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Improving Tax Increment Financing (TIF) for Economic Development.

Economist David Merriman of the University of Illinois at Chicago reviews more than 30 individual studies in the most comprehensive assessment to date of tax increment financing (TIF), a popular economic development tool. The report finds that while TIF has the potential to draw investment into neglected places, it has not accomplished the goal of promoting economic development in most cases. First implemented in the 1950s, TIF funds economic development within a defined district by earmarking increases in future property tax revenues that result from increases in real estate values in the district. The tax revenue can be used for public infrastructure or to compensate private developers for their investments, but TIF is prone to several pitfalls: it often captures some revenues that would have been generated through normal appreciation in property values, it can be exploited by cities to obtain revenues that would otherwise go to overlying government entities such as school districts, and it can make cities' financial decisions less transparent by separating them from the normal budget process. The report recommends several ways that state and local policy makers can reform TIF practices going forward.

Read the Full Paper.

Lincoln Institute of Land Policy

by David Merriman

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