

TIF: REPORTING IN MONTANA & U.S.

REVENUE INTERIM COMMITTEE
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MONTANA HAS LIMITED TIF REPORTING REQUIREMENTS

Two statutes govern reporting requirements for districts that use tax increment financing (TIF).

- ❖ [2-7-503\(1\)\(b\)](#) requires all districts that use TIF to include “the financial activities related to the tax increment financing provision” in the annual financial report filed with the Department of Administration.
- ❖ [7-15-4237](#) requires an urban renewal agency to file an annual report with the local governing body that includes complete financial statements, the amount of tax increment, and how the expenditures comply with the urban renewal plan.

FINANCIAL REPORTS INCLUDE BALANCE SHEET AND BOND INFORMATION

Though the reporting requirement is not very specific, a review of annual financial reports (AFR) reveals that most cities and counties include similar information about districts that use TIF.¹

Among the reports reviewed, all cities and counties included financial statements for accounts that hold tax increment revenue. That information falls into three categories: assets and liabilities; revenues, expenditures, and other financing sources; and a schedule of cash receipts and disbursements.

Districts that issued bonds also included the amount of the bond issue, the maturity date, the outstanding balance, the interest rate, and payment amounts. The five reports covering districts that issued bonds varied in the amount of information included in the report about the use of the bond revenue.

Most reports identified the districts and bond issues separately and provided at least a general description of how the bond revenues was spent. However, the report for one city that included two districts only specified use of the bonds for “urban renewal projects” and another city specified the district for all bond issuances except one.

URBAN RENEWAL AGENCY REPORT INCLUDES REQUIRED INFORMATION

The city of Missoula is the only municipality that assigns its urban renewal functions to an urban renewal agency. The Missoula Redevelopment Agency (MRA) is required to file an [annual report](#) with the Missoula City Council. The report is also filed with the Department of Administration, which collects the annual financial reports, and the city of Missoula annual financial report also includes financial information about the Missoula urban renewal districts.

The MRA annual report contains the same financial statements, including the amount of tax increment, as annual financial reports for other cities or counties with districts that use TIF. The bond information is also similar with

¹ The review included FY 2022 or FY 2023 reports for three cities and three counties with varying numbers and ages of districts.

detailed descriptions of how bond revenue is used. The report differs from the other reviewed annual financial reports in the level of detail about projects undertaken by the districts. For each district, the report shows revenue over time and itemized expenditures for the current fiscal year.

AVAILABILITY, FORMAT OF TIF INFORMATION HAS SHORTCOMINGS

Though annual financial reports are publicly available on the Department of Administration's [website](#), the average person may not know the reports are available or that they contain information about tax increment financing. The reports are lengthy, often more than 100 pages, with the TIF information making up a small portion of the report.

The reports are in portable document format (pdf), and some are scanned pdfs, which makes them difficult to search. Of seven reports reviewed, two were scanned pdfs. One could be converted to a searchable format using optical character recognition. The other could not be converted and was not included in the analysis.

SOME DISTRICTS PROVIDE MORE APPROACHABLE REPORTS

In addition to the required reports, some cities and counties may create reports aimed at a general audience. The [Missoula Redevelopment Agency Annual Report \(FY 2023\)](#) is an example. The report lists board members, priorities, completed projects, and in-process projects, explains TIF, and shows a map of districts with a QR code to district plans.

SUMMARY OF AVAILABLE INFORMATION ABOUT DISTRICTS THAT USE TIF

Reporting Entity	Receiving Entity	Statutory Requirement	Description of Information Included	Usefulness of Information
All districts	Department of Administration	<ul style="list-style-type: none"> • Include in annual financial report (AFR) • Financial activities related to the TIF provision 	<p>Information available: DOA website</p> <ul style="list-style-type: none"> • Financial statements for accounts that hold tax increment: assets and liabilities; revenues and expenditures; schedule of cash receipts and disbursements • Bond information: issue amount, maturity date, outstanding balance, interest rate, payment amount <ul style="list-style-type: none"> ○ Info on use of bond revenue varies 	<p><u>Advantages:</u> Required for all districts, includes basic information</p> <p><u>Shortcomings:</u> Availability of reports not widely known, PDF format (some not searchable), small portion of lengthy report, lack of specificity about what information is required to be reported</p>
Urban renewal agency	Local governing body that created agency	<ul style="list-style-type: none"> • Complete financial statements • Amount of tax increment • How expenditures comply with urban renewal plan 	<p>Information available: Agency website, DOA website</p> <ul style="list-style-type: none"> • Financial statements (same as AFR) and detailed bond information • Amount of tax increment • Detailed expenditure and project information 	<p><u>Advantages:</u> Detailed information about projects</p> <p><u>Shortcomings:</u> Only required for urban renewal agencies</p>
Department of Revenue	Governor	Statutory requirement for report does not specifically require TIF information	<p>Information available: DOR website</p> <ul style="list-style-type: none"> • District name and county • Year created and year of expected termination • Taxable values: current year, base, incremental • Estimated revenue collected for district by levy type 	<p><u>Advantages:</u> Detailed property tax information</p> <p><u>Shortcomings:</u> Not statutorily required, does not account for law changes for new districts that must remove some levies from increment calculation</p>

LITTLE TIF REPORTING REQUIRED ACROSS U.S.

