



# MONTANA LEGISLATIVE BRANCH

## Legislative Fiscal Division

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**Director**  
AMY CARLSON

DATE: August 31, 2021  
TO: MARA Committee  
FROM: Legislative Fiscal Division  
RE: Overview of Tax Increment Financing

### **Tax Increment Financing**

Tax Increment Financing (TIF) is a method that allows a locality to utilize property tax revenues to fund improvements or new developments to a specific area. This area is known as a TIF district. In Montana, TIF districts are authorized by [7-15-4282](#), MCA, which was passed in 1974.

Taxable values in the district are separated into a base amount and increment values. The base value is the total taxable value within the TIF district at the time of its creation, and revenue from the base value is collected by the regular taxing jurisdiction throughout the lifetime of the TIF. The increment value is the amount by which the total taxable value of the TIF district increases above the base amount. As property values increase within the TIF district as a result of improvements or other market forces increasing real estate values, the incremental tax revenue is earmarked for further improvements within the TIF district. TIF districts collect the incremental tax revenue from all the local and state mills except the statewide six-mill levy that is used to fund the Montana University System. Per [7-15-4288](#), MCA, TIF revenues can be used for a variety of specific purposes within the TIF district, such as:

- Land acquisition, including acquisition of infrastructure-deficient areas
- Construction or demolition of structures
- Relocation of occupants
- Acquisition, construction, or improvement of facilities for reducing, preventing, abating, or eliminating pollution
- Infrastructure construction or improvements, including streets, sidewalks, alleys, parking areas, sewers, waterlines, waterways, electrical or telecommunications lines, rail roads, bridges, publicly owned buildings
- Smaller improvement projects such as planting trees, purchasing trash containers, installing benches or bike racks
- Costs incurred in connection with the redevelopment activities per 7-15-4233, MCA
- Administrative costs associated with the management of an urban renewal area or targeted economic development district

- Paying bonds that were issued to fund eligible costs

TIF districts do not usually begin collecting revenue immediately after their creation, and revenue from increments tend to add up slowly over the lifetime of the TIF district. Thus, the up-front costs of any initial improvements are usually funded through bonds or loans. Local governments have the authority to create TIF districts, which can last for 15 years or more or for enough time to pay back the bonds issued to fund the improvements. A TIF district is set to expire 15 years after its creation or when the payment of all its bonds is complete, whichever occurs later. The TIF district can extend its termination date by securing bonds that pledge payment from increments after the 15 year deadline. However, these bonds must be secured before the 15 year expiration date. When the TIF expires, the increment becomes newly taxable value for the state, local governments (per 15-10-420, MCA), and schools.

### **TIF Districts in Montana**

As of TY 2020, there were a total of 66 TIF districts in 22 of Montana's counties, with expected expiration dates ranging from 2021 to 2041. Of those TIF districts, 19 were industrial districts, 9 were Targeted Economic Development districts (TEDD), 2 were technology districts, and 36 were Urban Renewal districts (URD). For TY 2020, the total base value for those districts was \$87.9 million and the total increment value was \$57.4 million. The following table shows a summary of TIF districts for TY 2020.

