

**Tax Increment Finance in Nebraska:
A Review of TIF Use from 1996-2011**

Jennifer A. Bossard, Ph.D.

Doane University

Mike Korsakas

Software Quality Analyst, Hudl

Abstract

Tax Increment Finance (TIF) has been used in Nebraska since 1978 to redevelop substandard and blighted areas. The types of industries that have used TIF range from Housing to Agriculture to Assisted Living. This paper examines the base value, excess value, and excess taxes of the TIF districts in Nebraska from 1996-2011. In addition, it provides a snapshot of the TIF districts in 2011, including industry type and by region of the state.

INTRODUCTION

In 1978, Nebraska codified Tax Increment Finance (TIF) as a financing tool used to redevelop substandard and blighted areas¹. Since then, its use has become more prevalent and controversial. The purpose of this paper is to review TIF use in Nebraska over time (1996-2011) and to look at a snapshot of how and where it has been used (2011). First, we look at the extent of TIF use in Nebraska by reporting the total number of TIF districts from 1996 through 2011. Next, we look at base value, excess value, and excess taxes in each year, first in total and then by type of property (residential, commercial, and industrial). Then we look at TIF use in a single year (2011), first reporting the number of TIF districts by industry (agriculture, assisted living, etc.) followed by the base value, excess value, and excess taxes by industry. We conclude by reporting on the TIF districts in each region of the state in 2011.

DATA

Data for this paper are from the annually published report by the Nebraska Department of Revenue (DOR) to the Nebraska Legislature. In this report by the DOR information on each TIF district in Nebraska, was provided by county assessors.² The following information is reported for each TIF district: base value, excess value, tax rate, TIF base tax, and TIF excess tax, type of property (residential, commercial, and industrial), the year the district began, the county, school, city that the TIF district resides, and a few remarks about the nature of the TIF district. Data for TIF districts from 1996-2011 are aggregated for all TIF districts for each year can be found in the last table in the Annual Report to the Legislature for tax year 2011 (p 274-5). Data for each TIF district in 2011 is found in the same report (p 1-273).³

This paper focuses on base value, excess value, and TIF excess tax. For purposes of this paper the TIF excess tax will be referred to as the “excess tax. Base value is the taxable value of the real property certified by the county assessor as of August 20th of the year prior to the effective date of the TIF district.⁴ This is sometimes referred to as the ‘frozen value’ of the TIF district. Excess value is the total assessed value in the current year minus the base value. Excess tax is the tax revenue collected from the excess value, which is used to repay the debt of the project.

TIF OVER TIME (1996-2011)

Figure 1 shows the number of TIF districts in Nebraska from 1996 to 2011. The number of TIF districts increased from 149 in 1996 to over 600 in 2011. Each year saw an increase in

¹ “Community Redevelopment Tax Increment Financing Projects Tax Year 2011.” Nebraska Department of Revenue Property Assessment Division. March 1, 2012. p i.

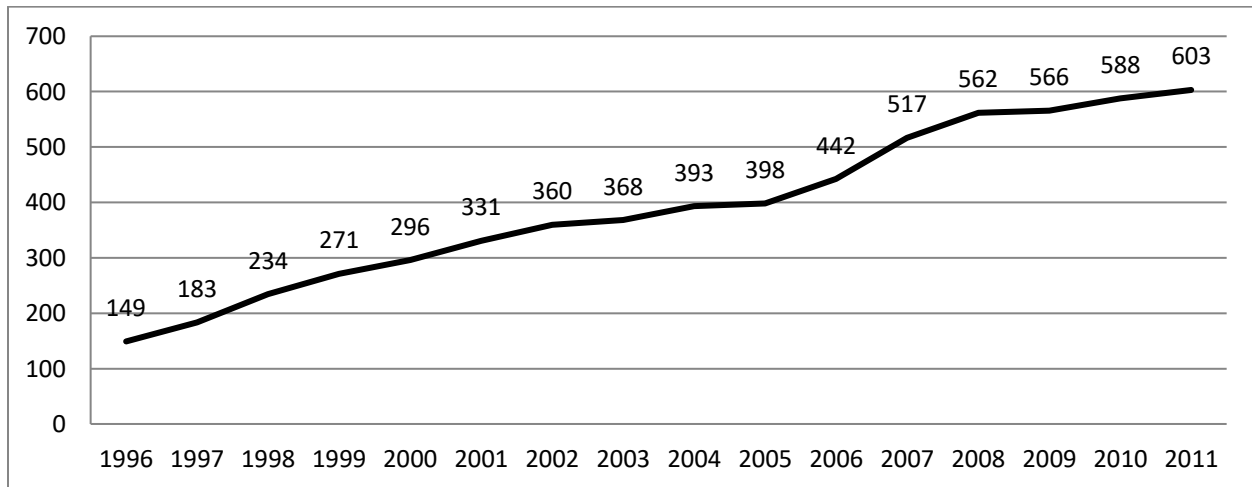
² The DOR website publishes TIF reports from 2004:
http://www.revenue.ne.gov/PAD/research/tif_reports.html.

³ Data for this paper were provided in a spreadsheet by the Property Assessment Division of the DOR.

⁴ “Community Redevelopment Tax Increment Financing Projects Tax Year 2011.” Nebraska Department of Revenue Property Assessment Division. March 1, 2012. p i.

the number of TIF districts, ranging from four additional districts in 2009 to 75 additional districts in 2007. During that time, the average number of additional TIF districts per year was 30.

