Tax Increment Financing

What is TIF?

TIF stands for Tax Increment Financing. Basically TIF is an additional funding source for redevelopment efforts that is based on increased property tax revenues. Tax increment revenues are the amount of all new property tax revenues, which are increases in the existing tax base within the designated redevelopment area.

How are tax increments calculated?

In order to calculate tax increment, a base year must be established. The base year established by the CRA is 1999. The total real property value of the base year (1999) then becomes the "frozen tax base." The increase in total taxable property value between the base year, or year one, and year two is called "the increment." The millage rate for year two is then applied to the incremental increase in total taxable property tax base. The incremental tax revenues are then multiplied by 95% to calculate the total tax increment revenues to be deposited in the Redevelopment Trust Fund before January 1 of the next year.

Immokalee (186) – Example of TIF Calculation

Year	Taxable Value	1999 Frozen Tax Base	Increment	County-wide Millage	Tax Increment	95% of Increment	Deposit Tax Increment
1999	$148,645,590	$148,645,590					
2000	$156,720,943	$148,645,590	$8,075,353	4.3453	$35,090	$33,335	$33,335

What can the tax increment revenues be used for?

According to Florida Statute 163.387(6), funds in the Redevelopment Trust Fund can be expended for the following purposes:

- Administrative and overhead expenses;
- Expenses of redevelopment planning, surveys, and financial analysis, including the reimbursement of such expenses incurred before the redevelopment plan is adopted;
- To acquire property;
- To prepare land for redevelopment, including clearance, relocation of owners and occupants, and the site preparation of redevelopment area property;
- To provide public facilities/utilities;
- To sell property;
- To acquire air rights; or
- To pay all expenses connected with agency bonds or notes, or other forms of indebtedness, including payment of principal and interest on CRA loans.

What can the tax increment revenues <u>not</u> be used for?

Florida law specifically prohibits the expenditure of tax increment revenue for:

- Construction of public administrative buildings unless agreed to by each taxing authority;
- Public improvements if such capital improvement projects are normally financed through user fees or if the projects would be done within 3 years of the approval of the community redevelopment plan pursuant to a preexisting capital improvement plan; and
- Government operating expenses unrelated to planning and carrying out community redevelopment plans.

When does newly developed property become part of the tax roll?

Current Florida Law states that if a property has not received a "certificate of occupancy" by January 1, the property is not counted in that year's taxable value. Therefore, if a property receives its Certificate of Occupancy on January 2, 2001, it is not counted in the total taxable property for that area until the 2002 tax roll.