

## THE MYTHS

*"Urban Renewal Districts (URD) and Targeted Economic Development Districts (TEDD) increase property taxes for the land owners within the District"*

### — The Facts—

Property owners pay at the same tax rate as those outside the District; however as property values increase overtime the difference between the base year and current year property taxes are captured by the District.

*"Urban Renewal Districts (URD) and Targeted Economic Development Districts (TEDD) can last forever"*

### — The Facts—

URDs and TEDDs do not have a specified expiration date, however, the Tax Increment Financing (TIF) provision for those districts can only last 15 years unless bonds are sold (with a maximum term of 25 years) in which case TIF will last until the bond obligation is paid. The current average length of the both districts existing TIF provisions and those that have sunsetted is 18 years.

*"Tax Increment dollars can be spent without public input"*

### —The Facts—

These are tax dollars and the normal public budgeting process of the governing body MUST be followed.

*"Tax Increment takes money from the schools"*

### —The Facts—

All taxes that are derived from the base taxable value are distributed to all taxing jurisdictions. Only taxes resulting from growth inside the District are directed to urban renewal or targeted economic development projects.

*"Tax Increment Financing (TIF) is the same as Tax Abatement."*

### —The Facts—

A tax abatement is an exemption for a property owner from paying property taxes for a specified amount of time. Property owners inside a TIF district are required to pay property taxes unless they request an abatement. Generally, TIF districts will not support tax abatement applications.

## TAX INCREMENT FINANCING THE POSITIVE IMPACT

"Only because of the TIF programs were we able to begin the still-ongoing process of cleaning West Bank and provide the infrastructure necessary to attract



business and jobs to the area including two hotels, one fitness facility, three restaurants, a bank and an office building – creating hundreds of new jobs."

*Brad Talcott and Linda Caricaburu, Developers*

"Used wisely, TIF provides a mechanism to spur a development project and leverage additional investment into an economically declining area. These locally controlled programs, are a useful tool in promoting redevelopment of areas in need of economic renewal."



*Chris Ewing, Audaciter Development LLC*

The TIF Grant demonstrated how cooperative efforts between private business and local government can forge outcomes that provide lasting benefits to the community at large. Our business continues to contribute to a strong and thriving economy in Whitefish.



*Marilyn Nelson, Nelson's Ace Hardware*

## LOOKING FOR INFORMATION?

Montana League of Cities & Towns

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# TAX INCREMENT IN MONTANA

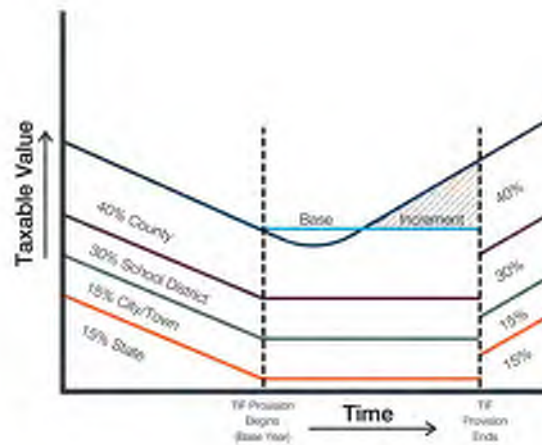
## A LOCALLY DRIVEN ECONOMIC DEVELOPMENT TOOL

NORTHERN HOTEL  
Billings, MT



OLD SAWMILL DISTRICT  
Missoula, MT

**BOZEMAN PARKING GARAGE**  
Bozeman, MT



## KEY TERMS

### Urban Renewal District (URD) (§7-15-4209 MCA)

A URD is an area within a city, town, or consolidated city-county which is created to address a blighted area within its' boundaries. The proposed area must contain at least three conditions of blight as defined in §7-15-4206(2) to qualify as a URD. URD's can be governed by the local government or by an **Urban Renewal Agency (URA)** which is authorized by the local government to carry out the powers allowed by state law. URD's undertake projects outlined in the Urban Renewal Plan, adopted for the District, to address the conditions of blight in order to improve economic conditions within the URD.

### Targeted Economic Development District (TEDD) (§7-15-4278 MCA)

- A TEDD is an infrastructure-deficient area within a city, town, county, or consolidated city-county. The goal of a TEDD is to improve conditions within the District which constitute an impediment to value-adding industrial development. TEDDs are governed by the local government, which generally utilizes an advisory board for assistance. TEDDs undertake projects outlined in the Comprehensive Development Plan adopted for the District.

**Tax Increment Financing (TIF)** -TIF is a state authorized, locally driven, funding provision that enables cities and counties to designate a portion of property tax dollars generated within a URD or TEDD to be spent on improving economic conditions within or connecting to the District. Only that portion consisting of the net increase (increment) in taxable values is reserved for investment in the District.

## QUICK FACTS

✓ 68 URD/TEDDS exist in Montana as of 2020.

✓ Existing URD/TEDDs have created \$58 million in taxable value.

✓ 20 Districts have sunsetted creating \$33 million in taxable value to date.

✓ Another potential \$21.5 million in taxable value will be added in the next 5 years from 19 sunseting Districts.

✓ Total incremental value of all URD/TEDD as a percentage of state total taxable value is 1.8% (58,056,977/3,218,081,292)

✓ Total increment created in 2020 was \$43 million which represents just 2.45% of all property taxes collected in the state.

## HOW IS INCREMENT CREATED

Once a District is established, its base taxable value is certified by the Department of Revenue. The base year is identified in the ordinance establishing the District and it is typically January 1st of the year in which the ordinance becomes effective. For example, if the District is approved by the local government in December 2020, the base year will then be 2020. The Base Taxable Value will be certified by DOR as of 01/01/2020. The first year a District would be able to receive any increment would be based upon taxable value of 01/01/2021. No actual funds are available to the District until November of 2021 when the first half property tax payments are received. Local governments are allowed to accrue increment over time to allow for meaningful projects to be undertaken in the District.

## TAX INCREMENT IN ACTION

In Butte-Silver Bow, the Ramsay TIFID, now called a TEDD, was created in 1994 with a taxable base value of \$1.7 million, which included \$1.6 million of taxable value for Solvay (Phosphorous Plant). Unfortunately, in 2017 the taxable value of Solvay had decreased to \$28,000. Because of TIF financing, the loss of tax revenue did not impact Butte-Silver Bow taxing jurisdictions! In 1996 REC Silicon developed a \$500 million facility in the Ramsay TIFID, utilizing infrastructure assistance provided by TIF financing. As a result, the REC Silicon development was significant enough to not only replace the loss in base value but also generated additional increment revenue as well.

**NORTHWESTERN ENERGY**  
Butte, MT