

LEGISLATIVE SNAPSHOT

TAX INCREMENT FINANCING AUTHORITY

Date: January 2023

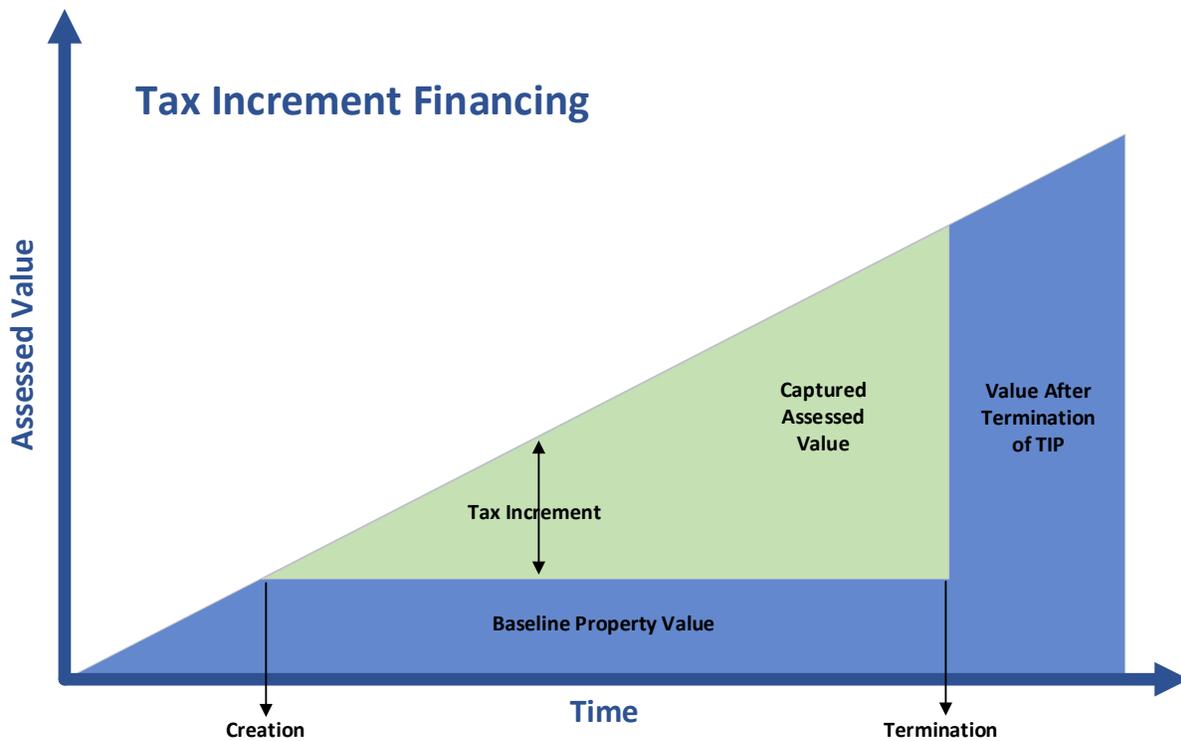
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Summary

Tax increment finance authorities (TIFAs) are entities that “capture” increases in property tax revenue in designated tax increment finance (TIF) districts. Because the increase in property values in a TIF district is expected to be attributable to the TIFA’s development of that area, any tax revenue increases beyond what the property originally yielded go to the TIFA. The base value therefore does not experience any growth over the course of the capture period.

Businesses generally continue to pay full property taxes, so the tax base of the district area does not decrease. However, if the development would have occurred without the TIFA, then the property tax base for that area will be unnecessarily frozen.

TIF Capture Model



The [Recodified Tax Increment Financing Act](#) and the [Brownfield Redevelopment Financing Act](#) authorize the use of various TIFAs in Michigan.¹ However, each TIFA and TIF district is unique in terms of the specific purpose of the TIFA, which revenues are eligible for or exempt from capture, and which development activities are pursued with the captured revenue.

