



Revenue and Transportation Interim Committee

65th Montana Legislature

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TO: Members of the Revenue and Transportation Interim Committee

FROM: Megan Moore, committee staff

RE: Rep. Essmann TIF study recommendations

DATE: April 23, 2018

The committee received a presentation on the Legislative Audit Division's performance audit of districts that use tax increment financing (TIF) at the March meeting. During the public comment portion of the meeting, Rep. Jeff Essmann offered a number of recommendations to the committee. This memorandum summarizes those recommendations for reference during the committee work session scheduled for the May meeting.

The recommendations offered by Rep. Essmann at the March meeting were:

- Specify a role for the state because revenue from the state equalization mills is part of the increment for districts that use tax increment financing;
- Look at targeting TIF to communities best served by TIF (as shown in the audit) and remove temptation to capture revenue from already increasing taxable values;
- Provide specifics to the Department of Revenue regarding its administrative role;
- Consider whether increment may be used for grants to private entities (see attached attorney general opinion);
- Consider whether administration of a district that uses TIF by a contracted organization is problematic from a transparency and public records standpoint;
- Consider whether to require periodic updates to or reviews of urban renewal plans and/or filing of urban renewal plans with the Department of Revenue;
- Identify reasons for incorrect base taxable values and incremental taxable values identified in audit;
- Consider classes of property contained within a district that uses TIF, perhaps remove centrally assessed property from taxable value; and
- Consider whether to increase resources for the Department of Revenue for its administrative role through a fee for districts that use TIF or by taking a percentage of the increment collected from the state equalization mills.

In addition to the recommendations offered at the meeting, Rep. Essmann provided the following two additional ideas on the topic during an April phone conversation:

- After the TIF provision expires, require remittance of any remaining revenue not necessary for the purposes of debt retirement; and
- Require the Department of Revenue to review the determination of blight using the grade used for property valuation purposes (i.e. _____% of the property in the district must have a grade of _____ or below).

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