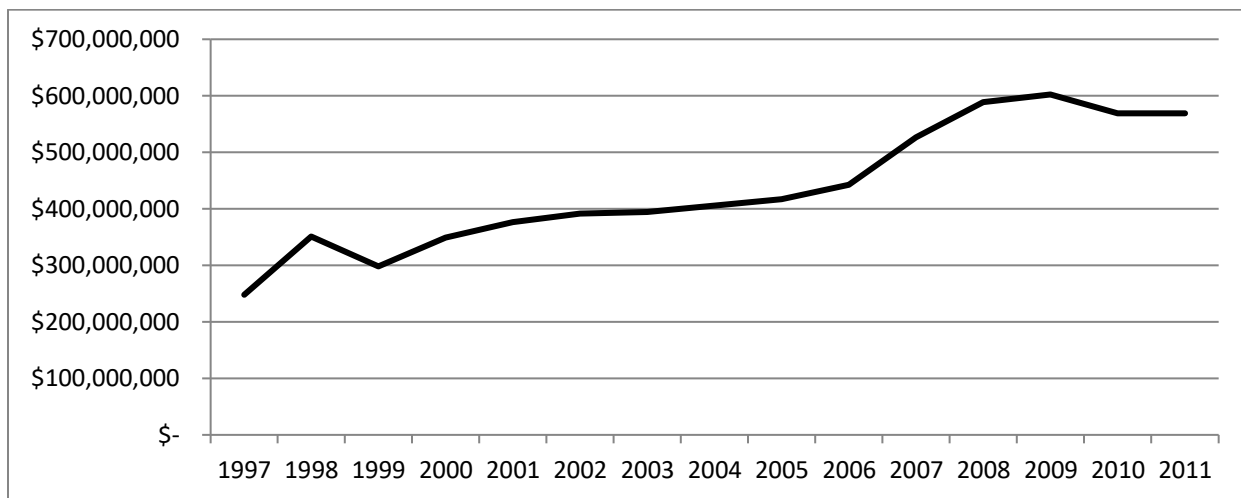
Figure 1: Total Number of TIF Districts



Figures 2-4 show how total base value, total excess value, and total excess taxes changed from 1997 through 2011.⁵ Because values are presented over time, they have been converted to real dollars, using the GDP deflators.⁶ See tables in Appendix for the figures from each year.

According to Figure 2, total base value of all TIF districts in Nebraska increased from \$247 million in 1997 and \$568 million in 2011, increasing by over \$300 million. The average annual increase was over \$22 million. The largest increases were in 1998 by \$103 million and in 2007 by \$84 million. The average base value per TIF district was \$1.1 million.

Figure 2: Total Base Value

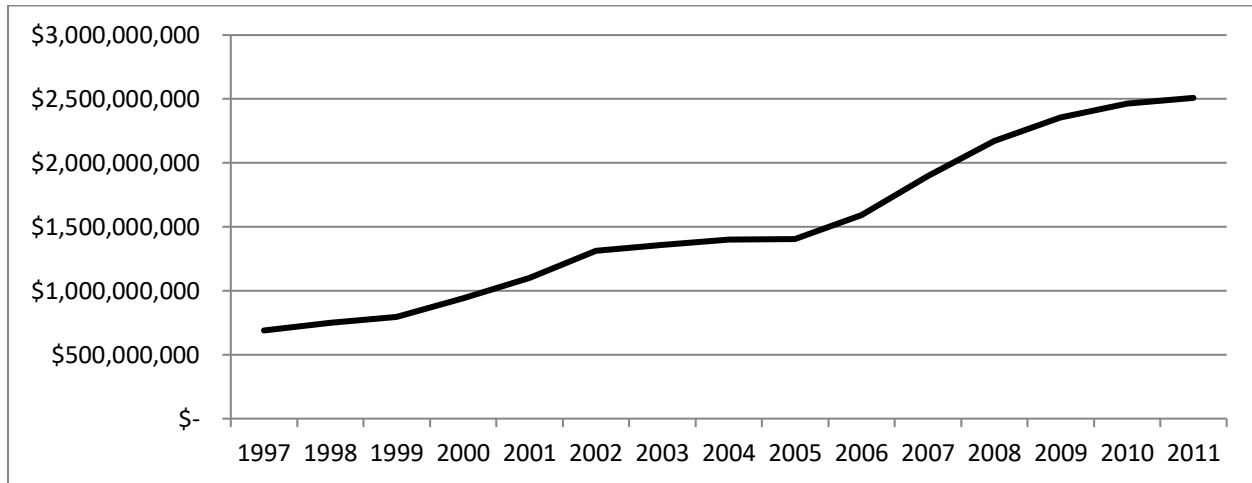


⁵ Data for 1996 was not reported by type of property and total base value was not reported.

⁶ The deflators were taken from Table 1.1.9: Implicit Price Deflators for Gross Domestic Product from the Bureau of Economic Analysis (www.bea.gov). The base year of 2009 was converted to a base year of 2011, since that is the year of analysis used in the next part of the paper.

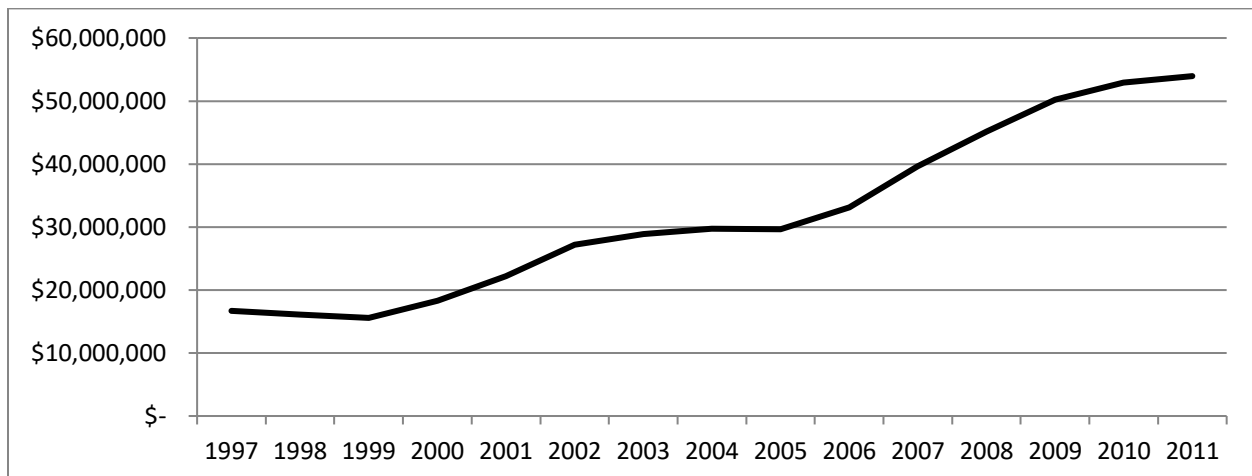
According to Figure 3, total excess value increased from \$689 million in 1997 to \$2.5 billion in 2011, increasing by over \$1.8 billion. The average annual increase was \$129 million. The largest increases were in 2007 and 2008 by \$305 million and \$275 million respectively. The average excess value per TIF district was \$3.6 million.

