



December 22, 2024

Tax Increment Financing Agreements

Dear Reader:

The following document was created from the CTAS website (ctas.tennessee.edu). This website is maintained by CTAS staff and seeks to represent the most current information regarding issues relative to Tennessee county government.

We hope this information will be useful to you; reference to it will assist you with many of the questions that will arise in your tenure with county government. However, the *Tennessee Code Annotated* and other relevant laws or regulations should always be consulted before any action is taken based upon the contents of this document.

Please feel free to contact us if you have questions or comments regarding this information or any other CTAS website material.

Sincerely,

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Reference Number: CTAS-2474

Industrial development corporations are authorized to prepare and submit to the municipality of their creation (which can be a county, city or combination of both) an economic impact plan. T.C.A. § 7-53-312. The plan must identify the boundaries of the economic impact area affected by the plan as well as identify the industrial park or project located within the economic impact area. The definition of "project" is found at T.C.A. § 7-53-101. The plan must discuss the expected benefits to the municipality from the development of the economic impact area subject to the plan and provide that the property taxes collected on property in the plan area, including taxes on personal property, above the base year amount (the "increment") will be allocated to a separate fund of the industrial development corporation and used for industrial development purposes or to pay debt service on the industrial development corporation's obligations. Further restrictions on the use of the incremental tax proceeds are set forth in T.C.A. § 9-23-108. The plan may include an amount greater than the base year amount to be allocated to the taxing local governments. T.C.A. § 9-23-103.

The industrial development corporation's board must hold a public hearing after giving two weeks' notice before submitting the plan to the municipality. The governing body of the municipality that created the corporation must approve the plan. For taxes collected within the economic impact area by another municipality, the governing body of that municipality must also approve the plan. T.C.A. § 7-53-312.

After the approval by a municipality of an economic impact plan, the clerk or other recording official of such municipality must transmit to the appropriate assessor of property and to each affected taxing agency, a copy of the description of all property within the area subject to the economic impact plan and a copy of the resolution approving that plan. If the plan is approved by any taxing agency other than the creating municipality, the clerk or other recording official of that taxing agency must also provide a copy of the resolution approving the plan to such assessor of property and taxing agencies. A copy of the plan and any resolutions approving the plan must also be filed with the comptroller of the treasury, and an annual statement of amounts allocated in excess of the base tax amount must be filed with the state board of equalization. T.C.A. § 7-53-312.

Industrial development corporations are required to transmit to the appropriate assessor of property for each taxing agency and the chief financial officer of each taxing agency a copy of the description of all property within the area subject to the plan (including parcel numbers with respect to real property), a copy of each resolution of each taxing agency approving the plan and the base tax amount with respect to all property subject to the plan. They must also file a copy of the information with the comptroller; and by October 1, they must file with the comptroller an annual statement of all tax increment revenues allocated to the tax increment agency with respect to each active plan. T.C.A. § 9-23-106.

Any plan may provide that a total of up to five percent (5%) of incremental tax revenues may be set aside for administrative expenses, including expenses incurred by the industrial development corporation and the tax agency administrative offices (assessor of property and/or trustee or other tax collecting official) in administering the plan, and including a reasonable allocation of overhead expenses. T.C.A. § 9-23-105.

No allocation of tax increment revenues may be made with respect to any property for a period of more than twenty (20) years in the case of an economic impact plan, or thirty (30) years in the case of a redevelopment plan or community redevelopment plan as defined in § 9-23-102, unless both the commissioner and the comptroller have made a written determination that a longer period is in the best interest of the state. If the written determination approving or declining the longer term is not rendered within thirty (30) days, the longer term is deemed approved. T.C.A. § 9-23-104.

In any year in which the taxes on any property are less than the base and incremental taxes, only those taxes actually imposed and collected will be paid to the respective taxing agencies. T.C.A. § 9-23-103.

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