**Montana TIF Districts  
TY 2020**

County Name	TIF District Name	Type of District	Year	Expected	Base TV	Incremental TV	TIF District Revenue
			Established	Termination			
Silver Bow	Ramsay Industrial	Industrial	1995	2022	1,721,230	4,793,335	3,276,197
Silver Bow	South Butte TEDD	Targeted Economic Development	2018	2032	1,337,610	1,675,859	1,365,406
Silver Bow	Butte Uptown URD	Urban Renewal	2015	2039	3,840,166	83,636	68,142
Silver Bow	East Butte URD	Urban Renewal	2006	2020	3,587,625	2,348,279	1,913,260
Cascade	International Malting Plant	Industrial	2006	2020	347,618	490,957	370,576
Cascade	Great Falls International Airport	Industrial	2009	2023	107,149	131,202	99,032
Cascade	Montana Milling	Industrial	2009	2023	381	45,374	26,886
Cascade	Manchester Exit	Industrial	2009	2023	3,217	67,899	40,233
Cascade	East Industrial Park	Industrial	2014	2028	2,322	663,326	515,496
Cascade	West Bank Urban Renewal	Urban Renewal	2008	2022	292,536	1,108,781	861,881
Cascade	Great Falls Urban Renewal	Urban Renewal	2013	2027	3,643,698	1,060,260	824,164
Yellowstone	Lockwood TEDD	Targeted Economic Development	2017	2031	848,362	138,112	91,009
Yellowstone	Laurel URD	Urban Renewal	2008	2022	1,169,223	1,176,328	729,664
Yellowstone	South Billings Boulevard URD	Urban Renewal	2009	2023	7,046,472	5,237,974	3,644,378
Yellowstone	North 27th Street URD	Urban Renewal	2007	2021	783,431	755,767	548,921
Yellowstone	North 27th Street URD - 2008 Expanded	Urban Renewal	2009	2023	3,328,807	2,795,632	2,030,495
Yellowstone	East Billings URD	Urban Renewal	2007	2021	1,939,797	1,079,150	783,797
Missoula	Bonner Mill	Industrial	2013	2027	121,676	375,528	314,730
Missoula	Bonner West Log Yard	Targeted Economic Development	2015	2029	1,148	166,085	135,511
Missoula	URD II	Urban Renewal	1992	2031	1,859,823	3,731,766	3,329,780
Missoula	URD III	Urban Renewal	2001	2040	8,172,844	4,193,587	3,748,312
Missoula	Front Street URD	Urban Renewal	2008	2041	1,413,035	1,632,144	1,458,843
Missoula	Hellgate URD	Urban Renewal	2015	2029	1,025,448	378,803	338,582
Missoula	North Reserve Scott Street URD	Urban Renewal	2015	2035	1,491,205	1,569,274	1,385,141
Missoula	River Front URD	Urban Renewal	2009	2023	157,858	536,526	479,558
Lewis & Clark	Helena URD	Urban Renewal	2019	2033	6,100,262	82,983	67,690
Lewis & Clark	Railroad District URD	Urban Renewal	2017	2031	2,334,837	242,275	197,626
Gallatin	South Bozeman Tech District	Technology	2013	2027	327	-	-
Gallatin	North Park URD	Urban Renewal	2018	2032	244,332	13,824	8,582
Gallatin	Bozeman Downtown URD	Urban Renewal	1996	unknown	1,328,695	6,247,663	3,878,549
Gallatin	Northeast URD	Urban Renewal	2007	2021	423,054	477,252	296,278
Gallatin	Bozeman Midtown URD	Urban Renewal	2007	2021	3,507,723	1,707,571	1,060,060
Gallatin	Belgrade URD	Urban Renewal	2018	2033	2,201,304	414,888	297,554
Flathead	Kalispell H	Industrial	2006	2026	126	14,840	10,619
Flathead	Glacier Rail Park TEDD	Targeted Economic Development	2017	2031	7,057	242,333	191,727
Flathead	Columbia Falls Industrial Park TEDD	Targeted Economic Development	2016	2030	1,896,297	633,253	515,440
Flathead	Columbia Rising TEDD	Targeted Economic Development	2019	2033	167,763	-	-
Flathead	Kalispell G	Technology	2006	2026	390	92,647	66,259
Flathead	Kalispell C - amended 2011	Urban Renewal	2012	2037	7,932,918	316,833	251,418
Flathead	Kalispell B	Urban Renewal	1996	2020	1,665,094	34,523	27,909
Flathead	Columbia Falls URD	Urban Renewal	2016	2030	62,035	1,926	1,568
Fergus	Lewistown TEDD	Targeted Economic Development	2018	2032	200,687	37,233	31,648
Fergus	Lewistown URD	Urban Renewal	2015	2029	1,482,192	168,301	143,058
Hill	Hill County Industrial	Industrial	2014	2028	912	1,773	1,017
Ravalli	Stevensville Airport	Industrial	2014	2028	49,132	18,292	11,194
Ravalli	Hamilton Airport	Industrial	2016	2030	107,624	30,480	15,752
Ravalli	North Stevensville Industrial	Industrial	2011	2025	101,221	-	-
Ravalli	North Hamilton URD	Urban Renewal	2019	2033	3,294,745	364,124	259,016
Custer	Miles City Downtown URD	Urban Renewal	2016	2030	1,556,649	145,301	127,195
Lake	Polson URD	Urban Renewal	2003	2025	1,433,450	279,012	195,105
Chouteau	Fort Benton Industrial Park	Industrial	2013	2027	17,494	224,959	186,817
Chouteau	Fort Benton	Urban Renewal	1999	2029	160,843	73,091	60,698
Toole	Shelby Industrial Park	Industrial	2014	2028	89,401	241,237	204,650
Big Horn	Hardin Industrial Infrastructure	Industrial	2005	2031	465,144	527,425	462,156
Musselshell	Downtown Roundup URD	Urban Renewal	2019	2033	813,182	-	-
Deer Lodge	Mill Creek Industrial	Industrial	2009	2032	909,339	6,768,833	4,403,655
Deer Lodge	Anaconda Downtown URD	Urban Renewal	2015	2029	856,215	247,546	199,416
Fallon	Baker URD	Urban Renewal	2018	2032	675,267	-	-
Broadwater	Wheatland TEDD	Targeted Economic Development	2020	2035	-	-	-
Park	West End Industrial	Industrial	2005	2026	128	203,427	132,502
Park	Livingston URD	Urban Renewal	2004	2035	1,604,273	632,264	411,825
Jefferson	North Jefferson County Industrial	Industrial	2010	2024	18,590	118,106	63,670
Jefferson	Sunlight Industrial	Industrial	2010	2024	737,334	207,897	96,466
Jefferson	Whitehall URD	Urban Renewal	2014	2028	736,527	195,281	113,804
Lincoln	Kootenai Business Park	Targeted Economic Development	2017	2031	132,477	-	-
Lincoln	Riverside URD	Urban Renewal	2002	2021	347,928	172,806	108,071
<b>Total</b>					<b>\$87,905,649</b>	<b>\$57,415,783</b>	<b>\$42,478,988</b>