Figure 3: Total Excess Value



The trend of total excess taxes is similar to total excess value. This should not be surprising given that excess taxes is a function of excess value. According to Figure 4, total excess taxes increased from \$16 million in 1997 to \$53 million in 2011, increasing by \$37 million. The average annual increase was \$2.6 million and the average excess taxes per TIF district was \$76,717. In most years, excess taxes grew, but it did decrease in three years (1997, 1998, and 2005). These total excess taxes represent tax revenue that is used to repay the debt of the project, and therefore is not available to overlapping jurisdictions such as counties and school districts.

Figure 4: Total Excess Taxes



The Department of Revenue classifies type of property of TIF districts into four categories: residential, commercial, industrial, and other. Since the other category represents zero to three percent of the total, it is excluded from this analysis. Also, although the property within a TIF district may include multiple types, a TIF district is classified as just one type. Figures 5-7 show the total base value, total excess value, and total excess taxes by property type.

Figure 5 shows total base value by property type. Since 1997, total base value for TIF districts in commercial property has exceeded total base value for TIF districts in residential property and industrial property and that gap has increased. Total base value for TIF districts in residential property and industrial property has remained relatively steady. For TIF districts in residential property, total base value increased from \$91 million in 1997 to \$139 million in 2011 while total base value for TIF districts in industrial property increased from \$21 million to \$28 million during that same time period. For TIF districts in commercial property, total base value increased from \$135 million in 1997 to \$399 million in 2011.

Figure 5: Total Base Value by Category

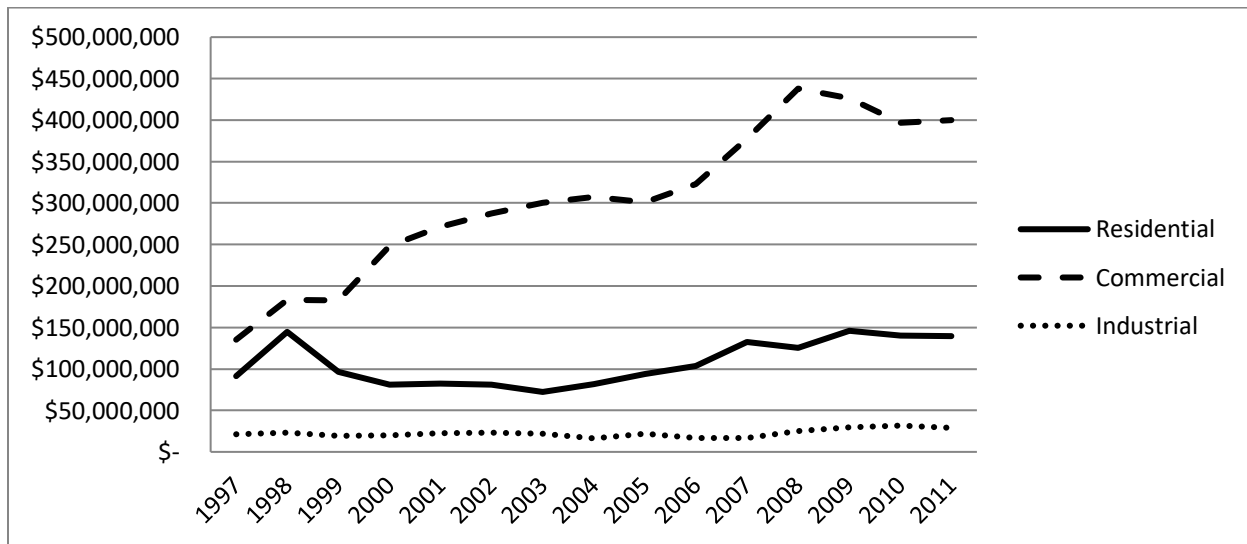
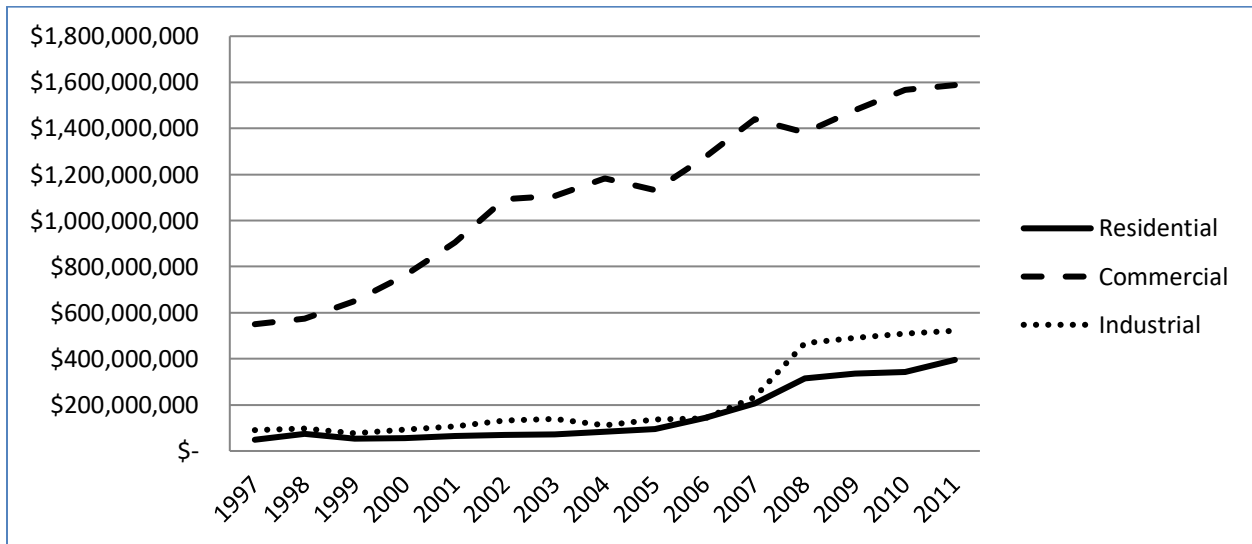