Though tax increment financing is authorized in every state except Arizona,² due to time constraints this discussion of national TIF reporting requirements relies on two initial sources of information:

1. A national report prepared by the Lincoln Institute of Land Policy;³ and
2. A memorandum prepared by the Legislative Audit Division (LAD) about TIF policies in states bordering Montana.⁴

LINCOLN REPORT FINDS LACK OF TIF TRANSPARENCY NATIONWIDE

In “[Improving Tax Increment Financing \(TIF\) for Economic Development](#),” the Lincoln Institute of Land Policy report finds that TIF transparency and state monitoring are lacking.⁵ The report states:⁶

“In the most transparent cases, TIF authorities make publicly available the TIF plan and a record of annual TIF district receipts and expenditures, sometimes with a great deal of detail, perhaps even including account balances and fund transfers.”

Montana’s constitutional and statutory requirements generally align with much of the above description of “the most transparent cases,” but some of the information may not be easily accessible.

- Urban renewal plans and targeted economic development plans are approved in public meetings. The “right to know” provision in [Article II, Section 9](#) of Montana’s Constitution confers the right to examine documents of all public bodies. The plans are generally available on websites for local governing bodies but may require knowledge about consideration and approval dates.
- Local governments must include in annual financial reports filed with the Department of Administration financial activities related in the TIF provision. The reports include receipts and expenditures by category as well as account balances and fund transfers. Detailed expenditure data is not required but many local governments include information about specific projects when discussing bond obligations.

The report highlights reporting requirements in [Illinois](#) and [Wisconsin](#). Review of the information provided online is summarized on the next page.

² David Merriman, “[Improving Tax Increment Financing \(TIF\) for Economic Development](#),” Lincoln Institute of Land Policy, Sept. 2018, p. 4.

³ Merriman.

⁴ Alyssa Sorenson, April 23, 2018, [The Revenue and Transportation Interim Committee’s request for information about tax increment financing in neighboring states for their TIF study](#) [Memorandum].

⁵ Merriman, p. 57.

⁶ Merriman, p. 16.

Illinois

District annual report in standard format filed with the Illinois Comptroller

• Required information

- Itemized expenditures
- Debt obligations and project costs to be paid
- Property purchased within the district
- Project spending split by public and private investment
- Jobs projected to be created and actual jobs created
- Increment projected to be created and actual increment created
- Financial statements showing assets and liabilities, revenues and expenditures by category

• Voluntary information

- Vendors paid more than \$10,000
- Description or map of district
- Base taxable value and current year taxable value
- Overlapping taxing jurisdictions and any remittances made to them

Wisconsin

District annual report in standard format filed with Department of Revenue, additional reports created by DOR

• Annual report

- Beginning and ending fund balance
- Tax increment and other sources of revenue by category
- Expenditures by category

• DOR reports

- List of active districts with base year and maximum life
- Taxable values: current, base, increment
- Net new construction by district and as a percent of local government taxable value

MONTANA AND SOUTH DAKOTA LEADING ON AVAILABLE INFORMATION

The [memorandum](#) prepared by LAD about TIF policies in states bordering Montana was used as a starting point for gathering information about reporting requirements in neighboring states.

Information reported for Montana and South Dakota TIF districts is the most relevant and useful when considering states that border Montana. Wyoming does not require any state reporting. Idaho collects and makes available district plans, but the plans include projections rather than current year financial information. North Dakota collects fund balances and indebtedness information, but it isn't clear whether the information is publicly available.

South Dakota's Department of Revenue (DOR) currently prepares an annual report on TIF and districts are required to submit any requested information.⁷ The [2023 report](#) includes identifying information about the district, taxable values, general project descriptions, and jobs created.

The financial and project information in South Dakota is arguably less detailed than the information available for Montana. However, the South Dakota information is included in a single report. Gathering the same information in Montana would require reviewing the AFR's for each city or county with a TIF district and DOR's Biennial Report.

⁷South Dakota's law does not require DOR to prepare an annual report but does require districts to report requested information if a report is prepared.

State	State Reporting Requirements	Information Included
Idaho	Fill annually current plans, including amendments or modifications, with Idaho State Tax Commission	<ul style="list-style-type: none"> • Adopted district plan, with modifications • Does not include current financial information
Montana	Include information about financial activities related to TIF in annual financial report filed with Department of Administration	<ul style="list-style-type: none"> • Financial statements for accounts that hold tax increment: assets and liabilities; revenues and expenditures; schedule of cash receipts and disbursements • Bond information: issue amount, maturity date, outstanding balance, interest rate, payment amount
North Dakota	File annual report with Department of Commerce ⁸	<ul style="list-style-type: none"> • Total of outstanding indebtedness • Balance of funds on hand • Name of district
South Dakota	Any information requested by Department of Revenue to compile an annual report on each TIF district in the state	<ul style="list-style-type: none"> • Aggregate information on number and type of districts and their aggregate value • Creation and termination years • Location of district and district type • Taxable values: current, base, increment • General project descriptions and costs • Estimated jobs created
Wyoming	No reporting to state	

⁸ North Dakota also requires the district plan to be filed with the Department of Commerce upon its adoption.