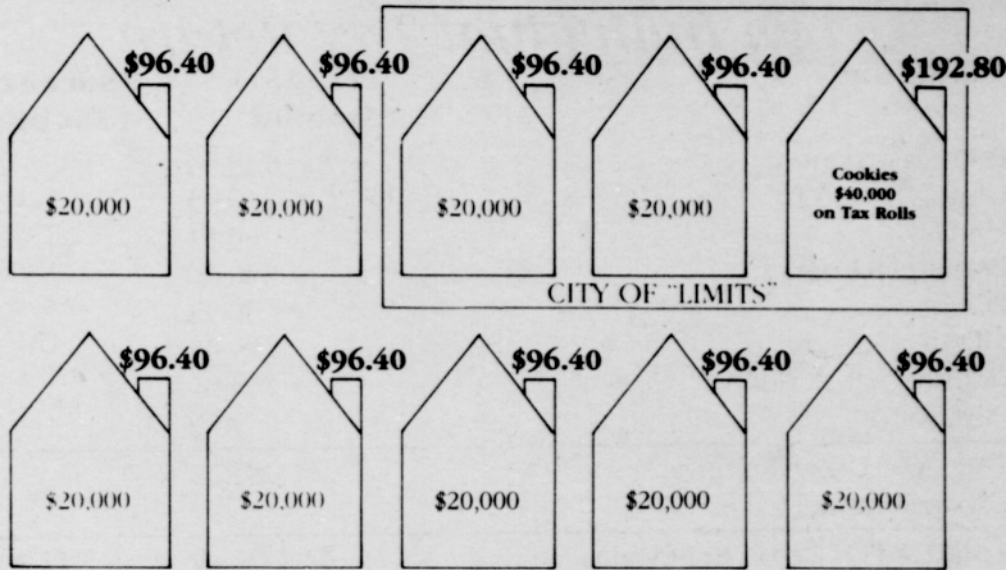


The Hidden Tax

TAX BASE: \$1,060

"EYE-SPECK" COUNTY



$\$220,000$ (Total Value) \times .0048 = \$96.40 per House = \$1,060 for County

Drawing No. 3A

All right. Now that we've got the picture, what are the pros and cons of this practice?

PROS

1. The city obtains resources to revitalize the inner city.
2. The projects create jobs.
3. The economic effect of urban renewal is that everybody gains. The value of the property increases so, as these revitalized properties are returned to the tax rolls, the tax rate for everyone decreases.

CONS

1. The money raised to promote urban renewal constitutes a
- (continued)

incorporated city took a notion into its collective head and called it "economic development." Their idea was to "freeze" Mrs. Calorie's property at its original value, \$20,000 WHEN THEY CALCULATED THE TAX RATE, but to collect taxes on the entire assessed value of \$40,000 and to use the income generated by the "excess" for "urban renewal." This meant the total assessed value of property on the rolls in the county remained at \$200,000 instead of \$220,000. While Mrs. Calorie paid her taxes on the full assessed value of \$40,000, only half of those dollars went to relieve the general tax burden. The other half went into an urban renewal fund which the City of Limits used for economic development projects. In sum, everyone paid at the rate of \$106 in the second year of county operations, except Mrs. Calorie, who paid \$106 to the general tax purpose and \$106 to the "kitty" of the city. This "kitty" was earmarked for urban renewal/economic development.

