

TAX INCREMENT FINANCING¹

REVENUE INTERIM COMMITTEE
MEGAN MOORE - NOVEMBER 2023

WHAT IS TAX INCREMENT FINANCING AND WHO USES IT?

Tax increment financing (TIF) allows a portion of property taxes to be used within a designated blighted or infrastructure deficient area to fund local projects. The property taxes distributed to a district using TIF may be used to fund projects directly or may be pledged to bond premiums and interest on bonds.

Under Title 7, chapter 15, parts [42](#) and [43](#), MCA, an urban renewal area (URD) or targeted economic development district (TEDD) may adopt a TIF provision.²

	Urban Renewal Area (URD)	Targeted Economic Development District (TEDD)
Creating entity	City or Consolidated City-County	City, County, or Consolidated City-County
Purpose	Address blight through rehabilitation and/or redevelopment of an area in the interest of the public health, safety, morals, or welfare of the residents of the municipality	Development of infrastructure to encourage the location and retention of value-adding projects in the state
District requirements	Existence of one or more blighted areas with at least three factors of blight in 7-15-4206	<ul style="list-style-type: none"> • Continuous area • Found to be deficient in infrastructure improvements • Comprehensive development plan ensures district can host diversified tenant base of multiple independent tenants • May not include existing district that uses TIF
Method of adopting TIF	Local government governing body: <ul style="list-style-type: none"> • adopts resolution of necessity finding blighted area • notifies property owners within district of required hearing • submits urban renewal plan to Planning Commission and allows 60 days for receipt of recommendations • holds hearing on urban renewal plan • adopts urban renewal plan that includes TIF provision 	Local government governing body: <ul style="list-style-type: none"> • adopts resolution of necessity finding infrastructure deficiency and necessity for infrastructure improvements • adopts comprehensive development plan that includes TIF provision

¹ Document revised Oct. 31, 2023.

² Targeted economic development districts replaced technology districts, aerospace transportation and technology districts, and industrial districts on July 1, 2013, with the enactment of [Ch. 214, L. 2013](#). Existing districts could continue to operate subject to laws existing on Dec. 31, 2012.

HOW DOES TAX INCREMENT FINANCING WORK?

TERMS

Actual taxable value: the taxable value of all taxable property as calculated from the property tax record

Base taxable value: the actual taxable value of all taxable property within an area or district before the effective date of the tax increment financing provision

Incremental taxable value: the amount, if any, by which the actual taxable value exceeds the base taxable value of all taxable property within an area or district

Tax increment: the collections realized from extending the tax levies of all taxing bodies subject to the tax increment provision against the incremental taxable value

Taxing body: any incorporated city or town, county, city-county consolidated local government, school district, or other political subdivision or governmental unit of the state, including the state, that levies taxes against property within an area or district

AREA A: BASE TAXABLE VALUE

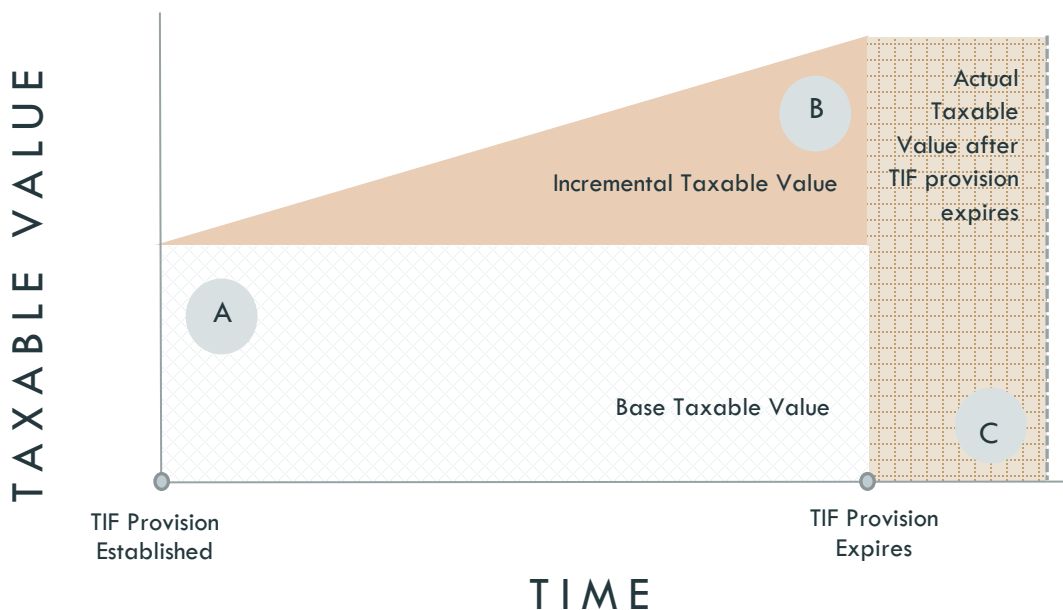
The revenue generated from the application of mill levies to the base taxable value continues to flow to taxing bodies as it did before adoption of the tax increment provision.

