

Learning Liberty

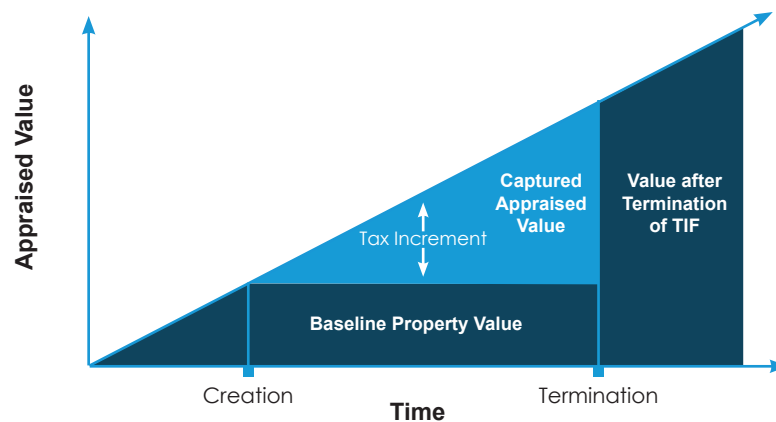
What is a TIF and how does it work?

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A TIF, which stands for “Tax increment financing”, is an economic development tool that lets townships, municipalities, or counties finance projects. These projects can be redevelopments, infrastructure, or other community-improvement projects. A TIF is similar to Ohio’s Enterprise Zone (EZ) program, except that TIFs can be used with residential development, and an EZ program abates taxes, whereas a TIF does not change the taxpayer’s tax liability or the valuation of the taxpayer’s property.

Why use a TIF?

TIFs work by diverting future property tax revenue increases from a defined area toward the desired project. The property tax in the district is “frozen”, and new revenue comes from the new property value in the TIF that goes into the TIF fund and is reinvested in that area. Some ways this property value can increase would be development on vacant land, which paid little or no taxes before, improvements to existing properties, and on existing properties. Since TIF debt is not typically considered part of a local government’s debt load, local officials find TIFs as an appealing way to finance needed public infrastructure.



How does a TIF affect my taxes?

As property values rise, property owners in any redevelopment area including a TIF district will likely pay increased property taxes with or without TIFs. TIFs merely permit any increased property taxes to be specifically directed to public improvements. Homeowners in TIF districts benefit from improved property values, public improvements, and increased business activity.