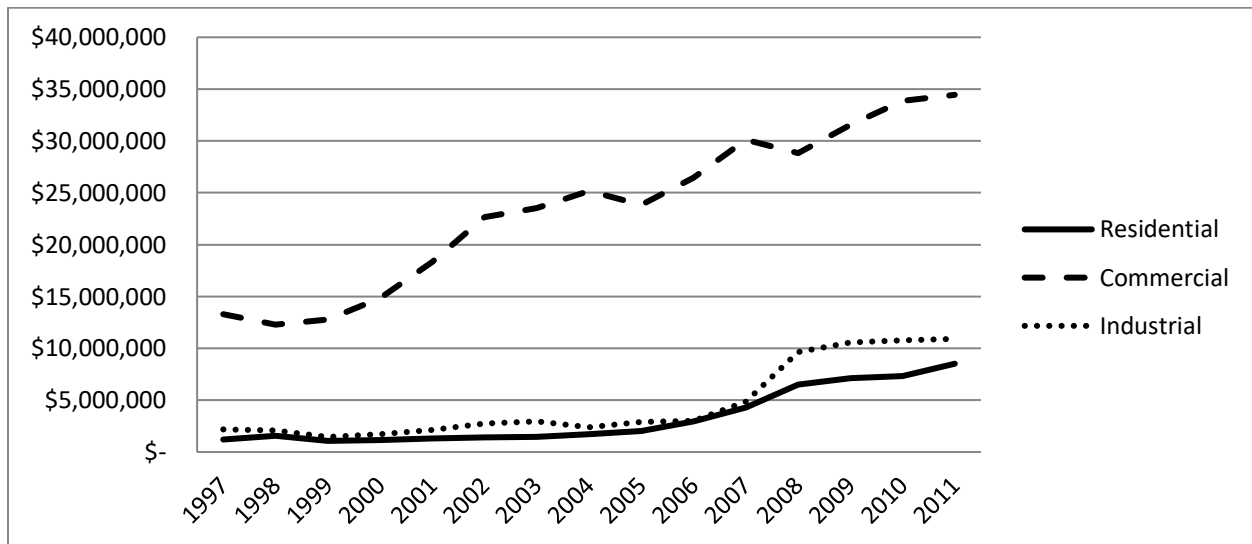
Figure 6 shows total excess value by property type. Again, total excess value for TIF districts in commercial property are higher than total excess value for TIF districts in residential and industrial properties. In 1997, total excess value for TIF districts in commercial property was \$550 million and increased to \$1.5 billion in 2011. For TIF districts in residential property, it increased from \$48 million to \$395 million from 1997-2011. In that same time period, total excess value for TIF districts in industrial property, it increased from \$90 million to \$521 million. From 2007 to 2008, there was a sharp increase, causing excess value for TIF districts in industrial property to more than double, from \$233 million to \$467 million.

Figure 6: Total Excess Value by Category



As expected, Figure 7 tells a similar story. Figure 7 looks almost identical to Figure 6, with the exception of the values on the y-axis. In 1997, total excess taxes for TIF districts in commercial property was \$13 million and increased to \$34 million in 2011. For TIF districts in residential property, it increased from \$1 million to \$8 million from 1997-2011. In that same time period, total excess taxes for TIF districts in industrial property, it increased from \$2 million to \$11 million. From 2007 to 2008, the sharp increase in excess value caused a sharp increase in total excess taxes, it too doubled from \$4.8 million to \$9.6 million.

Figure 7: Real Total Excess Taxes by Category



TIF BY USE IN 2011

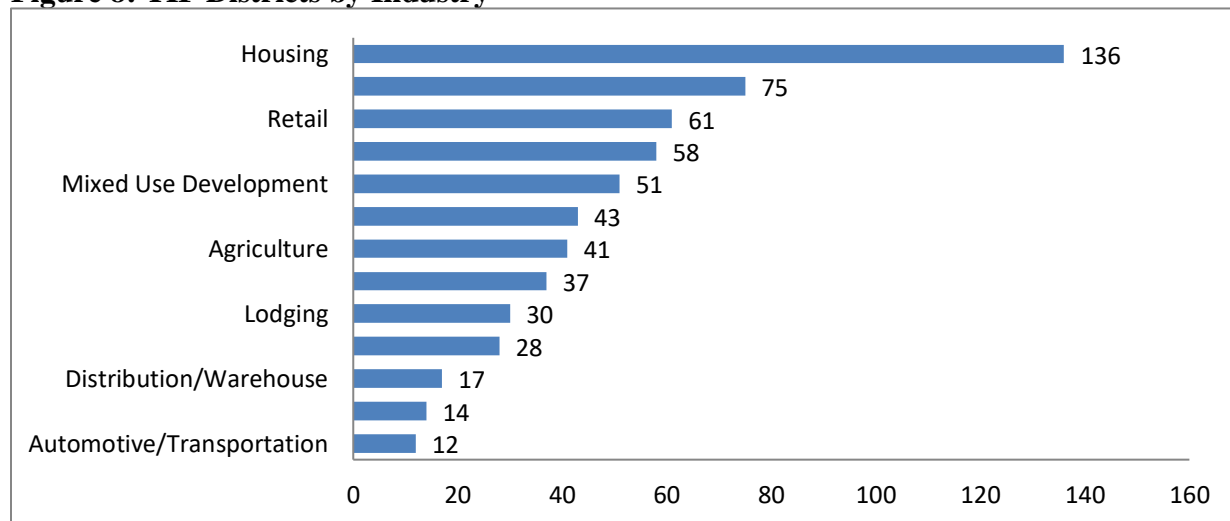
Next, we wanted to look at the types of industries where TIF has been used. We categorized every TIF district in 2011 in one of 12 industries based on the description provided by the DOR (see Table 1). The industries include: agriculture, assisted living, automotive/transportation, commercial development/office space, distribution/warehouse, housing, lodging, manufacturing/packaging, mixed use development, public improvement, restaurant, and retail. Districts used for improving areas that did not fall into one of these industries were placed under the “other” category.