AREA B: INCREMENTAL TAXABLE VALUE

The combined mill rate within the district is applied to the incremental taxable value to determine the tax increment available for urban renewal or economic development projects. The combined mill rate includes all mill levies except those specifically excluded. Certain levies are excluded based on the date of the district's creation.

AREA C: ACTUAL TAXABLE VALUE AFTER TIF PROVISION EXPIRES

After the TIF provision expires, the incremental taxable value is no longer separated from the base taxable value and taxing bodies again collect revenue from the total actual taxable value. TIF provisions terminate the 15th year after adoption or upon the payment of bonds to which tax increment is pledged. TIF bonds must be designed to mature no later than 25 years from their date of issue. For TEDD's created after June 30, 2022, bonds may not extend a TIF provision beyond 30 years.



LEVIES EXCLUDED FROM COMBINED MILL RATE

URD's and TEDD's created before April 6, 2017	URD's created on/after April 6, 2017 and TEDD's created on/after April 6, 2017 and before July 1, 2022	TEDD's created after June 30, 2022
<ul style="list-style-type: none"> • 6-mill university levy • 1.5-mill vocational-technical levy 	<ul style="list-style-type: none"> • 6-mill university levy • 1.5-mill vocational-technical levy • a new mill levy approved by voters after adoption of the tax increment provision 	<ul style="list-style-type: none"> • 6-mill university levy • 1.5-mill vocational-technical levy • a new mill levy approved by voters after adoption of a tax increment provision • Half of the 95 mills • Any portion of an existing mill levy designated by the local government as excluded

TAX INCREMENT FINANCING DATA

The clerk of a local government with a URD or TEDD that adopts a tax increment financing provision is required to provide the Department of Revenue (DOR) a copy of the ordinance adopting the tax increment provision. DOR then calculates and reports annually to the local government the actual taxable value, the base taxable value, and the incremental taxable value for each district.

DOR publishes in its [Biennial Report](#) actual taxable values, base taxable values, and incremental taxable values for each district as well as revenue generated for use by the district.³

URBAN RENEWAL DISTRICTS ARE LARGEST BY NUMBER AND TAXABLE VALUE

The following tables show total taxable value, base taxable value, incremental taxable value, and tax increment by district type for 2022.

There are 15 industrial districts in 10 counties with an incremental taxable value of \$11.6 million and total estimated tax increment of \$8 million. Local governments may no longer create industrial districts.

³ Montana Department of Revenue [Biennial Report](#), July 1, 2020 – June 30, 2022, p. 259-262.

INDUSTRIAL DISTRICTS BY COUNTY, 2022⁴

County	Number of Districts	Total Taxable Value	Total Taxable Value of Base	Total Incremental Taxable Value	Total Tax Increment
Anaconda-Deer Lodge	1	\$8,033,369	\$909,339	\$7,124,030	\$4,822,239
Big Horn	1	\$1,605,045	\$465,144	\$1,139,901	\$994,675
Cascade	3	\$1,779,356	\$457,089	\$1,322,267	\$990,952
Jefferson	2	\$1,684,794	\$755,924	\$928,870	\$445,109
Missoula	1	\$548,065	\$121,676	\$426,389	\$353,906
Toole	1	\$331,425	\$89,401	\$242,024	\$206,364
Park	1	\$279,638	\$128	\$279,510	\$163,810
Ravalli	3	\$344,014	\$266,606	\$84,542	\$42,400
Flathead	1	\$18,351	\$126	\$18,225	\$11,845
Hill	1	\$2,834	\$912	\$1,922	\$1,130
Total	15	\$14,626,891	\$3,066,345	\$11,567,680	\$8,032,430

Seven counties were home to 10 targeted economic development districts in 2022 with a combined incremental taxable value of \$2.95 million and total estimated tax increment of \$2.2 million.