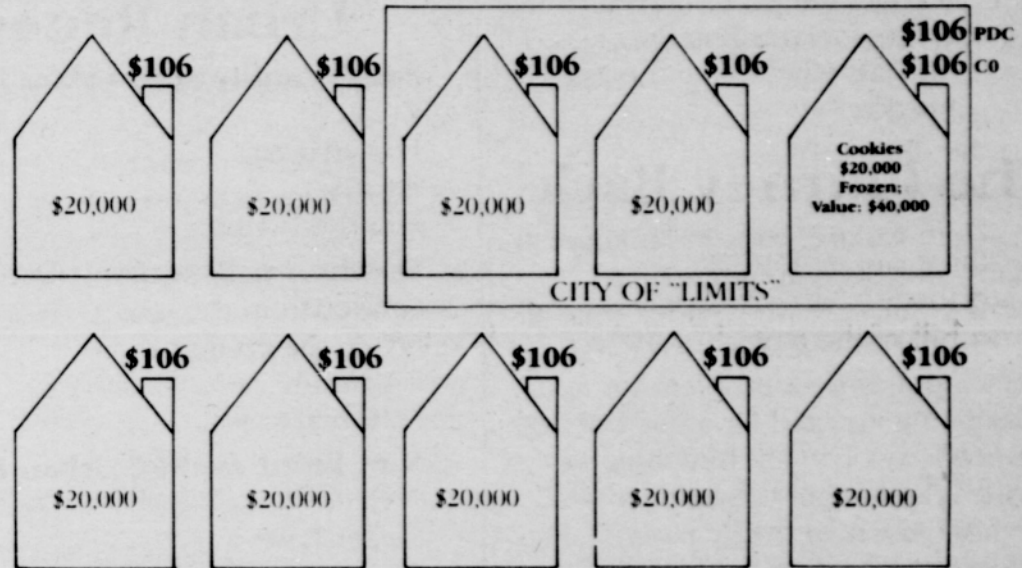
(see drawing No. 3B)

THIS PRACTICE OF FREEZING THE VALUE OF PROPERTY IN AN URBAN RENEWAL DISTRICT FOR A NUMBER OF YEARS AND DIVERTING THE EXCESS (INCREASED VALUE) INTO URBAN RENEWAL IS THE HEART OF TAX INCREMENT FINANCING. Just to make sure we have the principle, let's look at what happens to individual property taxes in the third year of tax increment financing. A picture is worth a thousand words. (Note that the value of Mrs. Calorie's property has continued to grow, though on the tax rolls the values remain frozen at \$20,000.)

(see drawing No 3C)

TAX BASE: \$1,060

"EYE-SPECK" COUNTY

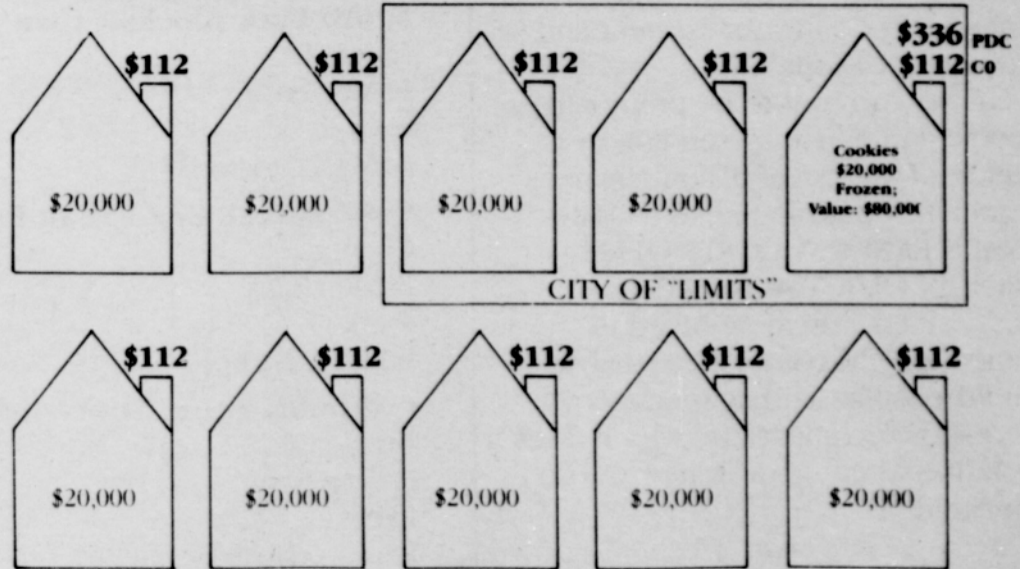


$\$200,000$ (Total Value) \times .0053 = \$106 per House for County
 $\$20,000$ (Value Urban Renewal) \times .0053 = \$106 for "Public Development Commission"

Drawing No. 3B

TAX BASE: \$1,124

"EYE-SPECK" COUNTY



$\$200,000$ (Total Value) \times .0056 = \$112 per House for County
 $\$60,000$ (Urban Renewal) \times .0056 = \$336 for "PDC"

Drawing No. 3C