

TIF: DURATION OF DISTRICTS

REVENUE INTERIM COMMITTEE
MEGAN MOORE - MARCH 2024

MOST MONTANA TIF'S SUBJECT TO 40-YEAR MAXIMUM DURATION

As provided in [7-15-4292](#), urban renewal areas (URD's) and targeted economic development districts (TEDD's) in Montana that adopt a tax increment provision (TIF) terminate upon the later of:

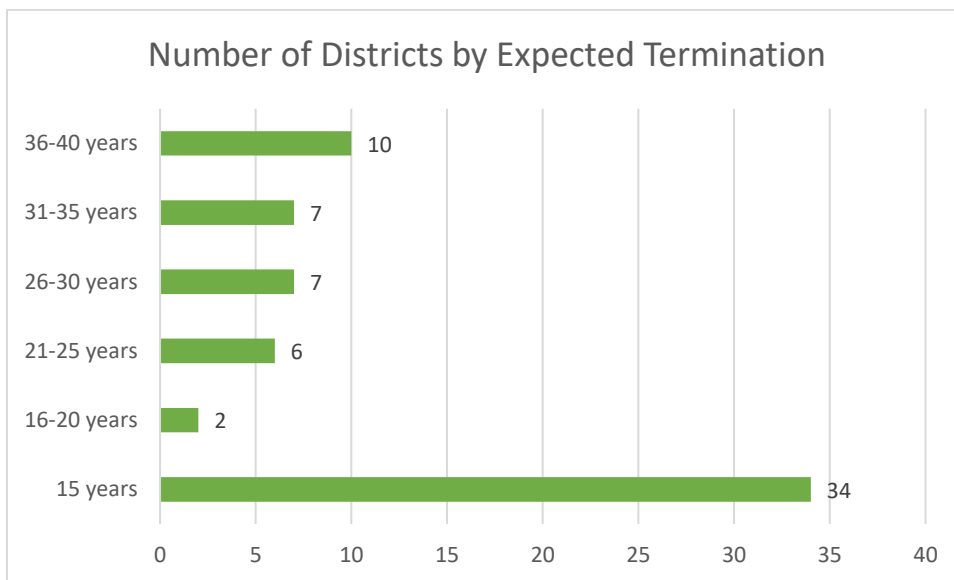
- the 15th year following adoption of the tax increment provision; or
- the payment or provision for payment of all bonds to which tax increment is pledged.

Read in conjunction with [7-15-4324](#), which requires that tax increment bonds be designed to mature no more than 25 years from their date of issue, most TIF districts in Montana may exist for up to 40 years.

However, a 2021 law change amended [7-15-4292](#) to require that bonds issued by TEDD's created after June 30, 2022, not extend the TIF provision more than 30 years after its adoption.

URD'S THAT HAVE BONDED MOSTLY TERMINATE IN YEARS 31 TO 40

A review of 2022 TIF district data shows just under half of districts, 32 of 66, have extended their termination date beyond 15 years. Among the districts that have bonded, 17 districts expect to terminate 31 to 40 years after their creation and 13 districts plan for termination in years 21 through 30.