TARGETED ECONOMIC DEVELOPMENT DISTRICTS BY COUNTY, 2022

County	Number of Districts	Total Taxable Value	Total Taxable Value of Base	Total Incremental Taxable Value	Total Tax Increment ⁵
Flathead	3	\$3,689,831	\$2,242,276	\$1,447,555	\$1,057,002
Butte-Silver Bow	1	\$2,216,024	\$1,337,610	\$878,414	\$680,990
Missoula	2	\$1,763,415	\$1,422,974	\$340,441	\$257,558
Yellowstone	1	\$1,013,160	\$848,362	\$164,798	\$109,345
Fergus	1	\$301,352	\$200,687	\$100,665	\$93,948
Broadwater	1	\$182,675	\$164,172	\$18,503	\$10,353
Lincoln	1	\$116,474	\$157,299	\$0	\$0
Total	10	\$9,282,931	\$6,373,380	\$2,950,376	\$2,209,196

⁴ The Biennial Report identifies an industrial district in Gallatin County, but that district terminated upon creation of the North Park Urban Renewal District. Information in the report for the Mandeville Farms industrial district is actually for the North Park Urban Renewal District.

⁵ Biennial report data does not account for the prohibition on including a voted levy in the tax increment calculation for a district created after April 6, 2017. Tax increment may be overstated.

There are just three technology districts, one each in Flathead, Gallatin, and Missoula counties. New technology districts may not be created. The three districts have a 2022 total incremental taxable value of just under \$500,000 and they collected \$340,029 in estimated tax increment.

TECHNOLOGY DISTRICTS BY COUNTY, 2022

County	Number of Districts	Total Taxable Value	Total Taxable Value of Base	Total Incremental Taxable Value	Total Tax Increment
Missoula	1	\$303,307	\$0	\$303,307	\$218,236
Flathead	1	\$132,660	\$390	\$132,270	\$86,651
Gallatin	1	\$56,827	\$417	\$56,410	\$35,142
Total	3	\$492,794	\$807	\$491,987	\$340,029

Urban renewal districts make up the largest share of districts that use TIF, with 21 cities creating 38 districts. Their 2022 incremental taxable value totaled \$53.5 million, and they collected an estimated \$40.4 million in tax increment.

URBAN RENEWAL DISTRICTS BY CITY, 2022

City	Number of Districts	Total Taxable Value	Total Taxable Value of Base	Total Incremental Taxable Value	Total Tax Increment ⁶
Missoula	6	\$30,008,201	\$14,120,213	\$15,887,988	\$14,268,922
Billings	3	\$23,528,863	\$13,176,245	\$10,352,618	\$7,482,751
Bozeman	5	\$18,645,643	\$6,640,860	\$12,004,783	\$7,477,965
Butte-Silver Bow	2	\$11,801,810	\$7,427,791	\$4,374,019	\$3,392,634
Great Falls	2	\$6,434,568	\$3,936,234	\$2,498,334	\$1,902,080
Kalispell	2	\$11,546,298	\$9,598,012	\$1,948,286	\$1,454,883
Laurel	1	\$2,551,585	\$1,169,223	\$1,382,362	\$846,620
Helena	3	\$11,342,641	\$10,424,012	\$918,629	\$741,835
Livingston	1	\$2,633,069	\$1,604,273	\$1,028,796	\$602,936
Belgrade	1	\$2,900,835	\$2,201,304	\$699,531	\$492,839
Anaconda-Deer Lodge	1	\$1,228,785	\$856,215	\$372,570	\$295,409
Polson	1	\$1,834,627	\$1,433,450	\$401,177	\$254,664
Lewistown	1	\$1,742,729	\$1,482,192	\$260,537	\$244,589
Hamilton	1	\$3,634,398	\$3,294,745	\$339,653	\$228,365
Fort Benton	2	\$420,875	\$178,337	\$242,538	\$215,519
Miles City	1	\$1,764,331	\$1,556,649	\$207,682	\$184,020
Whitehall	1	\$1,039,646	\$736,527	\$303,119	\$179,518
Eureka	1	\$598,412	\$347,928	\$250,484	\$151,056
Columbia Falls	1	\$71,464	\$62,035	\$9,429	\$6,803
Baker	1	\$662,916	\$699,066	\$0	\$0
Roundup	1	\$683,112	\$912,989	\$0	\$0
Total	38	\$135,074,808	\$81,858,300	\$53,482,535	\$40,423,408

