

Tax Incremental Financing (TIF) for Business Expansion in Buchanan County

What is TIF and how does it work?

- Quite simply, if you invest \$\$ into a business project and it increases the taxable valuation of the property, you are creating NEW tax \$\$\$. The city has the authority to capture a portion of the *NEW property taxes*, and then return the newly generate taxes back to you.
- ***Example 1:*** Your existing building and land generates \$5,000 a year in property taxes. You expand your building, put in a new paved parking lot and make improvements throughout your existing structure. The improvements made, increases your annual property taxes to \$10,000. You have increased the annual taxable value of your business by \$5,000.
 - You pay your \$10,000 in property taxes and then the city repays you a portion of the \$5,000 increased taxable valuation.
- ***Example two:*** You purchase 3 acres of bare ground and construct a new building. The land was zoned agricultural and generated \$100 of annual property taxes. The new building and rezoned property now generates \$20,000 of property taxes; an increase of \$19,900 in NEW property taxes.
 - You pay your \$20,000 in property taxes and then the city repays you a portion of the \$19,900 increased/NEW taxable valuation.

Standard TIF Policy: You are not guaranteed a TIF agreement. *If your application is approved*, the city may offer rebates for 3-5 years, of 50%-100% of NEW property taxes back to you.

- If the city offers you a 3-year 100% rebate, you may receive the value over a period of 3 years or the city may offer to spread out the 3-year equivalency over several years. *i.e.* Year one, collect 90% rebate, year-two 60% rebate by year-six you may be getting a 30% rebate.

You must apply to the City for TIF:

- The application process may take up to 8 weeks.
- Awards are based upon several criteria; including jobs created or retained, the value of new construction, etc.
- The City Council must vote to approve your award.
- Not all business projects will be awarded TIF.
- Schools, the County and other taxing entities can influence the amount awarded.
- ***Do not begin construction*** until you submit an application and are approved for TIF. You may eliminate yourself for consideration by beginning construction prior to approval.

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