Table 1: Industries

Industry	Description
Agriculture	Contains projects such as ethanol plants, greenhouses, co-ops etc.
Assisted Living	Assisted living, senior housing, retirement home projects
Automotive/Transportation	Car mechanic, auto parts, auto repair, other districts relating to transportation
Commercial Development/Office Space	Banks/bank branches, general commercial structures, office space, shopping centers
Distribution/Warehouse	Distribution centers, warehouses
Housing	Rental housing, apartments, townhomes, condos, lofts, residential housing
Lodging	Hotels, motels, other lodging
Manufacturing/Packaging	Manufacturing plants, packaging plants, fabrication facilities
Mixed Use Development	Any combination of commercial, residential, or industrial use
Public Improvement	Improvements to general areas or public places
Restaurant	Restaurants
Retail	Retail, convenience, grocery stores and shopping centers
Other	Districts that do not fit any of the other mentioned criteria

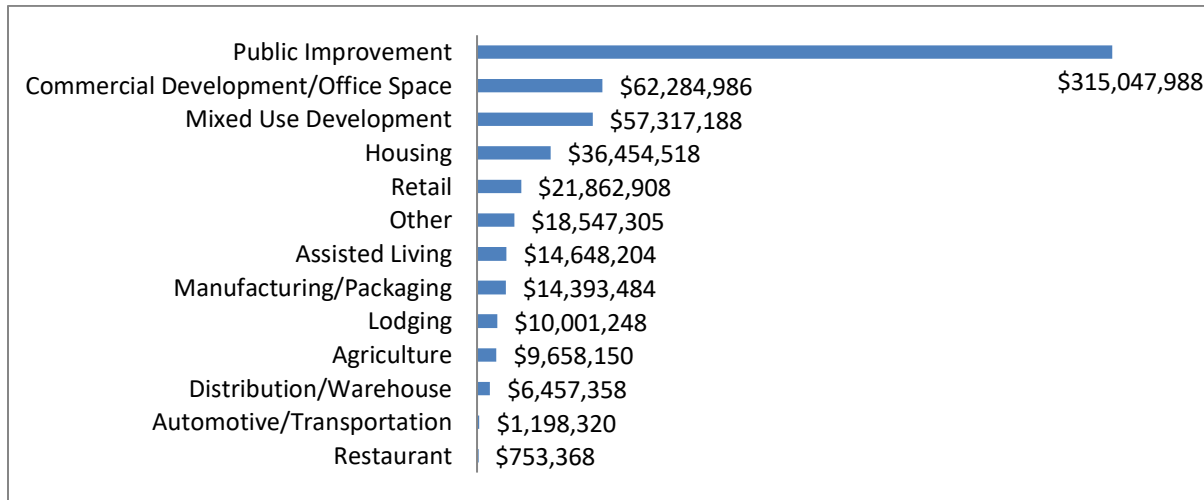
Figure 8 provides information on the TIF districts in each of these industries. Of the 603 TIF districts in Nebraska in 2011, the majority were Housing, with 136, which had almost twice as many districts than the next industry, commercial development/office space, which had 75 districts. The industries with the fewest TIF districts were distribution/warehouse, restaurant, and automotive/transportation, with less than 20 each.

Figure 8: TIF Districts by Industry



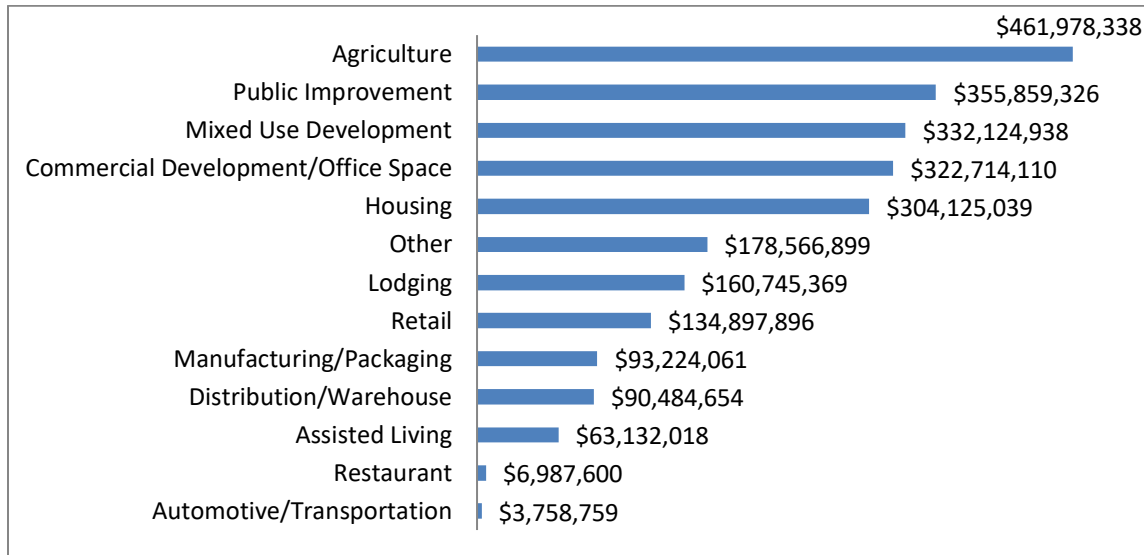
Figures 9-11 show the total base values, total excess values, and total excess taxes by industry for 2011. According to Figure 9, the industry with the highest total base value was public improvements, with \$315 million, which far surpassed the total base values of TIF districts in all the other industries. In fact, that was more than the total excess value of all the TIF districts in the other industries *combined*. Despite having the most TIF districts, the housing industry had a total base value of \$36 million, ranking fourth on the list.

Figure 9: Total Base Value by Industry (2011)



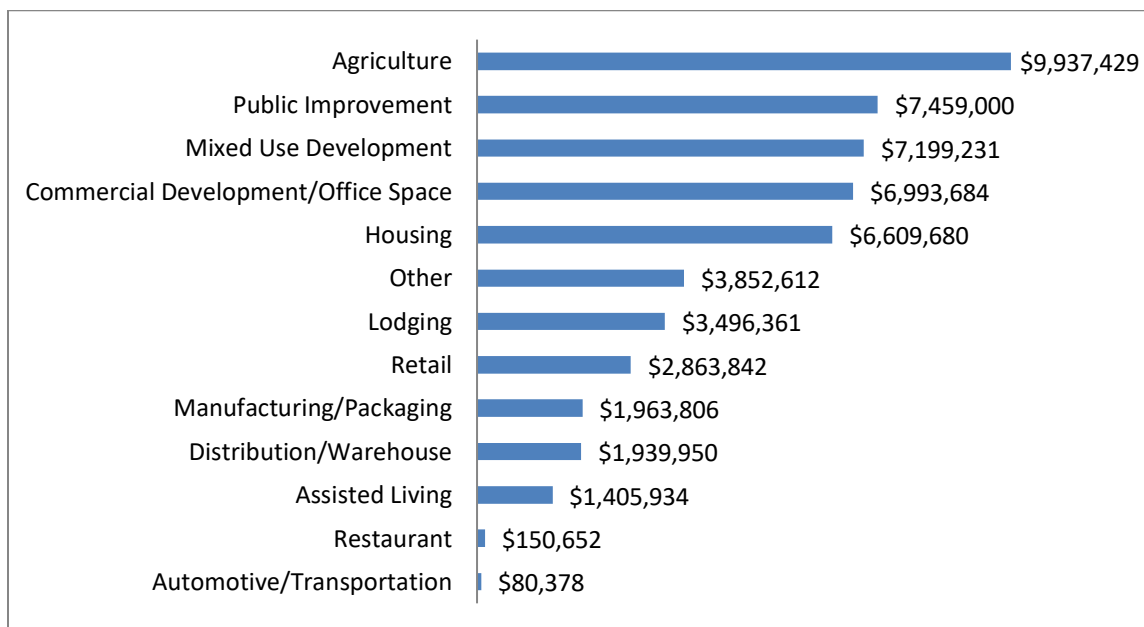
Although the public improvements industry had the largest base value, the agriculture industry had the largest total excess value. Despite having only 41 TIF districts, total excess value in those districts totaled almost \$462 million. The categories with the next highest values of total excess value were public improvement, mixed use development, commercial development / office space, and housing, each between \$300 and \$360 million. Two industries stand out with the lowest total excess value: restaurant and automotive / transportation, both of which had the least number of TIF districts.