⁶ Biennial report data does not account for the prohibition on including a voted levy in the tax increment calculation for a district created after April 6, 2017. Tax increment may be overstated.

ESTIMATES OF TAX INCREMENT BY MILL LEVY TYPE

The tables on the following pages show the total estimated tax increment for districts and the share of tax increment by mill levy type. The tax increment is calculated by multiplying the mill levies that apply to property within the district to the incremental taxable value.

INDUSTRIAL DISTRICT ESTIMATED TAX INCREMENT AND SHARE OF INCREMENT BY MILL LEVY TYPE, 2022

County	State \$	State %	County \$	County %	County & Local School \$	County & Local School %	City \$	City %	Misc. \$	Misc. %	Total Tax Increment
Anaconda-Deer Lodge	\$719,527	15%	\$2,299,281	48%	\$1,689,464	35%	\$0	0%	\$113,968	2%	\$4,822,239
Big Horn	\$115,130	12%	\$358,898	36%	\$283,111	28%	\$226,452	23%	\$11,084	1%	\$994,675
Cascade	\$138,803	14%	\$175,227	18%	\$383,647	39%	\$281,728	28%	\$11,545	1%	\$990,952
Jefferson	\$93,816	21%	\$158,509	36%	\$167,825	38%	\$0	0%	\$24,959	6%	\$445,109
Missoula	\$43,705	12%	\$97,890	28%	\$121,738	34%	\$0	0%	\$90,573	26%	\$353,906
Toole	\$22,992	11%	\$54,037	26%	\$67,181	33%	\$58,134	28%	\$4,020	2%	\$206,364
Park	\$28,231	17%	\$28,704	18%	\$54,712	33%	\$51,988	32%	\$175	0%	\$163,810
Ravalli	\$8,538	20%	\$11,614	27%	\$18,381	43%	\$2,057	5%	\$1,810	4%	\$42,400
Flathead	\$1,841	16%	\$2,198	19%	\$4,789	40%	\$3,018	25%	\$0	0%	\$11,845
Hill	\$194	17%	\$364	32%	\$521	46%	\$0	0%	\$51	5%	\$1,130

For URD's and TEDD's created after April 6, 2017, the tax increment does not include a voted levy enacted after creation of the district. DOR data does not account for this prohibition so the tax increment may be overstated for districts to which this applies. Baker, Belgrade, Bozeman, Helena, Roundup, Hamilton, and Kalispell each have one or more urban renewal district created in 2017. The following counties have a targeted economic development district created in or after 2017: Broadwater, Butte-Silver Bow, Fergus, Flathead, and Missoula.

TARGETED ECONOMIC DEVELOPMENT DISTRICT ESTIMATED TAX INCREMENT AND SHARE OF INCREMENT BY MILL LEVY TYPE, 2022

County	State \$	State %	County \$	County %	County & Local School \$	County & Local School %	City \$	City %	Misc. \$	Misc. %	Total Tax Increment
Flathead	\$147,407	14%	\$174,602	17%	\$469,555	44%	\$229,717	22%	\$35,722	3%	\$1,057,002
Butte-Silver Bow	\$90,037	13%	\$299,946	44%	\$225,850	33%	\$0	0%	\$65,157	10%	\$680,990
Missoula	\$34,895	14%	\$78,587	31%	\$82,656	32%	\$0	0%	\$61,420	24%	\$257,558
Yellowstone	\$17,153	16%	\$28,246	26%	\$61,526	56%	\$0	0%	\$2,421	2%	\$109,345
Fergus	\$10,167	11%	\$14,362	15%	\$44,760	48%	\$24,659	26%	\$0	0%	\$93,948
Broadwater	\$1,869	18%	\$3,812	37%	\$4,583	44%	\$0	0%	\$89	1%	\$10,353
Lincoln	\$0	-	\$0	-	\$0	-	\$0	-	\$0	-	\$0

