



Schools and Libraries Should Get a Piece of the Action

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Localities engaged in a tax subsidy bender shouldn't be surprised if they wake up with a nasty hangover in the form of increased property taxes. When cities decide to binge on Tax Increment Financing (TIF), the cities themselves may not feel the pain, but other taxing districts like schools and libraries are impacted. This has caught the attention of some in the legislature. While it appears that forcing localities to sober up is off the table, they are at least working on giving taxpayers an aspirin.

The pain relief comes in the form of Senate Bill 114 ([SB 114](#)), which aims to redirect 50 percent of incremented property tax revenues (i.e., the additional property taxes that would be generated by the increases in assessed value of new developments in a TIF district) back to the school and library districts. Currently, these other taxing districts do not receive additional property tax revenue from any increases in assessed value for redeveloped property in a TIF district. Since TIFs can last up to 23 years, the amount of property tax revenue schools and libraries can forgo is quite considerable.

This is especially troubling for school and library districts, since they both rely heavily on property tax revenue. That is why there has been a long history of these taxing districts opposing TIF projects. School district opposition to TIF projects stretches back [at least into the 1990s](#). They understand that as operating costs grow over time (due to inflation, added population, and so forth), they will have to find additional revenue. Forgoing property

tax revenue through TIFs means they will have to resort to tax increases on the people and businesses not located in the TIF district. If SB 114 is enacted, hopefully these rate increases can be forestalled or even avoided altogether.

No matter the context, I'm generally not a fan of overindulging. When local governments overindulge on TIFs, I am particularly appalled. Considering [the fact](#) that TIFs [don't work](#) in stimulating net economic development, I'd rather localities avoid their use altogether. Barring that, at least some legislators are trying to mitigate some of TIF's more damaging [side effects](#).

About the Author



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Michael Rathbone was a policy researcher at the Show-Me Institute. He is a native of Saint Louis and a 2008 graduate of Saint Louis University, where he earned a bachelor of science degree in biomedical engineering.

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