

COMMISSIONER MIKE QUIGLEY'S TAX INCREMENT FINANCE (TIF) FACT SHEET

THE COSTS

TIF districts collect more in property taxes from Chicago taxpayers than any other unit of government other than the Board of Education and the City itself. Cook County and the Cook County Forest Preserve District combined collect less from Chicago taxpayers than the City's TIF districts.

- The typical **Chicago taxpayer's property tax bill is nearly 10 percent higher** because of Chicago's TIF districts.
- If your property is located in a TIF, **your tax bill does not reflect the amount you pay into the TIF.** Tax bills for properties located within TIF districts include a "TIF" line-item in the list of taxing districts, but rather than show the actual amount of tax dollars flowing to the TIF district, the bills falsely claim that \$0 went to the TIF.
- Collectively, TIF districts in Chicago collected more from Chicago taxpayers in 2005 than:
 - Cook County and the Forest Preserve District combined.
 - The Chicago Park District and Chicago Library Fund combined.
 - The City Colleges of Chicago and Metropolitan Water Reclamation District (MWRD) combined.

THE PROBLEMS

TIFs are not inherently bad. However, they are frequently misused and suffer from an astonishing lack of oversight and accountability.

- Many Chicago TIFs act like a **"Reverse Robin Hood."**
 - They rob from the average taxpayer to give to multi-million dollar development projects in thriving areas of the city.
 - The state set up TIFs to help poor, blighted communities jumpstart development, but many TIF districts nowadays are established in areas like LaSalle Street with prime real estate that would almost certainly increase in value without the TIF.
- TIFs amount to a **secret tax hike.**
 - In tax year 2005, TIF districts countywide diverted \$53 million from the County and \$6 million from the Forest Preserve District, effectively forcing County and Forest Preserve District tax rates to be 7 percent higher than they would have been without TIFs.
 - Removing property value off the tax rolls increases tax pressure on Mr. and Mrs. Average Homeowner, Mr. and Mrs. Average Business Owner.

- TIFs suffer from a **lack of transparency**.
 - It's a back door tax hike. When the City of Chicago creates a TIF district, taxpayers countywide will see tax rates rise.
 - It's smoke and mirrors fiscal policy, instead of being upfront with taxpayers about the cost of public services.
 - There is no opportunity for the public to give meaningful input when TIFs are created—the single public hearing is usually scheduled after many decisions are already made.
 - With few exceptions, the public has little to no input into how the TIF money is spent.
- Despite minimal input into their creation, **TIFs have a negative effect on other taxing districts**.
 - Units of governments cannot decline to participate in TIFs.
 - The taxing districts cannot tax the additional growth in the value of the TIF until the TIF expires. Therefore, the value of the “frozen” base amount—the total property value that was in the TIF at the time it was established—that the County and others are still allowed to tax is eroded by inflation.
 - In Cook County some taxing districts (Forest Preserve District and the Metropolitan Water Reclamation District) are not represented on the JRB.
 - The other taxing bodies also have no input into how the money is spent—city governments control every penny (in Chicago, Department of Planning).

CASE STUDY: THE PROPOSED LASALLE CENTRAL TIF

If the City of Chicago succeeds in creating the LaSalle Central TIF in the heart of Chicago's financial district, taxes will be **between 3 and 6 percent higher in the City** due to the proposed TIF by the end of its 23-year lifespan.

The LaSalle TIF eligibility study (a study required to be completed before approval of any TIF) discusses a budget of \$550 million over the lifetime of the TIF. However, it does not discuss how much tax revenue will be collected. Our most conservative estimate, based on the eligibility study's assumptions, suggests that the true take will be over \$2 billion, almost 4 times the proposed budget. This means the tax burden on everyone is going to be higher than it otherwise would be.

SOLUTIONS

- County legislation pending before the Finance and Business & Economic Development Committees
 - **Tax Increment Finance Transparency Ordinance** directs the County Clerk to include TIF distribution amounts on city and county tax bills by the end of 2007.

- County legislation pending before the Finance Committee
 - **Tax Increment Finance District Approval Ordinance** would require all TIF proposals to be brought before the County Board for scrutiny and require that the County's representative to the joint review board vote as directed by the Board.
 - **Illinois Tax Increment Finance Review and Reform Resolution** calls on the state of Illinois to study the effectiveness of TIFs; tighten regulations so that TIFs are used for their original purpose of jumpstarting development in truly blighted areas; and give the County, other taxing districts, and the public greater roles in TIF decision-making.
- A State Reform Agenda:
 - Allow taxing bodies to adjust the "frozen" base value for inflation.
 - Allow units of government to opt out of TIFs, if they choose.
 - Define blight in a more rigorous way.
 - Disclose TIF information on all property tax bills in Illinois.
 - Add all units of government which levy property taxes to the Joint Review Board. (In Cook County, the Forest Preserve District and Metropolitan Water Reclamation District are currently unrepresented.)