TECHNOLOGY DISTRICT ESTIMATED TAX INCREMENT AND SHARE OF INCREMENT BY MILL LEVY TYPE, 2022

County	State \$	State %	County \$	County %	County & Local School \$	County & Local School %	City \$	City %	Misc. \$	Misc. %	Total Tax Increment
Missoula	\$31,089	14%	\$70,171	32%	\$69,858	32%	\$0	0%	\$47,118	22%	\$218,236
Flathead	\$13,359	15%	\$15,955	18%	\$34,895	40%	\$22,442	26%	\$0	0%	\$86,651
Gallatin	\$5,697	16%	\$5,147	15%	\$12,648	36%	\$11,536	33%	\$113	0%	\$35,142

URBAN RENEWAL DISTRICT ESTIMATED TAX INCREMENT AND SHARE OF INCREMENT BY MILL LEVY TYPE, 2022

City	State \$	State %	County \$	County %	County & Local School \$	County & Local School %	City \$	City %	Misc. \$	Misc. %	Total Tax Increment
Missoula	\$1,628,518	11%	\$3,292,161	23%	\$4,617,973	32%	\$3,815,993	27%	\$914,275	6%	\$14,268,922
Billings	\$1,061,143	14%	\$1,293,740	17%	\$2,905,237	39%	\$2,173,698	29%	\$48,933	1%	\$7,482,751
Bozeman	\$1,212,484	16%	\$1,095,400	15%	\$2,691,718	36%	\$2,454,355	33%	\$24,010	0%	\$7,477,965
Butte-Silver Bow	\$448,337	13%	\$1,494,128	44%	\$1,126,303	33%	\$0	0%	\$323,866	10%	\$3,392,634
Great Falls	\$256,635	13%	\$331,581	17%	\$723,175	38%	\$534,010	28%	\$56,679	3%	\$1,902,080
Kalispell	\$196,776	14%	\$234,986	16%	\$690,617	47%	\$323,426	22%	\$9,077	1%	\$1,454,883
Laurel	\$141,692	17%	\$172,741	20%	\$272,694	32%	\$252,213	30%	\$7,280	1%	\$846,620
Helena	\$94,668	13%	\$182,236	25%	\$302,390	41%	\$159,601	22%	\$2,943	0%	\$741,835
Livingston	\$103,908	17%	\$106,212	18%	\$201,406	33%	\$190,761	32%	\$648	0%	\$602,936
Belgrade	\$70,653	14%	\$63,764	13%	\$192,322	39%	\$123,746	25%	\$42,354	9%	\$492,839
Anaconda-Deer Lodge	\$37,630	13%	\$120,255	41%	\$87,983	30%	\$12,802	4%	\$36,740	12%	\$295,409
Polson	\$40,519	16%	\$59,065	23%	\$76,873	30%	\$69,618	27%	\$8,589	3%	\$254,664
Lewistown	\$26,438	11%	\$37,171	15%	\$117,092	48%	\$63,889	26%	\$0	0%	\$244,589
Hamilton	\$34,305	15%	\$41,242	18%	\$70,023	31%	\$79,703	35%	\$3,092	1%	\$228,365
Fort Benton	\$32,185	15%	\$32,155	15%	\$63,051	29%	\$79,111	37%	\$9,017	4%	\$215,519
Miles City	\$20,976	11%	\$45,900	25%	\$70,358	38%	\$46,786	25%	\$0	0%	\$184,020
Whitehall	\$30,615	17%	\$45,601	25%	\$60,217	34%	\$36,619	20%	\$6,467	4%	\$179,518
Eureka	\$25,299	17%	\$36,153	24%	\$42,766	28%	\$42,199	28%	\$4,639	3%	\$151,056
Columbia Falls	\$952	14%	\$1,137	17%	\$2,984	44%	\$1,444	21%	\$286	4%	\$6,803
Baker	\$0	-	\$0	-	\$0	-	\$0	-	\$0	-	\$0
Roundup	\$0	-	\$0	-	\$0	-	\$0	-	\$0	-	\$0