

**TAX INCREMENT FINANCING
QUESTIONS AND ANSWERS**

Tax increment financing (TIF) is a financing tool that governments use to incent economic growth. The incremental taxes (or the increase in taxes) created by significant new development are used to help fund the development. TIF projects have to result in substantial improvements in the value of the property in order to receive funding, which ensures high value for money for Manitobans. The development would not have occurred without the provision of tax increment finance funding.

How does TIF work?

When significant new development occurs, there is an increase in the assessed market value of a property. Through legislation, the province is able to use the incremental education-related property taxes created by the new development to invest back into the project for a limited amount of time (up to 25 years). Incremental taxes are the difference between the amount of property tax revenue generated before the development occurred and the amount of property tax revenue generated after the project is complete.

Simplified Illustrative Example:

	Prior to Development	After Development
Property Value	\$500,000	\$12,000,000
Education-Related Taxes <i>annual</i>	\$5,000	\$115,000
Incremental Taxes/TIF Amount (Difference in education-related taxes) <i>annual</i>	\$110,000	

The actual property value and amount of education-related property taxes would likely continue to increase during the time of the development and over the span of the set number of years for the TIF period.

Does TIF reduce funding going to school divisions?

No. The base amount of education related property taxes continue to be collected and provided to the school division, as it would have if the project had not gone forward. The school division does not see a decrease in revenue and in fact, may receive increases on the base amount in the event the property value would have increased with the bi-annual general assessment (as they would have if the project had not gone forward). The developments do not tend to involve a significant increase in school enrolment, so do not add cost pressures to school divisions.

Do developers have to pay taxes?

Yes. Incremental taxes continue to be collected through property tax bills. It is the property owner's responsibility to pay the full tax bill.

Does the province provide up-front, lump-sum grant payments toward TIF projects?

No. The province does not provide up-front grants under the new framework. No payments are made until the projects have completed construction and incremental taxes have been collected. At that point, the equivalent of the applicable incremental education taxes collected from TIF projects will be granted back to the developers annually.

Why is the province creating a new TIF framework?

The new TIF framework will ensure a clear, transparent collaborative approach to using TIF to incent economic growth. This will allow the province to consistently follow a true TIF model. Implementing a new, transparent framework for TIF that reduces risk and liability for Manitoba taxpayers and advances economic development is a commitment highlighted in the 2018 throne speech, as well as the recently released updated mandate letter for the minister of municipal relations. The mandate letter further commits to supporting Manitoba Growth, Enterprise and Trade in implementing the economic development strategy, which identifies a new TIF strategy as an early action item.

This means focusing on economic growth, limiting risk and ensuring value for money, which will benefit municipalities and communities across Manitoba.

Why is the government supporting projects using TIF?

TIF will only be considered where projects are expected to provide substantial economic benefits for Manitoba, and its municipalities and communities. Manitoba is once again open for business and is recognized as an attractive destination for private investment by companies from across the country and around the world. These projects bring significant economic benefit to our communities and province. TIF, when used correctly, is a low-risk way to attract economic development and bring significant value to the province.

What does the new provincial TIF framework look like?

The new framework is based on seven principles (see attached graphic).

The framework highlights a clear and transparent process to clearly communicate TIF requirements, approved proposals and reporting on TIF outcomes, which will ensure consistency, value for money and public knowledge on all TIF projects.

The province will also be working closely with its municipal partners to identify needs and co-ordinate strategic planning to use TIF as a catalyst to drive economic growth and leverage private investment across Manitoba.

Who approves TIF projects under the new framework?

Treasury Board is the ultimate approving authority for all TIF projects. Under the new framework, the province will create an interdepartmental committee to review and recommend projects to ensure the most benefit for Manitobans. The City of Winnipeg, specific municipalities where TIF projects take place and the Association of Manitoba Municipalities will be engaged on each TIF opportunity.

When will the new TIF framework approval process and forms be available?

The new TIF framework is part of Manitoba's economic development strategy and work is underway on new processes and forms. It is anticipated they will be posted online early in 2019.