



MONTANA LEGISLATIVE BRANCH

Legislative Fiscal Division

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Director
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DATE: November 29, 2021
TO: MARA Committee
FROM: Legislative Fiscal Division
RE: Tax Increment Financing Follow-Up

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. 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. For additional background information, please see the additional resources on TIFs listed at the end of this memo.

Types of TIF Districts

There are four different types of TIF districts that currently exist in Montana—industrial districts, technology districts, targeted economic development districts, and urban renewal districts.

In Montana, TIF districts are authorized by [7-15-4282, MCA](#), which was originally passed in 1974 for urban renewal districts. In 1989, tax increment financing laws were altered to include industrial districts, and in 1999, technology districts were authorized to use TIF. In 2013, the Montana Legislature passed the Targeted Economic Development Act ([57-15-4278, MCA](#)), which eliminated industrial and technology districts. Through this 2013 legislation, industrial and technology districts were replaced by targeted economic development districts. Existing industrial and technology districts as of 2013 continue to operate, but no new industrial or technology districts may be created. Moving forward, only two types of TIF districts can be created—urban renewal districts and targeted economic development districts (which includes all other non-urban renewal districts).

Prior to 2013, industrial districts and technology districts addressed areas with industrial, aerospace, transportation, or technology deficiencies through tax increment financing. A targeted economic development district (TEDD) is an infrastructure-deficient area within a county, city/town, or consolidated city-county that

constitutes a serious impediment to the development of infrastructure-intensive, value-adding economic development where tax increment financing may be used to develop needed infrastructure. A TEDD is managed by the local governing body the TIF resides within (with or without an advisory board). An urban renewal district (URD) is an area within a city/town or consolidated city-county that can utilize private and public resources to eliminate and prevent the development or spread of a blighted area, to encourage needed urban rehabilitation, and to provide for the redevelopment of the area. Prior to embarking on the creation of a URD, the local governing body must adopt a resolution of necessity that identifies at least three conditions of blight within the area. A URD can be managed either by the local governing body (with or without an advisory board) or by a separate Urban Renewal Agency, which is established by the local governing body.

TIF District Timelines

Local governments have the authority to create TIF districts. 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 original 15 year expiration date has passed. Additionally, revolving loan funds may continue to operate after a TIF district expires.

Number of Montana TIFs					
	TY 2000	TY 2005	TY 2010	TY 2015	TY 2020
Number of New TIFs (in the last 5 years)		5	24	17	18
Number of Expired TIFs (in the last 5 years)		6	4	3	5
Number of Active TIFs	19	18	38	52	65

As of TY 2000, there were 19 active TIF districts in Montana. Between TY 2000 and TY 2020, 64 new TIF districts were created and 18 other TIF districts expired. The expired TIFs had a final total incremental value of approximately \$34.1 million. There are currently 65 active TIF districts in Montana with a total incremental taxable value of about \$57.2 million as of TY 2020.

The average age of active districts is 10.3 years, with districts ranging between 1 and 29 years of existence. However, the average expected age (based on the anticipated termination dates of the districts) is 18.3 years. Active TIF districts currently have anticipated expiration dates ranging from 2021 to 2041, with expected ages ranging between 15 and 40 years. The details for each currently active district are listed in the chart below.

