



## **State of Illinois TAX INCREMENT FINANCING Program Summary**

**COMMON NAME:** TIF

**LEGAL NAME:** TAX INCREMENT FINANCING

**STATUTORY CITATION:** 65 ILCS 5/11-74.4-3

**PROGRAM TYPE:** Financing Program

**TYPE OF BENEFITS:** Illinois law allows units of local governments the ability to designate redevelopment areas in need of development or redevelopment. Often, improving these areas requires a public investment to reduce the extra cost and risk that private development faces in such areas. The public wishes to see this development occur, but without increased taxes or the reduction of other necessary services and projects that would be required to pay for the public investments that development and redevelopment usually require.

Tax increment financing (“TIF”) is one tool used to meet this economic development challenge. With this tool, financially strapped local governments can make the improvements, like new roads or sewers, and provide incentives to attract new business or help existing business stay and expand. These specially designated areas capture new investment tax growth as a way to spur economic growth within the tax increment district in hope of encouraging new economic development and jobs.

**DESCRIPTION OF BENEFITS:** TIF is simple in concept. It calls for local taxing bodies to make a joint investment in the development or redevelopment of a designated area, with the intent that any short term gains be reinvested and leveraged so that all the taxing bodies will receive future financial gains. When a TIF redevelopment project area is designated, the value of the property in the area is established as the “base” amount. The property taxes paid on this base amount continue to go to the various taxing bodies. The growth in property values generates tax increment, which is collected in a special fund and allows additional investments in the TIF project area.

This reinvestment generates additional growth in property value, which results in even more revenue growth for reinvestment.

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In this way a TIF project creates a vital cycle, increasing development and redevelopment in the area, such that when the TIF project ends — and Illinois law allows a TIF project to exist for a period of up to 23 years — all of the taxing bodies benefit from the new growth.

**ALLOWED USES OF BENEFITS:** Help finance general public infrastructure improvements, including streets, sewer, water; redevelopment of substandard, obsolete, or vacant buildings; cleaning up polluted areas; providing infrastructure needed to develop a site for new industrial or commercial use; rehabilitating historic properties; property acquisition; site demolition, etc...

**ELIGIBLE GEOGRAPHIC AREA:** Statewide

**ELIGIBLE BUSINESS TYPES:** All

**SPECIAL REQUIREMENTS:** In order to qualify for TIF benefits a number of requirements must be satisfied, beginning with identifying the project area and the physical and economic deficiencies that need to be cured. These deficiencies are often called the “blighting requirements”. In addition to meeting the blighting requirements, the municipality must also demonstrate these conditions satisfy the “but for test”, which calls for the municipality to show that ‘but for’ the public investment provided through the TIF, effective redevelopment or development will not occur.

Along with meeting these requirements, the municipality must also prepare a plan laying out the actions that the municipality intends to take to improve the area, and a budget for the TIF district that includes the total TIF-eligible costs. Municipal officials and a Joint Review Board, made up of representatives from local taxing bodies, must review the plan for the redevelopment of the TIF area, allowing the various taxing bodies to provide their input and opinion on the matter to the municipal authorities.

Following this, a public hearing is held so that residents and other interested parties can express their thoughts on the subject. Once these steps are completed, the proposal to establish the TIF district and engage in Tax Increment Financing must pass through the same process as any other ordinance proposed by the municipality, receiving approval by the municipal legislative body.

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If approved by the municipal governing body, the mayor or village president may sign the ordinance into law.

### **SOURCES:**

Illinois Department of Commerce &  
Economic Opportunity  
Bureau of Business Development  
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Springfield, Illinois 62701  
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