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Director

# Montana Department of Revenue



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## TAX INCREMENT FINANCING Local Government Advisory Council Meeting April 7, 2014

Funding sources for local governments are limited. The Montana Legislature recognized this fact in 1974 when it adopted Montana's first tax increment financing laws. Tax increment financing (TIF) was first approved for use by cities and towns as a method to fund urban renewal. Over the last forty years, the purposes for which TIF could be used have grown and changed significantly. Today TIF can be used to fund infrastructure improvements to promote urban renewal and to encourage or retain value-adding industry. Additionally, the use of TIF is no longer restricted to cities and towns.

Although TIF is now widely available to local governments, the laws that govern TIF are complex. So, exactly what is TIF? How does it work? What roles do local governments play and what are the Department's responsibilities? What problems are being encountered and what solutions are being considered? The Department of Revenue is committed to working with local governments to answer these questions along with any other questions TIF users may have as they attempt to implement and manage their own TIF districts.

We believe it serves local governments' best interests when they feel free to work cooperatively with the Department in the earliest phases of their TIF district development. We want you to know that we are always willing to try to answer questions or share our knowledge and experiences with you. Our goal is to ensure that TIF districts are created in accordance with Montana law and for the purposes approved by the Legislature. Please feel free to contact us any time you need information or guidance regarding TIF.

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## TIF FACTS

- Currently there are 51 TIF Districts located in 15 counties
  - 25 Urban Renewal
  - 22 Industrial
  - 2 Technology
  - 2 Targeted Economic Development
  
- In 2013 the Montana Legislature significantly amended TIF laws
  - Maintained ability to use TIF in urban renewal districts (URDs)
  - Established ability to use TIF in targeted economic development districts (TEDDs)
  - Repealed laws relating to technology and aerospace transportation and technology
    - Legislation contained a grandfather clause for districts established prior to July 1, 2013
  
- TIF laws are located in Title 7, chapter 15, parts 42 and 43 of the Montana Code Annotated
  
- TIF rules are located in Title 42, chapter 19, part 14 of the Administrative Rules of Montana
  - Rules are currently being amended to address 2013 legislative changes
  
- Research undertaken and effort expended *before* creating a TIF district is your key to success
  - Know the law
    - Understand the steps that must be taken to create a valid TIF district
    - Understand what TIF funds can and cannot be used for
  - Have a realistic plan
    - A TIF district won't generate increment without growth
  - Communicate with all taxing jurisdictions affected by your TIF

## CURRENT ISSUES

- Remittance Agreements
  
- Double Taxation
  
- Boundaries