

## **2026 Session Changes to Tax Increment Financing (TIF)**

### **Section 1 – Discretionary Formula TIF Interaction**

The discretionary formula – not to be confused with discretionary grants – is an separate property tax abatement. This section states that any property inside a TIF cannot use the discretionary formula.

If your building is in a TIF district, you don't get the additional county tax reduction formula on top of it. No double dipping.

### **Section 2 – School District Levy Compensation**

This is just a technical cleanup to how the school education compensation is calculated.

Updates how the county auditor calculates the extra levy used to make school districts "whole" when TIF districts or tax abatements reduce taxable value. The formula is clarified to use the **total TIF district value minus the tax increment base** (instead of referencing a defined term).

### **Section 3 – Updated TIF Definitions (§ 11-9-1)**

Updates the definition of “contiguous.”

The current definition had some grey area that allowed for **meandering** districts that did not fit the original intent of a district. The change in the definition prevents these large, meandering districts and ensures that captured increment is related to the actual project costs.

**Impact:** Districts will be more compact and communities won't be able to draw snaking districts to capture unrelated increment.

### **Section 4 – District Boundaries**

Minor cleanup — clarifies that a district may not split a single parcel of property.

## **Section 5 – Creating a TIF District**

Currently cities may only have 10% of their total assessed value included in TIFs. Section 4 **reduces the limit from 10% to 7.5%** for first class municipalities.

All other classes of municipalities can still do **10%**.

This is important for smaller communities with less total assessed value

**Subsection 5:** A public meeting of all taxing jurisdictions within the district is to be held to share information on the proposed TIF district. **This is strictly informational** and is to be held after the feasibility study has been completed and prior to the vote of the governing body. There is no quorum of any body needed, again, it is strictly information. If the other taxing jurisdictions choose not to attend, you have done your due diligence by holding the meeting.

**Impact:** Municipalities and counties can no longer lock up as much of their tax base in TIF districts.

## **Section 6 – Overlapping Districts (§ 11-9-6)**

Currently, districts can overlap if their boundaries aren't identical. Going forward **districts cannot overlap with an existing district** — unless all affected political subdivisions agree by joint resolution.

**Impact:** No overlapping TIF districts unless the county signs off on it.

## **Section 7 – Percentage Blight Requirement**

To create a TIF district, a governing body must find that a certain percentage of the area is "blighted." This bill **raises that threshold from 25% to 50%** of the area. This still includes open field.

The percentage area available for economic development is unchanged at 50%.

**Impact:** Districts addressing blight will need to be more targeted. This does include open field.

## **Section 8 + 9**

No substantive changes. The language in section 8 is just moved from 11-9-8.

## **Section 10 Incidental Costs**

No substantive changes. *Incidental costs* are moved to 11-9-15 and covered under project costs.

### **Section 11 – Eligible Project Costs**

Section 11 establishes the requirement for a developer agreement that details the use of **discretionary grant funds** approved by the governing body.

**Impact:** This creates an added layer of transparency for city councilors and tax payers and ensures they have additional information to be considered during the review process.

**Subsection 9** is the “incidental costs” that was moved from section 10.

### **Section 12 – Amending a Project Plan**

Currently, a municipality can amend a TIF plan up to **35%** of the original project costs without triggering a recalculation of the tax increment base. This bill **lowers that threshold to 25%**.

**Impact:** Less room to expand a TIF project's budget without going back through the full review process.

### **Section 13 – Special Fund Payouts**

Minor cleanup. No substantive change.

### **Section 14 – District Termination**

**Section 14** cleans up the termination language. This is a minor change to the dissolution process that helps DOR ensure that the relevant districts are getting the appropriate revenue after the district is dissolved.

### **Sections 15 & 16 – Third Party Review**

The section creates a new requirement for an independent **Third Party review** as part of the approval process.

The reviewer must be:

- A registered municipal advisor (with fiduciary duty to the governing body), or
- A licensed CPA, or
- An independent third party with demonstrated TIF/municipal finance experience.

The reviewer **cannot** have financial ties to the developer or project. The review must include:

- A cost-benefit analysis
- Projected tax impact over time
- Employment, housing, and economic output estimates
- Assessment of financial risks
- A conclusion on whether the project is financially feasible

The review must be made **public at least 14 days** before the governing body votes on the district.

**Impact:** Before a TIF district moves forward, an independent expert must review the finances and tell the public whether it actually pencils out. This review does not dictate the outcome of the approval process. **The cost of the third-party review is eligible to be included in the TIF expenses.**