The data for this table is from the Department of Revenue Biennial Report on Property Taxes for TY 2020.

## **Impacts of TIF Districts**

The creation of TIFs impacts property tax revenue collected by the state, school districts, and local government. In order to compensate for the increment revenue lost to TIF districts, impacted taxing jurisdictions like local governments and schools can maintain their revenue by raising mill levies. For TY 2020, the total taxable value for TIF districts in Montana was \$145.3 million, made up of \$87.9 million of base value and \$57.4 million in increment value. About \$20.7 million of local government revenue and \$16.2 million of school revenues were diverted to the TIF district, which likely resulted in those entities raising their mills levied in order to recuperate from the lost revenue.

However, state property tax collections are less capable of recovering from revenue lost to TIF districts because state mills are fixed at 95. For TY 2020, the total increment value of TIF districts was \$57.4 million, resulting in the reduction of state revenue collections by upwards of \$5.5 million because of TIF districts. A summary table showing the revenues lost for TIF by taxing jurisdiction is shown below.

**Montana TIF District Revenues**  
**TY 2020**

County Name	TIF District Name	Type of District	Year	Expected	State Revenue	School	Local Gov.	Total TIF District
			Established	Termination	Lost	Revenue Lost	Revenue Lost	
Silver Bow	Ramsay Industrial	Industrial	1995	2022	462,557	1,034,641	1,778,998	3,276,197
Silver Bow	South Butte TEDD	Targeted Economic Development	2018	2032	161,720	483,435	720,251	1,365,406
Silver Bow	Butte Uptown URD	Urban Renewal	2015	2039	8,071	24,126	35,945	68,142
Silver Bow	East Butte URD	Urban Renewal	2006	2020	226,609	677,408	1,009,244	1,913,260
Cascade	International Malting Plant	Industrial	2006	2020	47,377	156,072	167,127	370,576
Cascade	Great Falls International Airport	Industrial	2009	2023	12,661	41,708	44,663	99,032
Cascade	Montana Milling	Industrial	2009	2023	4,379	14,424	8,084	26,886
Cascade	Manchester Exit	Industrial	2009	2023	6,552	21,585	12,096	40,233
Cascade	East Industrial Park	Industrial	2014	2028	64,011	210,867	240,618	515,496
Cascade	West Bank Urban Renewal	Urban Renewal	2008	2022	106,997	352,474	402,410	861,881
Cascade	Great Falls Urban Renewal	Urban Renewal	2013	2027	102,315	337,049	384,800	824,164
Yellowstone	Lockwood TEDD	Targeted Economic Development	2017	2031	13,328	52,387	25,294	91,009
Yellowstone	Laurel URD	Urban Renewal	2008	2022	113,516	249,911	366,238	729,664
Yellowstone	South Billings Boulevard URD	Urban Renewal	2009	2023	505,464	1,531,274	1,607,640	3,644,378
Yellowstone	North 27th Street URD	Urban Renewal	2007	2021	72,932	244,030	231,960	548,921
Yellowstone	North 27th Street URD - 2008 Expanded	Urban Renewal	2009	2023	269,778	902,682	858,036	2,030,495
Yellowstone	East Billings URD	Urban Renewal	2007	2021	104,138	348,447	331,213	783,797
Missoula	Bonner Mill	Industrial	2013	2027	36,238	124,874	153,617	314,730
Missoula	Bonner West Log Yard	Targeted Economic Development	2015	2029	16,027	55,228	64,256	135,511
Missoula	URD II	Urban Renewal	1992	2031	360,115	1,237,976	1,731,689	3,329,780
Missoula	URD III	Urban Renewal	2001	2040	404,681	1,397,639	1,945,993	3,748,312
Missoula	Front Street URD	Urban Renewal	2008	2041	157,502	543,961	757,380	1,458,843
Missoula	Hellgate URD	Urban Renewal	2015	2029	36,554	126,247	175,780	338,582
