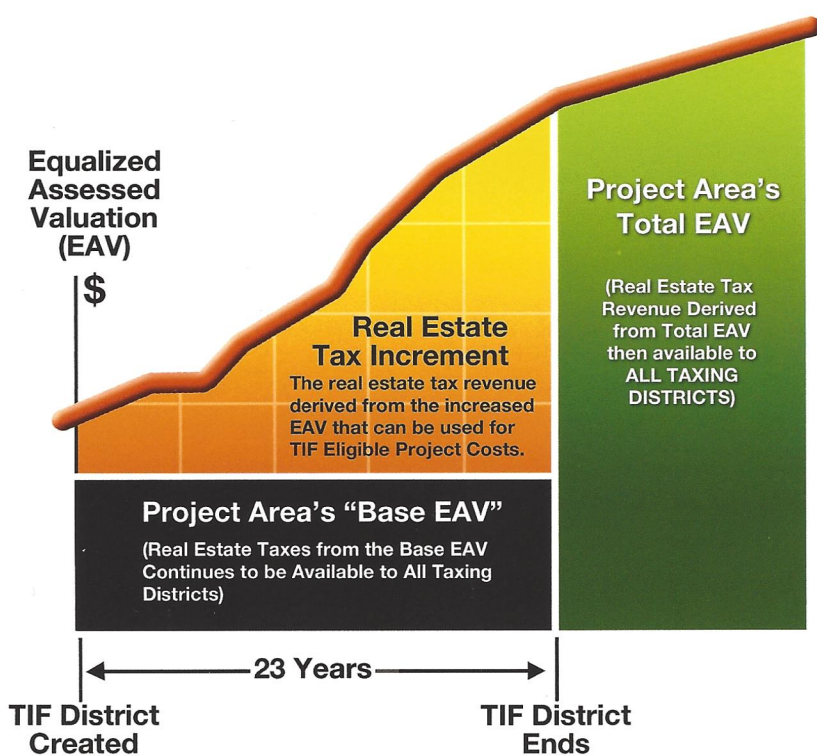


# What is Tax Increment Financing (TIF)?

Tax Increment Financing is a powerful tool that enables municipalities to self finance their redevelopment programs. It is a local incentive program controlled by your municipality. The increased property tax revenues are the source of TIF increment. These TIF funds are used as incentives to help promote public and private development.

To retain and attract new businesses and manufacturing operations, as well as a highly qualified labor force, Illinois communities must enhance their competitive positions in the marketplace by rebuilding their aging infrastructure and upgrading older commercial centers, industrial properties and residential neighborhoods. Tax Increment Financing is the only locally controlled economic development tool available to Illinois communities.

## How Does TIF Work?



A TIF District's revenues ("tax increment") come from the increased assessed value of property and improvements within the District. Once a TIF District is established, the "base" assessed value is determined. As vacant land and dilapidated properties re-develop with TIF assistance, the equalized assessed valuation (EAV) of those properties increases. New property taxes resulting from the increased assessed valuation above the base value create an incremental increase in tax revenues generated within the TIF District.

The "tax increment" which is generated between the "base" EAV and the new EAV is captured, deposited into a special TIF account and used solely for economic development. The real estate tax increment can be used as a source of revenue to reimburse certain costs for public and private projects either by issuing TIF Revenue Bonds or by reimbursing developers on a "pay-as-you-go" basis. All of the other overlapping taxing bodies continue to receive real estate tax revenue from the base assessed valuation.

Importantly, a TIF District does not raise taxes.

The maximum life of a TIF District is 23 years. When the TIF ends and the town's investments in both public and private redevelopment projects within the TIF redevelopment area are fully repaid, taxing bodies then share the expanded tax base — the growth which would not have been possible without the use of Tax Increment Financing.