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Revenue and Transportation Interim Committee
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TAX INCREMENT FINANCING

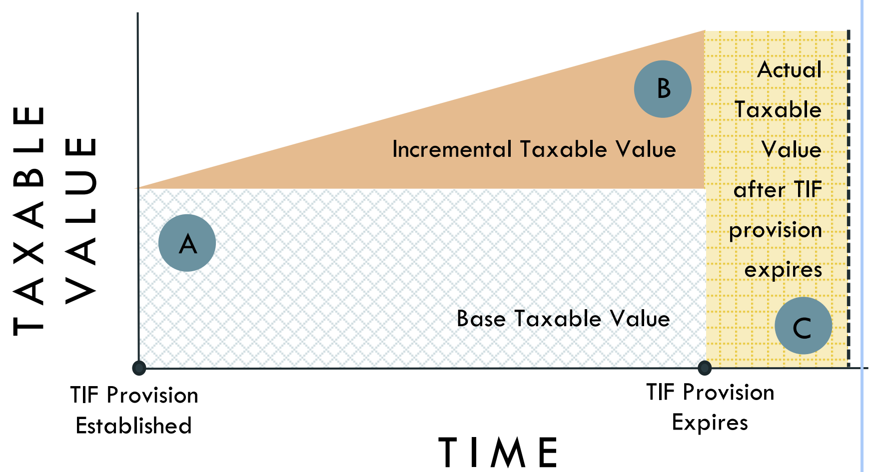
Title 7, chapter 15, parts 42 and 43, MCA, provide for the use of tax increment financing (TIF) for urban renewal and economic development projects. A city may create an urban renewal district (URD) and a city or a county may create a targeted economic development district (TEDD). The URD or TEDD plan may include a provision that allows the district to use tax increment financing. This document provides the basics of tax increment financing.

Terms

Actual taxable value: the taxable value of all taxable property as calculated from the property tax record
Base taxable value: the actual taxable value of all taxable property within a district before the effective date of the tax increment financing provision
Incremental taxable value: the amount, if any, by which the actual taxable value exceeds the base taxable value of all taxable property within a district
Tax increment: the collections realized from extending the tax levies of all taxing bodies in which the district is located against the incremental taxable value
Taxing body: any incorporated city or town, county, city-county consolidated local government, school district, or other political subdivision or governmental unit of the state, including the state, that levies taxes against property within a district

Area A: Base Taxable Value

The revenue generated from the application of mill levies to the base taxable value continues to flow to taxing bodies as it did before adoption of the tax increment provision.



Area B: Incremental Taxable Value

The combined mill rate for all taxing bodies within the district is applied to the incremental taxable value to determine the tax increment available for urban renewal or economic development projects. The combined mill rate does not include the 6-mill university levy and, for TIF provisions adopted after April 6, 2017, does not include the 1.5-mill vocational-technical education levy or a new mill levy approved by voters after adoption of the TIF provision.

Area C: Actual Taxable Value After TIF Provision Expires

After the TIF provision expires, the incremental taxable value is no longer separated from the base taxable value and taxing bodies again collect revenue from the total actual taxable value. A TIF provision expires the later of the 15th year following its adoption or upon the payment or discharge of all bonds for which the tax increment has been pledged.

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