

LETTERS TO THE EDITOR

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The downside of Tax Increment Financing

To the Editor,

We've all heard of the good things brought about by TIFs (tax increment financing districts) but there is an unpublicized downside, too.

To begin, creating a TIF district is a way to get a loan without having any solid way to pay it back; that alone should send up a flag.

There are three other consequences proponents fail to mention:

1. It stifles competition. By favoring new businesses, money collected from people and businesses already in the district is redirected to the new businesses. Businesses lured into the area have taxes abated, and, in some cases, will have tax revenue paid to them. Moreover, old businesses may not have any of the benefit of improvements made.

2. It accelerates the values in the district (the tax increment is supposed to pay off the loan, meaning many agencies that rely on the

extra tax revenue generated from annual inflation (police, schools, etc.) will not get it anymore. Services must be paid with the same number of dollars for the TIF's 23-year lifetime.

Imagine, trying to live on a fixed income for the next 23 years. Public entities, particularly schools, can't do it. Either they'll have to cut services or raise your taxes. Guess which?

3. TIFs don't work well in blighted areas — the very places for which the tool was developed. However, when combined with other incentive programs they are successful in affluent and undeveloped areas, locations likely to experience development without the TIF incentives.

Experiences in at least four states proved that, and we now see it's true in the MetroEast, as well.

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