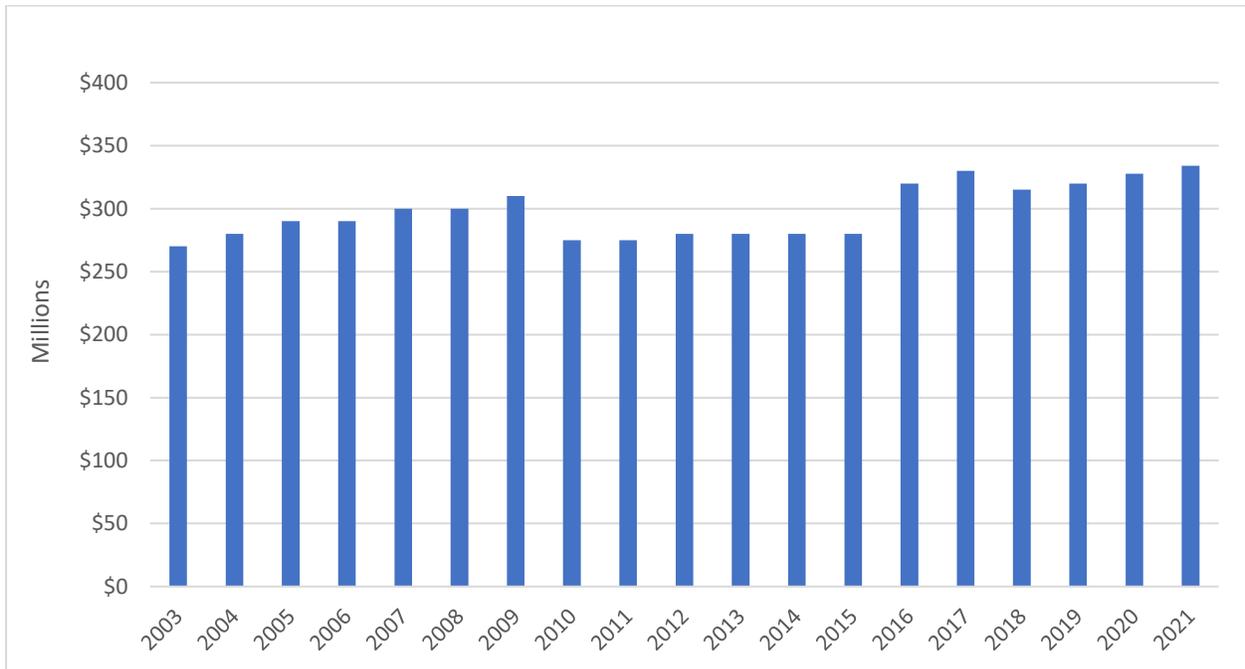
¹ The Recodified Tax Increment Financing Act, which went into effect in 2019, consolidated and repealed multiple acts related to TIFAs: 1975 PA 197 (known as the downtown development authority act), the Tax Increment Finance Authority Act, the Local Development Financing Act, the Nonprofit Street Railway Act, the Corridor Improvement Authority Act, the Water Resource Improvement Tax Increment Finance Authority Act, and the Neighborhood Improvement Authority Act. The Historical Neighborhood Tax Increment Finance Authority Act and the Private Investment Infrastructure Funding Act were repealed without recodification.

Statewide TIF Expenditures

The Michigan Department of Treasury estimates that TIF expenditures (forgone revenue that was captured by a TIFA) reached their highest in FY 2020-21 at nearly \$334 million, a \$6.2 million increase from FY 2019-20. The biggest increase occurred between FYs 2014-15 and 2015-16, when TIF expenditures grew from \$280 million to \$320 million. TIF expenditures have not been below \$270 million since FY 2002-03.

Estimates are made based on the assumption that local units of government would have pursued the projects with or without TIF plans.

TIF Expenditure Estimates by Fiscal Year, 2003-2021



Source: Michigan Department of Treasury

Additional Resources

- House Fiscal Agency, [Brownfield Redevelopment Financing: Tax Increment Legislation and Use](#)
- [The Brownfield Redevelopment Financing Act](#)
- [The Recodified Tax Increment Financing Act](#)