunset. A reasonable timeframe must be established for these projects creating a conclusion for tax diversions. An effective approach employed by some communities limits tax diversions to a reasonable percentage, and thereby allows schools to collect tax revenues, including a portion of the deferred increment, throughout the duration of the project.
4. Decertify TIF projects upon completion. While districts identified for urban renewal stay intact, entities wishing to use the TIF mechanism in the same district must complete a new certification process to proceed with a fresh proposal. Decertifying a completed project increases transparency and allows for public input to deter misuse, overuse or abuse of TIF.
5. Calculate TIF debt and include the debt in an entity's constitutional debt limit. The language relating to the annual debt payment must also include interest incurred against the debt. Inclusion in an entity's constitutional debt limit provides taxpayers a complete financial picture of their community's financial integrity.
6. Strengthen and clarify TIF authorization to disallow TIF to construct public buildings. In order to be informed and determine how their tax dollars are used, residents of an authorizing entity should be provided information and the opportunity to vote on proposed public building projects that would be constructed using TIF funds.
7. Require and encourage proactive communication between all affected parties (neighboring communities) and the public including an estimated return on a TIF investment to ensure transparency.
8. The collection of data and information by the Iowa Department of Management does not include or require a comprehensive evaluation process. Authorizing entities should establish an inclusive evaluation procedure which requires an assurance that communication and public participation has occurred throughout the project and reports the project's return on investment to the public before projects are reported to the county auditor, who in turn sends the reports to the Iowa Department of Management.