Figure 10: Total Excess Value by Industry (2011)



Naturally, the ranking of industries by total excess value is the same as the ranking of total excess taxes (Figure 10). TIF districts in the agriculture had total excess taxes of almost \$10 million. Public improvement, mixed use development, commercial development / office space, and housing each had total excess taxes between \$6.5 and \$7.5 million. Other industries, lodging, retail, manufacturing / packaging, distribution / warehouse, and assisted living each had less than \$4 million. Total excess taxes was least in the restaurant and automotive / transmission industries with around \$150,000 and \$80,000 respectively.

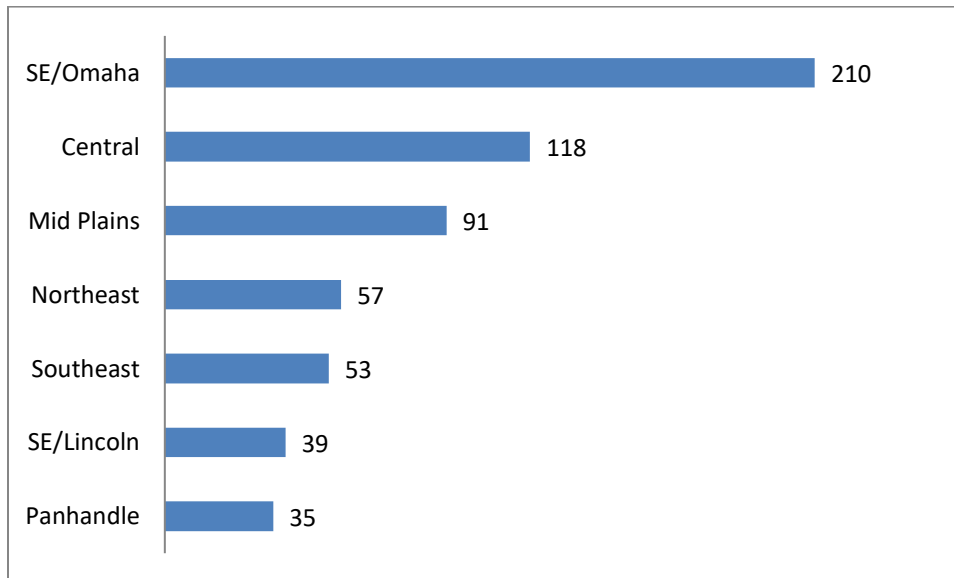
Figure 11: Total Excess Taxes by Industry (2011)



TIF BY REGION IN 2011

Next, we compare TIF use across the seven regions in Nebraska.⁷ Not surprisingly, most of the state's TIF districts reside in the SE/Omaha-Metro region, with almost 100 more than the Central region, which has 118 TIF districts (Figure 12). Surprisingly, the SE/Lincoln region, with the state's second largest city, is second from the bottom of the list.

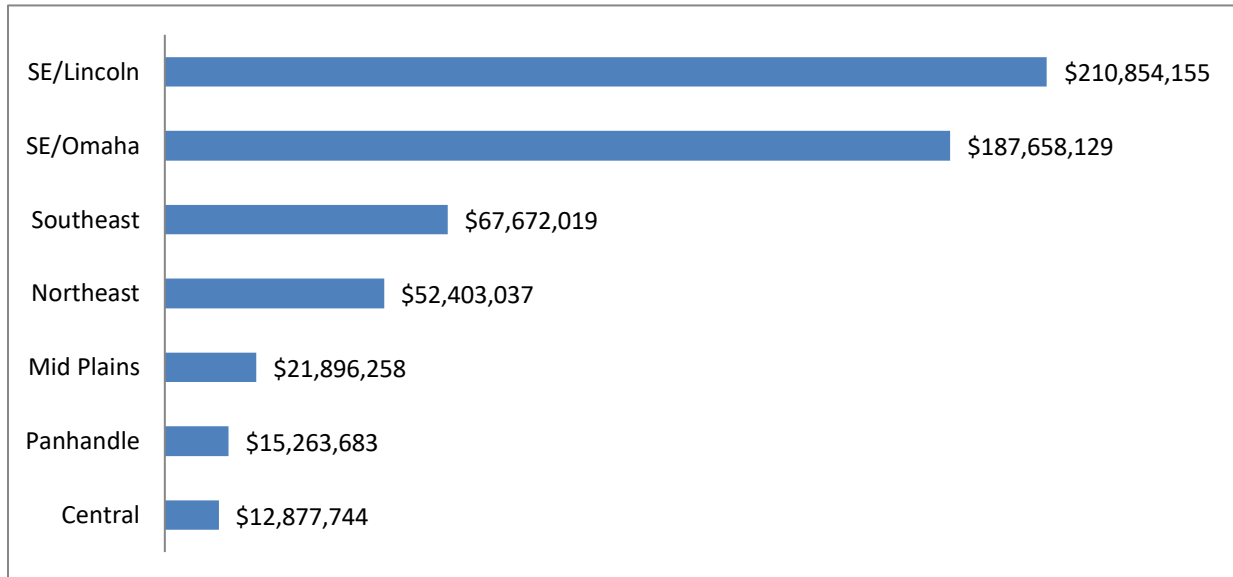
Figure 12: Number of TIF Districts by Region (2011)