Missoula	North Reserve Scott Street URD	Urban Renewal	2015	2035	151,435	505,500	728,206	1,385,141
Missoula	River Front URD	Urban Renewal	2009	2023	51,775	178,813	248,969	479,558
Lewis & Clark	Helena URD	Urban Renewal	2019	2033	8,008	28,859	30,823	67,690
Lewis & Clark	Railroad District URD	Urban Renewal	2017	2031	23,380	84,256	89,990	197,626
Gallatin	South Bozeman Tech District	Technology	2013	2027	-	-	-	-
Gallatin	North Park URD	Urban Renewal	2018	2032	1,313	3,630	3,639	8,582
Gallatin	Bozeman Downtown URD	Urban Renewal	1996	unknown	593,528	1,640,574	1,644,447	3,878,549
Gallatin	Northeast URD	Urban Renewal	2007	2021	45,339	125,322	125,618	296,278
Gallatin	Bozeman Midtown URD	Urban Renewal	2007	2021	162,219	448,391	449,450	1,060,060
Gallatin	Belgrade URD	Urban Renewal	2018	2033	39,414	125,022	133,116	297,554
Flathead	Kalispell H	Industrial	2006	2026	1,410	4,363	4,846	10,619
Flathead	Glacier Rail Park TEDD	Targeted Economic Development	2017	2031	23,022	89,576	79,128	191,727
Flathead	Columbia Falls Industrial Park TEDD	Targeted Economic Development	2016	2030	60,159	226,135	229,146	515,440
Flathead	Columbia Rising TEDD	Targeted Economic Development	2019	2033	-	-	-	-
Flathead	Kalispell G	Technology	2006	2026	8,801	27,206	30,252	66,259
Flathead	Kalispell C - amended 2011	Urban Renewal	2012	2037	30,099	117,114	104,205	251,418
Flathead	Kalispell B	Urban Renewal	1996	2020	3,280	12,761	11,868	27,909
Flathead	Columbia Falls URD	Urban Renewal	2016	2030	183	688	697	1,568
Fergus	Lewistown TEDD	Targeted Economic Development	2018	2032	3,537	13,650	14,461	31,648
Fergus	Lewistown URD	Urban Renewal	2015	2029	15,989	61,703	65,367	143,058
Hill	Hill County Industrial	Industrial	2014	2028	168	500	349	1,017
Ravalli	Stevensville Airport	Industrial	2014	2028	1,738	5,220	4,237	11,194
Ravalli	Hamilton Airport	Industrial	2016	2030	2,896	7,301	5,555	15,752
Ravalli	North Stevensville Industrial	Industrial	2011	2025	-	-	-	-
Ravalli	North Hamilton URD	Urban Renewal	2019	2033	34,592	87,218	137,206	259,016
Custer	Miles City Downtown URD	Urban Renewal	2016	2030	13,804	48,836	64,555	127,195
Lake	Polson URD	Urban Renewal	2003	2025	26,506	66,971	101,627	195,105
Chouteau	Fort Benton Industrial Park	Industrial	2013	2027	21,371	54,283	111,163	186,817
Chouteau	Fort Benton	Urban Renewal	1999	2029	6,944	17,637	36,118	60,698
Toole	Shelby Industrial Park	Industrial	2014	2028	22,918	68,572	113,161	204,650
Big Horn	Hardin Industrial Infrastructure	Industrial	2005	2031	50,105	180,923	231,128	462,156
Musselshell	Downtown Roundup URD	Urban Renewal	2019	2033	-	-	-	-
Deer Lodge	Mill Creek Industrial	Industrial	2009	2032	643,039	1,462,609	2,298,006	4,403,655
Deer Lodge	Anaconda Downtown URD	Urban Renewal	2015	2029	23,517	53,490	122,409	199,416
Fallon	Baker URD	Urban Renewal	2018	2032	-	-	-	-
Broadwater	Wheatland TEDD	Targeted Economic Development	2020	2035	-	-	-	-
Park	West End Industrial	Industrial	2005	2026	19,326	46,939	66,238	132,502
Park	Livingston URD	Urban Renewal	2004	2035	60,065	145,889	205,872	411,825
Jefferson	North Jefferson County Industrial	Industrial	2010	2024	11,220	26,286	26,164	63,670
Jefferson	Sunlight Industrial	Industrial	2010	2024	19,750	36,685	40,031	96,466
Jefferson	Whitehall URD	Urban Renewal	2014	2028	18,552	35,572	59,680	113,804
Lincoln	Kootenai Business Park	Targeted Economic Development	2017	2031	-	-	-	-
Lincoln	Riverside URD	Urban Renewal	2002	2021	16,417	32,192	59,463	108,071
<b>Total</b>					<b>\$5,509,341</b>	<b>\$16,239,131</b>	<b>\$20,730,522</b>	<b>\$42,478,988</b>

