

Example: Property Tax Shift - Urban Renewal Increment

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(RAA/Revenue Allocation Area)

No New Construction in a RAA allowed in calculating Budget

<u>Budget</u>	Divided By	<u>Market Value</u>	=	<u>Levy</u>
\$1,000,000		\$100,000,000		.01

Budget Calculation

<u>Budget</u>	<u>Change of use/inflation</u>	<u>New Budget</u>
\$1,000,000	(or New Construction)	\$1,030,000
<u>x 1.03</u>		
\$1,030,000		

Market Value with Change of use, inflation or New Const. / No Urban Renewal

<u>Budget</u>	Divided By	<u>Market Value</u>	=	<u>Levy</u>
\$1,030,000		\$110,000,000		.00936

Market Value Less Urban Renewal Increment (\$10,000,000 increment)

<u>Budget</u>	<u>Market Value with Urban Renewal</u>	<u>Levy</u>
\$1,030,000	Divided By \$100,000,000	.0103

		<u>Without</u>	<u>With</u>
<u>Assessed</u>	<u>Property</u>	<u>Urban Renewal</u>	<u>Urban Renewal</u>
<u>Value</u>	\$50,000	\$50,000	\$50,000
<u>Levy</u>	<u>x .01</u>	<u>x .00936</u>	<u>x .0103</u>
<u>Taxes</u>	\$ 500	\$ 468	\$ 515

On \$50,000 of Assessed Value \$ 47.00 in property tax dollars goes to Urban Renewal Agency. On the \$ 10,000,000 Increment Value the Urban Renewal Agency would receive \$ 103,000 .

Definition for Tax Increment Financing (TIF)

Property Dollars Shifted to Fund Economic Development

A shifting of property tax dollars occurs when the Increment Value in a Revenue Allocation Area is subtracted from the Net Taxable Value to calculate the current Levy Rate. This increases the Levy Rate more that it would have if the increases had been used in the formula.