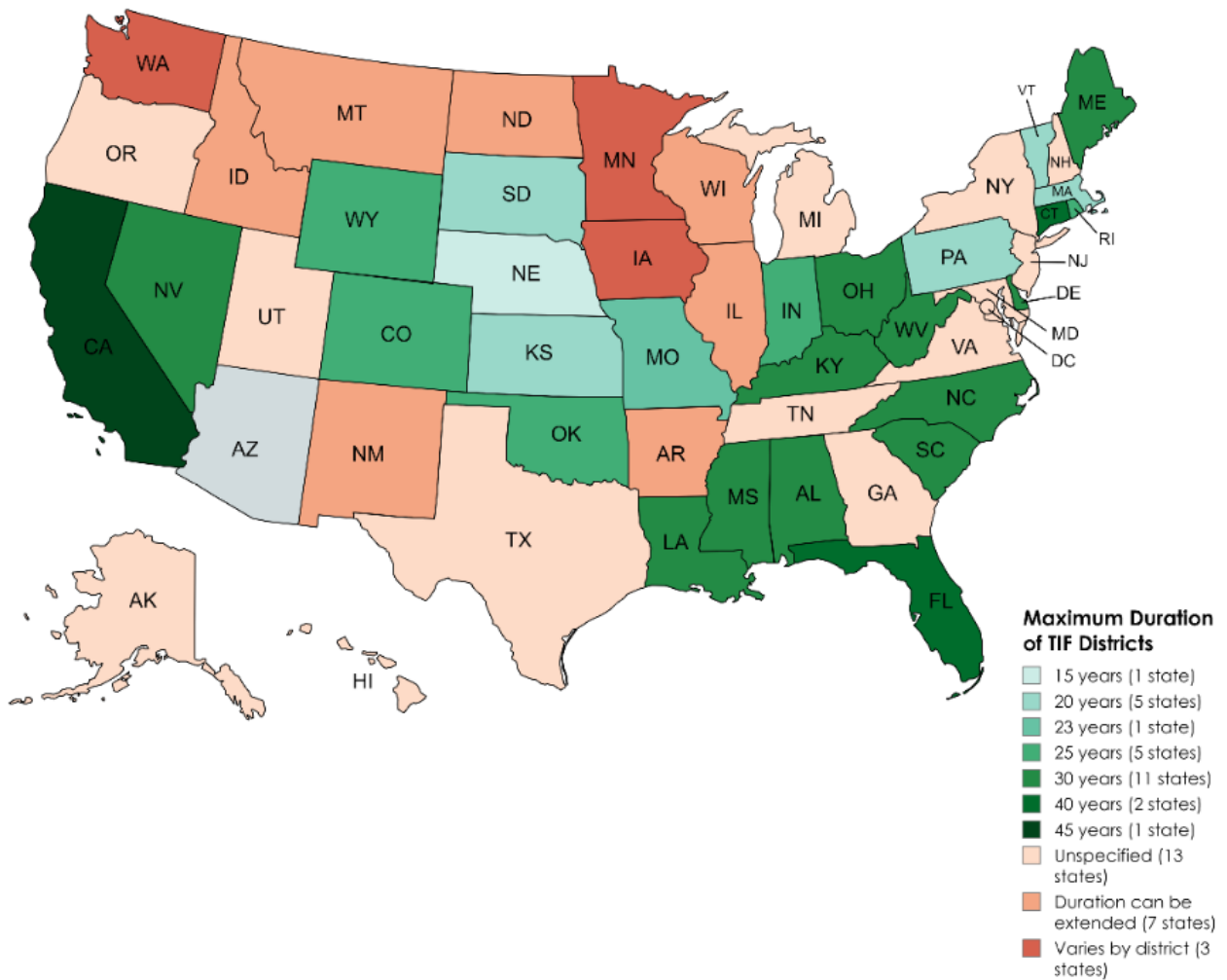


All except two of the districts that expect to terminate more than 30 years after creation are URD's. However, state law only allowed for the creation of TEDD's in 2013 and, as of 2022, just one TEDD had issued bonds. Most of the districts expected to terminate in years 21 to 30 are industrial districts or technology districts, which are the predecessors to TEDD's.

HALF OF STATES LIMIT TIF TO SET NUMBER OF YEARS

About half of the states limit tax increment financing to a specific number of years, while the other half do not specify the duration of the TIF provision or base it on another factor.¹

Among the 26 states that limit TIF in state law, the termination periods range from 15 years to 45 years. The most common durational limits are 30 years (11 states), 25 years (5 states), and 20 years (5 states).



¹ Data gathered from Anthony G. Girardi, "Iowa Tax Increment Financing Tax Credit Program Evaluation Study," Iowa Department of Revenue, December 2013; David Merriman, "Improving Tax Increment Financing (TIF) for Economic Development," Lincoln Institute of Land Policy, Sept. 2018; "TIF State-By-State Map," Council of Development Finance Agencies, available from <https://www.cdfa.net/cdfa/tifmap.nsf/index.html?open&state=AK>, accessed March 2, 2024; and staff review of statutes when information conflicted.

The states that do not limit TIF districts to a number of years fall into three general categories: those for which a duration is not specified in state law, those for which the duration can be extended, and those for which the TIF duration varies by district type.

When the TIF term is unspecified, the TIF generally terminates upon completion of projects, or the termination year is specified in the district plan.

Four states, including Montana, provide for a duration that can be extended if the district issues bonds. Three additional states allow for extensions of other types. When including the extensions, Arkansas, Idaho, and Wisconsin all have a 40-year limit. Montana's extended limit is also 40 years for all districts except TEDD's created after June 30, 2022.

The duration of districts varies in three other states and in Montana. Minnesota has six district types with durations ranging from 8 years to 25 years.

ADDITIONAL DETAILS FOR STATES THAT DO NOT LIMIT TIF TO SET NUMBER OF YEARS

Duration not specified in state law

- Based on completion of projects: Georgia, Hawaii, Michigan, New Hampshire, Oregon, Virginia
- Specified in district plan: Alaska, DC, Maryland, New Jersey, New York, Tennessee, Texas, Utah

Duration can be extended

- Extended by bonding: Arkansas, Idaho, Montana, New Mexico
- Other extensions: Illinois (requires General Assembly approval), North Dakota (base must be reset), Wisconsin (various types)

Varies by district type

- Iowa, Minnesota, Montana, Washington