

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS
FISCAL IMPACT STATEMENT**

LS 7069
BILL NUMBER: SB 278

NOTE PREPARED: Jan 7, 2026
BILL AMENDED:

SUBJECT: Tax Increment Financing.

FIRST AUTHOR: Sen. Baldwin
FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: *TIF Neutralization:* This bill provides for various tax increment financing (TIF) neutralization procedures for certain TIF areas. The bill provides that the DLGF may require a redevelopment commission (and other TIF bodies) to submit required documentation to neutralize the base assessed value (AV). Any supporting documentation the redevelopment commission is required to submit to support the base AV neutralization calculation must be completed and submitted to the DLGF by July 15 of each year. It provides that if the redevelopment commission does not submit the required documentation by the deadline in a given year, then 5% of the excess AV shall be allocated to the respective taxing units in the year the deadline is missed.

Appeals: The bill provides that in an appeal of the AV of a property: (1) the county or township assessor in conjunction with the preliminary informal meeting; or (2) the county board in conjunction with an appeal hearing by the county board; may request a taxpayer to provide income data necessary to determine the AV under the income capitalization approach. If requested, a taxpayer shall provide income data within 60 days of the request.

Debt Reporting: This bill provides that an adopting body must annually, on or before November 10, report to the Department of Local Government Finance (DLGF), in a manner determined by the DLGF: (1) the total amount of debt outstanding; (2) the annual amount of debt due for each remaining year the debt will be outstanding; and (3) the estimated payoff year for all debt backed by the local income tax. An adopting body shall provide an indication of all debt obligations outstanding that are not supported by any secondary backing source. It provides that the DLGF shall post the information required on Gateway.

Residential Property: The bill redefines "residential property" for certain TIF districts. It provides that the original owner of each nonowner-occupied residential property subject to the 2% tax cap, that is located in the TIF area and is excluded from the base AV, shall upon completion of construction enter into a written agreement with the redevelopment commission indicating the owner shall be obligated to pay the property tax for the portion of outstanding bonds in the TIF district attributable to the property until the term length of the original outstanding bond is retired. The bill provides that the written agreement with the redevelopment commission shall be considered a lien on the property and shall be included as part of the

residential real estate sales disclosure. It provides that if the property is subsequently sold as a homestead property and becomes subject to the 1% tax cap, the new owner shall be responsible for the lien on the property attributable to the written agreement with the redevelopment commission, and the new homestead property owner shall be obligated to fulfill the terms of the written agreement including the payment of the property tax liability included in the agreement.

TIF Expiration: This bill provides that, notwithstanding any other law, for taxing districts that include multiple TIF districts, the original TIF district does not expire and stays active only for the purpose of satisfying outstanding bonds issued by the subsequent TIF district, only if the redevelopment commission completes the following requirements: (1) Provides written appeals to and receives the approval of the DLGF. (2) Provides written notice to the State Board of Accounts of the appeal.

Effective Date: July 1, 2026; July 1, 2027; January 1, 2028.

Explanation of State Expenditures: *DLGF:* The bill's requirements are within the agency's routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

Explanation of State Revenues:

Explanation of Local Expenditures: *Debt Reporting:* This provision will increase administrative workload for units that impose a local income tax (LIT).

Explanation of Local Revenues: *TIF Neutralization:* Current law requires the DLGF to neutralize TIF AV in order to negate the effect of annual adjustments to real property assessments. This provision permits the DLGF to require redevelopment commissions to submit documentation necessary for the DLGF's calculations. Under the bill, if the commission fails to timely submit the documentation, then 5% of the TIF AV must be passed-through to the local units' base AV. A reduction in TIF AV and increase in base AV would reduce tax rates and potentially increase taxing unit revenues due to lower tax cap losses, while reducing TIF revenue.

Appeals: This provision requires an appellant taxpayer to provide income data within 60 days after a request by an assessor or the county property tax assessment board of appeals (PTABOA). The availability of the data may impact the final determination of AV.

Residential Property: Under current law, the AV of residential property whether or not owner-occupied is excluded from the increment value of most TIF districts (unless the TIF is specifically a residential TIF). The AV of all existing and new residential is currently credited to the taxing units' base AV used to calculate tax rates. For TIF districts established after June 30, 2024, this provision will credit the AV of new non-homestead residential property to the TIF. The taxing units' base AV will be reduced, increasing tax rates and potentially reducing property tax revenue for the units due to higher tax cap losses. TIF areas may receive increased revenue due to both the increased increment AV and the increased tax rate.

Additionally, the owners of new non-homestead residential property that is converted in use to homestead property will continue to be liable for repayment of a portion of TIF debt even though their property's AV is no longer a part of the TIF increment.

TIF Expiration: Under current law, a TIF allocation area established after June 30, 2008, must expire within

25 years after the area's first obligation was incurred, or when all obligations are no longer outstanding. Also currently, certain TIF allocation areas established after June 30, 2019, must expire within 35 years after the area's first obligation was incurred, or when all obligations are no longer outstanding.

In the case of multiple TIF districts within a taxing district, a TIF district that would otherwise expire may remain active for the sole purpose of satisfying outstanding bonds issued by a subsequent TIF district. The redevelopment commission would have to seek DLGF approval for such an extension. This provision could delay the release of the TIF AV from the expiring TIF to the taxing units' base AV. This delay will slow the anticipated tax rate reduction that comes with the release of the TIF AV.

State Agencies Affected: Department of Local Government Finance.

Local Agencies Affected: TIF districts; Civil taxing units and school corporations.

Information Sources:

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