Montana TIF Districts						
TY 2020						
County Name	TIF District Name	Type of District	Base Year	Expected Termination	Age of TIF as of TY 2020 (years)	Age at Expected Termination (years)
Big Horn	Hardin Industrial Infrastructure	Industrial	2004	2031	16	27
Broadwater	Wheatland TEDD	Targeted Economic Development	2019	2035	1	16
Cascade	International Malting Plant	Industrial	2005	2020	15	15
Cascade	West Bank Urban Renewal	Urban Renewal	2007	2022	13	15
Cascade	Great Falls International Airport	Industrial	2008	2023	12	15
Cascade	Montana Milling	Industrial	2008	2023	12	15
Cascade	Manchester Exit	Industrial	2008	2023	12	15
Cascade	Great Falls Urban Renewal	Urban Renewal	2012	2027	8	15
Cascade	East Industrial Park	Industrial	2013	2028	7	15
Chouteau	Fort Benton	Urban Renewal	1998	2029	22	31
Chouteau	Fort Benton Industrial Park	Industrial	2012	2027	8	15
Custer	Miles City Downtown URD	Urban Renewal	2015	2030	5	15
Deer Lodge	Mill Creek Industrial	Industrial	2008	2032	12	24
Deer Lodge	Anaconda Downtown URD	Urban Renewal	2014	2029	6	15
Fallon	Baker URD	Urban Renewal	2017	2032	3	15
Fergus	Lewistown URD	Urban Renewal	2014	2029	6	15
Fergus	Lewistown TEDD	Targeted Economic Development	2017	2032	3	15
Flathead	Kalispell B	Urban Renewal	1995	2020	25	25
Flathead	Kalispell H	Industrial	2005	2026	15	21
Flathead	Kalispell G	Technology	2005	2026	15	21
Flathead	Kalispell C - amended 2011	Urban Renewal	2011	2037	9	26
Flathead	Columbia Falls Industrial Park TEDD	Targeted Economic Development	2015	2030	5	15
Flathead	Columbia Falls URD	Urban Renewal	2015	2030	5	15
Flathead	Glacier Rail Park TEDD	Targeted Economic Development	2016	2031	4	15
Flathead	Columbia Rising TEDD	Targeted Economic Development	2018	2033	2	15
Gallatin	Bozeman Downtown URD	Urban Renewal	1995	2020	25	25
Gallatin	Northeast URD	Urban Renewal	2006	2021	14	15
Gallatin	Bozeman Midtown URD	Urban Renewal	2006	2021	14	15
Gallatin	South Bozeman Tech District	Technology	2012	2027	8	15
Gallatin	North Park URD	Urban Renewal	2017	2032	3	15
Gallatin	Belgrade URD	Urban Renewal	2017	2033	3	16
Hill	Hill County Industrial	Industrial	2013	2028	7	15
Jefferson	North Jefferson County Industrial	Industrial	2009	2024	11	15
Jefferson	Sunlight Industrial	Industrial	2009	2024	11	15
Jefferson	Whitehall URD	Urban Renewal	2013	2028	7	15
Lake	Polson URD	Urban Renewal	2002	2025	18	23
Lewis & Clark	Railroad District URD	Urban Renewal	2016	2031	4	15
Lewis & Clark	Helena URD	Urban Renewal	2018	2033	2	15
Lincoln	Riverside URD	Urban Renewal	2001	2021	19	20
Lincoln	Kootenai Business Park	Targeted Economic Development	2016	2031	4	15
Missoula	URD II	Urban Renewal	1991	2031	29	40
Missoula	URD III	Urban Renewal	2000	2040	20	40
Missoula	Front Street URD	Urban Renewal	2007	2041	13	34
Missoula	River Front URD	Urban Renewal	2008	2023	12	15
Missoula	Bonner Mill	Industrial	2012	2027	8	15
Missoula	Bonner West Log Yard	Targeted Economic Development	2014	2029	6	15
Missoula	Hellgate URD	Urban Renewal	2014	2029	6	15
Missoula	North Reserve Scott Street URD	Urban Renewal	2014	2035	6	21
Musselshell	Downtown Roundup URD	Urban Renewal	2018	2033	2	15
Park	Livingston URD	Urban Renewal	2003	2035	17	32
Park	West End Industrial	Industrial	2004	2026	16	22
Ravalli	North Stevensville Industrial	Industrial	2010	2025	10	15
Ravalli	Stevensville Airport	Industrial	2013	2028	7	15
Ravalli	Hamilton Airport	Industrial	2015	2030	5	15
Ravalli	North Hamilton URD	Urban Renewal	2018	2033	2	15
Silver Bow	Ramsay Industrial	Industrial	1994	2022	26	28
Silver Bow	East Butte URD	Urban Renewal	2005	2020	15	15
Silver Bow	Butte Uptown URD	Urban Renewal	2014	2039	6	25
Silver Bow	South Butte TEDD	Targeted Economic Development	2017	2032	3	15
Yellowstone	North 27th Street URD	Urban Renewal	2006	2021	14	15
Yellowstone	East Billings URD	Urban Renewal	2006	2021	14	15
Yellowstone	Laurel URD	Urban Renewal	2007	2022	13	15
Yellowstone	South Billings Boulevard URD	Urban Renewal	2008	2023	12	15
Yellowstone	North 27th Street URD - 2008 Expanded	Urban Renewal	2008	2023	12	15
Yellowstone	Lockwood TEDD	Targeted Economic Development	2016	2031	4	15

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

TIF District Revenue Sharing

A local government can choose to return a portion of the increment to the regular taxing jurisdictions, either through an adjustment to the base taxable value or a specific remittance agreement. Additionally, a new law passed in 2021 allows for revenue sharing between state and local governments and TIF districts.

Base Taxable Value Adjustment

At the time of adoption of a tax increment provision or any time afterward, the local governing body may provide that a portion the incremental taxable value may be subtracted from the increment and added to the base taxable value under certain conditions ([7-15-4287, MCA](#)), such as:

- All principal and interest currently due on bonds, for which the tax increment has been pledged, have been fully paid
- The tax increment resulting from the smaller incremental value is determined by the governing body to be sufficient to pay all principal and interest due later on the bonds

The adjusted base value is used to determine the mills levied for the local government moving forward, unless the adjusted tax increment is insufficient to cover principal and interest due on bond payments. If so, the governing body would reduce the adjusted base value to the original base amount or to any amount higher than the original that is sufficient to pay all principal and interest due on the bonds.

Remittance Agreements

Additionally, a local government with a URD TIF district may establish a remittance agreement to return any portion of the tax increment that is not currently required for the payment of TIF costs or principal and interest payments ([7-15-4291, MCA](#)). The agreement must:

- Provide for remittance to each taxing jurisdiction for which the mill rates are included in the calculation of the tax increment
- Require that the remittance be proportional to the taxing jurisdiction's share of the total mills levied

There are some specific requirements for how the remittance may be used if it is returned to a school district.

SB 388 from the 2021 Legislative Session

In 2021, the Montana Legislature passed [SB 388](#), which revised TIF provisions. Per the change in law, only one-half of the 95 mills levied on increment value can be used to calculate the TIF revenue, and any portion of an existing mill levy designated by local government can be excluded from calculating TIF revenues as well. These changes would only affect TIF districts created beginning in FY 2022. The fiscal note for the bill estimated that, beginning in FY 2022, the change to the 95 mills would result in approximately \$39,000 in additional general fund revenue. Additionally, the change for local government mills could allow local government property tax mills to float down, while allowing local governments to continue to collect the same amount of property tax revenue. However, this increase in revenue that would be received by local governments would be offset by a decrease in revenue for TIFs.

Additional Resources on TIFs

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