The data for this table is from the Department of Revenue Biennial Report on Property Taxes for TY 2020.

## Measures of Success for TIF Districts

The Department of Revenue biennial reports do not include a measure of success for TIF districts, and there is not a source available that applies the same measure of success to all TIF districts in Montana. However, a 2011 analysis of the performance and tax collection potential of TIF districts in Yellowstone County<sup>1</sup> used two main measures of success to evaluate TIFs:

- Economic performance – Were the TIF districts producing more economic growth within these districts than they would have produced without the benefits of TIF designation?
- Financial concern – Did TIF districts shift costs from the residents and businesses located in TIF districts and onto other taxpayers living within the same taxing jurisdiction, but outside the boundaries of the district?

In order to answer the first question in the report, the growth rate of property value within the TIF district was compared to that of the rest of the community (under the assumption that economic activity grows proportional to property values). A TIF district that is growing faster than the areas of the community not covered by a TIF district can be considered successful. A 2018 Legislative Performance Audit<sup>2</sup> concluded that TIFs do not always increase the property values above the amount of growth their districts would have experienced otherwise. According to the report, community demographics such as population growth, median income, and property type have a significant effect on the growth of property values within a TIF district, so it may be important to account for these factors when determining the success of a TIF.

In order to answer the second question, the Yellowstone County report compared the growth rates of local government services within the TIF district to increment revenue diverted to the TIF district. Once a TIF district is created, all property tax growth within the district is diverted to the TIF, so a local government with growing costs of services would still receive the same amount of property taxes as it did when the TIF district was created. For an active TIF district, if local government expenditures within the district are greater than the incremental tax revenues diverted to the district, then it is likely that the local government is raising the additional revenue from taxpayers outside the TIF district.

Creating a fair comparison using this measure for all TIF districts in Montana could be a challenge due to the subjectivity of which areas to include in the non-TIF district portion of the calculation. Additionally, the Montana property valuation process has changed in the last decade, and taxable value isn't proportional to property market value.

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<sup>1</sup> [2011 Analysis on Performance and Potential of TIFs in Yellowstone County](#)

<sup>2</sup> [Legislative Audit Division 2018 Audit Report on TIFs](#)

## Other Resources on TIF Districts

- [DOR TIF Summary Page](#)
- [MDT TIF Summary Page](#)
- [Legislative Services Division Primer on TIFs](#)
- [Department of Revenue 2020 Biennial Report on Property Taxes](#)
- [2018 Interim Study on TIFs \(HJ 18\)](#)
- [2015 Nordtvedt Memo to RTIC on TIFs](#)
- [Legislative Audit Division 2018 Audit Report on TIFs](#)