⁷ The regions include the following counties: Central Region (Blaine, Loup, Garfield, Wheeler, Custer, Valley, Greeley, Nance, Sherman, Howard, Merrick, Buffalo, Hall, Hamilton, Phelps, Kearney, Adams, Clay, Harlan, Franklin, Webster, Nuckolls), Mid-Plains Region (Cherry, Grant, Hooker, Thomas, Arthur, McPherson, Logan, Keith, Lincoln, Perkins, Dawson, Chase, Hayes, Frontier, Gosper, Dundy, Hitchcock, Red Willow, Furnas), Northeast Region (Keya Paha, Boyd, Brown, Rock, Holt, Knox, Cedar, Dixon, Dakota, Antelope, Pierce, Wayne, Thurston, Boone, Madison, Stanton, Cuming, Burt, Platte, Colfax, Dodge, Polk, Butler), Panhandle Region (Sioux, Dawes, Sheridan, Box Butte, Scotts Bluff, Morrill, Garden, Banner, Kimball, Cheyenne, Deuel), SE/Lincoln-Metro Region (Seward, Lancaster), SE/Omaha-Metro Region (Saunders, Washington, Douglas, Sarpy, Cass), Southeast Region (York, Fillmore, Saline, Otoe, Johnson, Nemaha, Thayer, Jefferson, Gage, Pawnee, Richardson). "Nebraska Regions." Nebraskainfo.org.

Even though the SE/Lincoln region has close to the fewest TIF districts, it leads in total base value of \$210 million (Figure 13). The SE/Omaha region is a close second with \$187 million. The Central region, which has the second highest number of TIF districts, has the lowest total base value.

Figure 13: Total Base Value by Region (2011)



According to Figure 14, TIF districts in the SE/Omaha region have the highest total excess value by far, with over \$1.4 billion. That is more than the total excess value of the TIF districts in all other regions combined. Total excess value in the Central, Northeast SE/Lincoln, Mid Plains, and Southeast are similar, ranging from around \$180 million to \$214 million. Total excess value of TIF districts in the Panhandle is significantly less at \$80 million.

Figure 14: Total Excess Value by Region (2011)

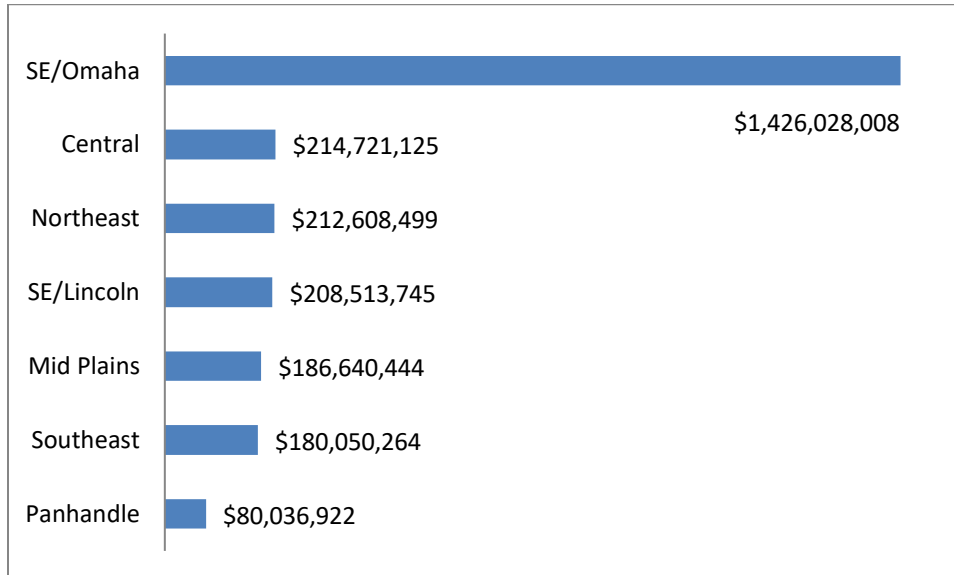
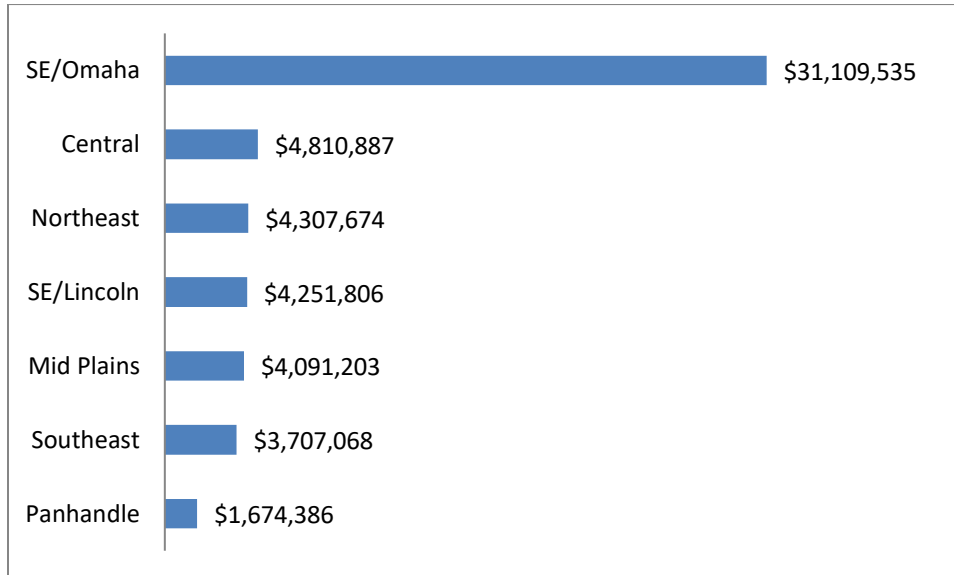


Figure 15 tells a similar story to Figure 14. Total excess taxes are highest in the SE/Omaha region at \$31 million and lowest in the Panhandle at \$1.6 million. Total excess taxes in the other regions ranges between \$3.7 million to \$4.8 million.

