

**TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE**



**FISCAL NOTE**

**HB 1477 - SB 1151**

March 15, 2011

**SUMMARY OF BILL:** Establishes parameters for the use of Tax Increment Financing (TIF) by any housing authority, industrial development corporation, or community redevelopment agency through enactment of the “Tax Increment Financing Act of 2011.” Authorizes division of property taxes levied upon property located within an area subject to a redevelopment plan, economic impact plan, or community redevelopment plan into bases taxes and dedicated taxes. Defines “base taxes” as property taxes levied by a taxing agency and payable with respect to the property area within a plan, other than those dedicated for debt service, area for the year prior to the date the plan was approved. Defines “dedicated taxes” as the portion of taxes designated by the taxing agency to service the agency’s debt and any incremental revenue above the base tax amount and debt service amount resulting from a special levy for schools. Requires base taxes and dedicated taxes to be allocated to the respective taxing agencies provided that in any year in which the taxes on any property are less than base and dedicated taxes, only taxes actually imposed must be paid. Authorizes taxes levied over the base and dedicated taxes to be paid to the tax increment agency for administrative and infrastructure costs. Prohibits the allocation of incremental tax revenue for a period of time greater than 20 years without state approval.

**ESTIMATED FISCAL IMPACT:**

**Other Fiscal Impact –Future incremental property tax revenue will be redirected from the general funds of participating local governments to approved development authorities for debt service on development projects. This bill is permissive and the number of projects is unknown. The amount of forgone revenue to local governments as a result of shifting incremental property tax revenue is unknown but is estimated to be \$100,000 each year for a period of twenty years after the base tax year.**

Assumptions:

- Currently developments financed through incremental tax agreements, or TIFs, have the effect of dividing property tax revenue into three separate pools: base taxes (established in the year prior to development), dedicated taxes (sources to service debt), and incremental taxes (revenue exceeding the base and dedicated tax levels).

- The amount of property tax revenue within a TIF arrangement is not reduced but is redirected from the local government's general fund and to an entity for housing, redevelopment, or economic development purposes. The provisions of this bill may preserve revenue for local general funds and school districts but the incremental amount preserved for local use or redirected pursuant to the TIF arrangement is unknown.
- The number of TIF arrangements used by local governments is unknown but is estimated not to change as a result of this bill.
- Local governments electing to utilize TIFs will have future incremental tax revenue redirected from the general fund to entities identified in specific TIF agreements. The amount of forgone revenue to local governments as a result of shifting incremental property tax revenue is unknown but is estimated at \$100,000 for a period of twenty years after the base tax year.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

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