

## Tax Increment Financing (TIF) Reform – Senate Bill 1391 (Gillespie)

Senate Bill 1391 enacts recommendations from the Property Tax Task Force Subcommittee on TIFs and best practices used by other states. The reforms below will limit abuse of TIF districts in wealthy communities, ensure that funds are used appropriately, ensure local schools are adequately funded and allow local taxing bodies to have greater input on decisions that will affect their tax base.

	<b>Current Practice</b>	<b>Proposed Reforms</b>
<b>Blighted Areas</b>	Vague definitions of blight allow for the creation of TIFs in wealthier areas not in need of economic assistance to attract development.	Tightens the definition of blighted to reflect the original intent of the law, providing measurable factors to determine blight.
<b>TIF Lifetime</b>	23 years with two 12-year extensions.	20 years with one 2-year extension.
<b>Joint Review Board Authority</b>	A municipality has the unilateral authority to establish a TIF district, with non-binding input from the JRB.	Grants members of the JRB greater authority when establishing a TIF district.
<b>Small Business Support</b>	TIF districts typically favor developers of big box outlets, leaving existing small businesses behind.	10% of annual TIF funds must go to the local Chamber of Commerce for small business grants within the TIF district. The local Chamber of Commerce is also added as a member of the JRB.
<b>School District Opt-Out</b>	School districts are not allowed to opt out of a TIF district, meaning they will see a reduced share of property tax income to provide educational services.	School districts, the most impacted taxing body, will have the option to opt out – a practice allowed in Texas and Illinois transportation TIFs.
<b>TIF Overlap</b>	TIF districts may overlap, meaning that schools, parks and libraries may see their share of property taxes reduced many times over. This practice delays the distribution of surplus to other taxing bodies.	Prohibits the overlapping of new TIF districts.
<b>Transfer of Funds</b>	Funds from one TIF district may be transferred to another TIF district. This practice delays the distribution of surplus to other taxing bodies.	Prohibits the transfer of funds between TIF districts so that benefits remain in the intended area.