

EAV Capture from Expiring TIFs

EAV Capture from Expiring TIFs: When a TIF district expires or terminates, the incremental EAV of the district becomes a part of the aggregate EAV that is available to all taxing districts, and taxing districts may recover their portion of the revenue from the incremental EAV by adding it to their levy.

Background

During the life of a TIF district, the equalized assessed value (EAV) available to taxing bodies for the purposes of their general levy is held at the base EAV that existed at the time the area was designated as a TIF district. Revenue from any incremental EAV above that base EAV flows back into the TIF district and is used specifically for community projects, public improvements, and incentives to attract private investment to the area. The intention is that the effective use of tax increment funds helps expand the tax base, thus increasing the amount of tax increment generated in the district for re-investment within the district and ultimately increasing the property tax base for taxing districts.

When a TIF district expires or terminates, the incremental EAV (the growth over the baseline EAV at the time the TIF was designated) of the district becomes a part of the aggregate EAV that is available to all taxing districts. Taxing districts, including the City, have the ability to capture a portion of the revenue from the incremental EAV by adding it to their levy following a TIF district's dissolution.

This practice was recommended in the 2011 report of the TIF reform panel, and has been utilized by the City since 2012. By doing so, the City increases the resources available to support citywide expenses without increasing the tax burden on Chicago residents.

Revenue Impact

Since 2012, the City has added \$1.3 billion of EAV to the general tax base through the closing of TIF districts. This practice yielded the following amounts over the past three years:

Year	Revenue from EAV capture
2012	\$1.1M
2013	\$3.3M
2014	\$16.6M

No incremental EAV is available for capture in 2015, and the small amount of revenue (approximately \$340K) anticipated from capturing incremental EAV in 2016 is accounted for in the 2016 proposed budget.

The City estimates that the following amounts could be captured in future years by adjusting the levy to capture the incremental EAV that is added to the tax base following TIF district dissolutions:

Year	Projected Revenue from EAV capture
2017	\$0.2 M

2018	\$0.2 M
2019	\$1.4 M
2020	\$8.7 M
2021	\$9.3 M
2022	\$17.0M

Legal Authority

It is within the City's home rule authority to capture the EAV from expiring TIFs in its property tax levy. In addition, amounts recovered through this practice are not subject to the State-mandated property tax cap that applies to certain other taxing districts, including CPS.