



BILL SUMMARY

HF 2435 TIF Reforms

Status of Bill: Floor
Committee: Ways & Means (13-12)
Lead Democrats: Rep. Brown-Powers
Floor Manager: Rep. Vander Linden
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Background

Tax Increment Financing, or TIF, is a method of financing projects by pledging revenue from the incremental increase in property taxes from future increases in taxable value within the TIF area. There are two major types of TIFs, blighted areas and economic development TIFs. Blighted area TIFs were created in 1971 were originally intended for only blighted areas and have no maximum duration. Economic Development TIFs can be used in non-blighted areas for general economic development. Additionally under the umbrella of economic development TIFs are residential or housing TIFs.

In 2012, the legislature made several changes to TIF. The legislature required reports to be filed every year with information on each TIF area within a taxing authority. The bill included a lengthy list of specific items that had to be included in the report. In addition, the Department of Management has the authority to add requirements for each report. The report must be filed with the Department of Management before the municipality's budget can be certified. The bill also included anti-piracy provisions, preventing TIF from being used to relocate an enterprise unless certain requirements were met. TIFs that included public buildings required the municipality to include an analysis of alternative options and reasons why those options were not feasible. There were a variety of financial limits placed on TIFs to assure that money generated by a TIF was only used on the TIF area and to assure that local taxing authorities affected by the TIF were protected. The reports can be viewed on the Department of Management website at <https://solr.legis.iowa.gov/tif/public>.

Summary

The bill makes 3 major changes to current Tax Increment Financing (TIF) laws.

The requirements for information in the annual report prepared by the Legislative Services Agency must provide to the governor and general assembly are expanded. Current law requires that the report summarize the information contained in the annual reports submitted by local jurisdictions to the state. The bill expands this to require a list of each county, city, or rural improvement zone that filed an annual report and the amount of TIF in each jurisdiction.

The bill prohibits the use of TIF for public buildings going forward. "Public buildings" specifically include police stations, fire stations, administration buildings, swimming pools, hospitals, libraries, recreational buildings, city halls, or any other public building that is exempt from taxation. This prohibition extends to the extensions of these types of buildings, as well as the maintenance and repair of public buildings.

A new definition of "blighted areas" for establishing a TIF is established for areas going forward according to the chart below:

| Blighted Areas | Current | HF 2435 |
|---|-------------------------|-------------------------|
| Slum, deteriorated, or deteriorating structures | X | X |
| Defective or inadequate street layout | X | |
| Faulty lot layout | X | |
| insanitary or unsafe conditions | X | X |
| Deterioration of site or other improvements | X | X |
| Diversity of ownership or taxes or assessments exceeding the value of the land | X | |
| Defective or unusual conditions of title | X | |
| Conditions which endanger life or property | X | X |
| Substantially impairs or arrests the sound growth of a municipality | X | X |
| Retards the provision of housing accommodations | X | X |
| Economic or social liability that is a menace to the public health, safety or welfare | X | X |
| Disaster area (403.5) | Specifically Included | Specifically Included |
| Agricultural Land | Specifically Prohibited | Specifically Prohibited |

HF 2435 limits TIF areas to 20 years going forward. If the TIF area is based on slum or blight, the time limit is 25 years. The bill places time limits on all TIFs that are currently in existence that do not have a time limit currently. If the area is an economic development TIF that is in existence at the time of the bill becoming effective, the area must terminate by July 1, 2036. If the area is based on slum or blight, the TIF must terminate by July 1, 2041.

The bill exempts Rural Improvement Zones (RIZ) and community colleges from the time limitations in the bill.