TAX INCREMENT FINANCING
SUGGESTED IMPLEMENTATION

Municipalities, townships, and counties seeking to establish a Tax Increment Financing (TIF) project, whether it be a parcel or Incentive District TIF, must enact legislation that (a) designates the parcel(s) to be exempted from taxation, (b) declares improvements to private property within the specified area as serving a public purpose, (c) delineates the public infrastructure improvements to be made that will directly benefit the parcel and (d) specifies the equivalent funds to be created for those redirected monies. Only those public infrastructure improvements directly serving the increased demand arising from the real property improvements to the parcel(s) or an Incentive District are eligible for TIF financing.

A proposed TIF should be evaluated by the local political jurisdiction prior to enactment to determine the following:

- The market value of the proposed real property improvements. The ODOD suggests that the local community engage with the county auditor to obtain this information;
- The taxable value of the real property improvements. This can be computed by multiplying the projected market value of improvements by the standard 35 percent assessment rate;
- The local jurisdiction's real property tax rate. This information will assist in determining the projected revenues available to finance public infrastructure improvements by multiplying the local rate by the taxable value of the private improvements (i.e. 35 percent of market value);
- The public infrastructure costs associated with the project;
- The value of the proposed exemptions. The local community must ensure that the proposed exemptions will generate the revenue necessary to finance public infrastructure improvements within the TIF; and
- The extent of notification required by the level of proposed exemptions under the TIF.

Unless otherwise specified in the legislation authorizing the TIF, the parcel owner's obligation to remit Service Payments must be reflected in a contract with the local governmental entity. The ODOD strongly urges local political subdivisions to obtain legal counsel in drafting the proposed legislation and Service Payment contract. Note that the agreement should contain guarantees from the parcel owner that sufficient funds will be available to the political subdivision to retire the debt incurred from the specified public infrastructure improvements. The county treasurer is charged with the responsibility of creating tax equivalent funds for the redirected Service Payments.

The TIF exemption begins the first year the taxpayer is required to pay property taxes on the real property improvements. In each year of the TIF exemption period, the municipality, township, or county must submit an annual report to the ODOD by March 31st detailing the progress of the project in the prior calendar year, including a summary of (a) receipts from Service Payments, (b) expenditures made from the equivalent funds, and (c) descriptions of the public infrastructure improvements made within the TIF.

Copies of the TIF and its respective Service Payment contract must be filed with the ODOD within 15 days of enactment. The exemptions provided by the municipality, township, or county are subject to review by the Ohio Department of Taxation. If the local jurisdiction plans on filing for the exemptions on behalf of the property owners for Incentive District TIFs, the jurisdiction must hold a public hearing at least 30 days prior to adopting the ordinance. Notice of the public hearing must be provided to every real property owner within the Incentive District boundary by first class mail, and the notice must include a copy of the proposed ordinance. This notice must be given at least 30 days prior to the public hearing.

State authorization may be finalized approximately six months after the respective county auditor files the TIF exemption documents with the Tax Equalization Division.

For additional information, contact the Office of Tax Incentives at (614) 466-2317.