Figure 15: Total Excess Taxes by Region (2011)



CONCLUSION

It appears that TIF continues to be a popular tool for economic development in substandard and blighted areas in Nebraska. From 1996 to 2011, TIF use in Nebraska grew steadily and, as a result, total base value, total excess value, and total excess taxes increased during that time period. The largest share of each of those measures came from TIF districts in commercial properties. In 2011, the majority of TIF districts were Housing. The highest Total Base Value was in Public Development districts, while Agricultural TIF districts had the largest share of Total Excess Value and Total Excess Taxes. In 2011, the SE/Omaha region had the most TIF districts, almost double the amount of the next highest region. Despite the SE/Lincoln region having a slightly larger total base value than the SE/Omaha region, the SE/Omaha region has by far the most total excess value and total excess taxes.

The information in this paper can be used help to evaluate TIF use in Nebraska. The data can be used to compare TIF use in Nebraska to TIF use in other states as well as a reference as the Department of Revenue continues to track TIF use in Nebraska in the future. Finally, the information in this paper can be used by policy-makers and practitioners to help with evaluating the effectiveness of TIF in Nebraska.

REFERENCES

“Community Redevelopment Tax Increment Financing Projects Tax Year 2011.” March 1, 2012. Nebraska Department of Revenue.

“Nebraska Regions.” NebraskaInfo.org. <http://www.nebraskainfo.org/community/region/>.

APPENDIX A

Base Values by Property Type

Tax Year	Total	Residential	Commercial	Industrial	Other
1997	\$247,881,925	\$91,532,983	\$135,268,341	\$21,080,601	\$0
1998	\$350,976,562	\$144,729,305	\$183,195,576	\$23,040,743	\$10,939
1999	\$298,362,843	\$96,166,218	\$182,749,857	\$19,435,993	\$10,774
2000	\$349,169,049	\$81,165,765	\$248,296,223	\$19,707,060	\$0
2001	\$376,076,061	\$82,216,522	\$271,168,375	\$22,691,164	\$0
2002	\$391,711,443	\$80,991,223	\$287,374,986	\$23,345,234	\$0
2003	\$394,324,714	\$72,274,612	\$300,065,511	\$21,984,592	\$0
2004	\$405,386,356	\$81,655,747	\$307,436,000	\$16,294,608	\$0
2005	\$416,604,174	\$94,126,232	\$300,699,788	\$21,778,154	\$0
2006	\$442,625,802	\$103,298,985	\$322,837,556	\$16,489,262	\$0
2007	\$526,663,378	\$132,724,661	\$377,360,977	\$16,577,740	\$0
2008	\$588,599,102	\$125,229,047	\$437,958,760	\$25,411,295	\$0
2009	\$602,330,339	\$146,005,813	\$426,256,227	\$29,739,171	\$329,128
2010	\$568,797,193	\$140,388,678	\$396,471,111	\$31,692,305	\$245,098
2011	\$568,625,025	\$139,772,603	\$399,643,568	\$28,968,714	\$240,140

APPENDIX B**Excess Value by Property Type**

Tax Year	Total	Residential	Commercial	Industrial	Other
1997	\$689,510,192	\$48,795,466	\$550,175,910	\$90,538,815	\$0
1998	\$750,391,843	\$75,166,652	\$573,760,268	\$96,929,780	\$4,535,143
1999	\$794,139,399	\$52,682,032	\$651,562,657	\$76,703,225	\$13,191,485
2000	\$941,769,796	\$56,853,662	\$762,518,316	\$91,692,838	\$30,704,980
2001	\$1,098,253,092	\$65,443,193	\$906,070,052	\$106,090,285	\$20,649,563
2002	\$1,313,926,519	\$68,890,254	\$1,092,364,580	\$132,057,138	\$20,614,547
2003	\$1,359,071,600	\$71,733,973	\$1,106,646,547	\$138,028,711	\$42,662,369
2004	\$1,398,801,347	\$82,695,098	\$1,182,957,105	\$111,823,659	\$21,325,485
2005	\$1,406,404,865	\$96,133,188	\$1,132,350,189	\$137,565,890	\$40,355,598
2006	\$1,592,800,813	\$142,736,865	\$1,275,564,931	\$142,170,129	\$32,328,888
2007	\$1,898,546,316	\$206,989,137	\$1,439,355,319	\$233,283,126	\$18,918,733
2008	\$2,173,703,576	\$314,544,331	\$1,382,337,925	\$467,212,490	\$9,608,831
2009	\$2,354,464,305	\$336,608,841	\$1,479,908,560	\$490,413,729	\$47,533,174
2010	\$2,464,062,681	\$342,945,173	\$1,568,237,167	\$508,762,631	\$44,117,709
2011	\$2,508,599,007	\$395,501,955	\$1,587,956,817	\$521,804,385	\$3,335,850

APPENDIX C

Excess Taxes by Property Type

Tax Year	Total	Residential	Commercial	Industrial	Other
1997	\$16,698,275	\$1,190,956	\$13,303,368	\$2,203,952	\$0
1998	\$16,056,616	\$1,583,122	\$12,285,119	\$2,089,905	\$98,470
1999	\$15,574,137	\$1,075,779	\$12,789,173	\$1,457,724	\$251,461
2000	\$18,303,141	\$1,147,807	\$14,842,502	\$1,734,974	\$577,859
2001	\$22,194,486	\$1,314,057	\$18,324,119	\$2,140,592	\$415,720
2002	\$27,219,265	\$1,394,189	\$22,644,520	\$2,750,484	\$430,072
2003	\$28,894,127	\$1,480,172	\$23,529,755	\$2,962,457	\$921,742
2004	\$29,766,160	\$1,727,810	\$25,185,882	\$2,394,416	\$458,052
2005	\$29,651,248	\$2,025,337	\$23,858,288	\$2,920,971	\$846,652
2006	\$33,072,505	\$2,959,068	\$26,453,170	\$2,989,404	\$670,863
2007	\$39,649,495	\$4,293,458	\$30,094,262	\$4,873,180	\$388,596
2008	\$45,172,032	\$6,522,212	\$28,834,134	\$9,618,226	\$197,459
2009	\$50,238,852	\$7,142,736	\$31,538,028	\$10,543,590	\$1,014,499
2010	\$52,943,432	\$7,351,098	\$33,873,231	\$10,758,158	\$960,944
2011	\$53,952,556	\$8,518,260	\$34,449,940	\$10,911,709	\$72,647